

ABSTRACT

Title of Dissertation: TO WHISPER IN THE KING'S EAR: ECONOMISTS IN PAHLAVI AND ISLAMIC IRAN

Ehsanee Ian Sadr, Doctor of Philosophy, 2013

Directed by: Professor Virginia Haufler
Department of Government and Politics

Who whispers in the King's ear, for how long, and to what effect? The primary hypothesis guiding this study is that economists gain influence when the international resources they can deliver are valued and desired by the country's political leadership; and economists lose influence when those resources are not valued or desired. Alternate hypotheses that consider the role of increasing complexity in international economic relations, epistemic communities, emulation, and economists' political activity are also considered. These hypotheses are evaluated through a study of the experiences of economists in Iran under both the Pahlavi monarchy and the Islamic regime. Results indicate support for the primary hypothesis that economists are desired for their ability to signal competence and gain the trust of the international financial and donor communities. Surprisingly, especially in the Islamic Republic, epistemic communities of economists are also found to have been very successful in using moments of political or economic crisis to influence the worldview and economic policy preferences of political leaders.

TO WHISPER IN THE KING'S EAR:
ECONOMISTS IN PAHLAVI AND ISLAMIC IRAN

By

Ehsanee Ian Sadr

Dissertation submitted to the Faculty of the Graduate School of the
University of Maryland, College Park, in partial fulfillment
of the requirement for the degree of
Doctor of Philosophy
2013

Advisory Committee:
Professor Virginia Haufler, Chair
Professor Shibley Telhami
Professor Karol Soltan
Professor Margaret Pearson
Professor Ahmad Karimi-Hakkak

© Copyright by

Ehsanee Ian Sadr

2013

To Allison and Ali Sadr

who believed in me

from the first breath.

Acknowledgements

My first expression of thanks must go to Professor Virginia Haufler, an exceptional advisor in every respect. Dr. Haufler always managed to administer the perfect cocktail of intellectual challenge, emotional support, and practical guidance needed at various stages of this project. Without her kind but firm mentorship I would have been lost trying to navigate the long-distance completion of the dissertation while also working and starting a family.

Professor Shibley Telhami has been an inspiring example of a ferocious academic intellect combined with a passionate commitment to improving policy, particularly in the Middle East. I'm particularly grateful for his introducing me to the Palestinian Business Committee through which I've had the opportunity to observe the policymaking role of academics up close.

Professors Karol Soltan, Margaret Pearson, and Ahmad Karimi-Hakkak also contributed in meaningful and multiple ways toward improving the final dissertation product. I am grateful for their patience with and many insights for improving a flawed earlier draft.

During the process of researching the role of economists in Iran, I imposed upon many who were kind enough to share opinions, experiences, data, and contacts with me. I am particularly grateful to Dr. Mohammad-Hadi Mahdavian for facilitating introductions to a number of key players and to Dr. Alireza Qandahari for helping me access needed data and challenging me to think about my topic in new ways.

The generosity of my in-laws in hosting me and entertaining two small and active children while I roamed Tehran doing interviews cannot be overstated. I'm also grateful to my own parents for, among other things, watching the kids, photographing records at the National Archive, editing various drafts, and instilling the confidence I needed to take on such a big project. It is to them that this dissertation is dedicated.

And with my own little family, the children I full-heartedly adore, and the man I share my life with, I look forward to a new dissertation-free future. With you as my companions I can't wait to see what happens next!

Table of Contents

Chapter One: Introduction and Literature Review	1
Why Study Economists?	3
The Ubiquitous Rise of Economists	6
Explaining the Phenomenon	8
International resources	8
Economists as political interest groups	10
Functionalism	11
Epistemic Communities	13
Mimetic Isomorphism	16
Hypotheses and Variables Under Investigation	17
Case Justification and Significance	23
Background on Iran	24
Data and Methods	32
Chapter Two: After the coup (1953-1961)	34
Iran's first economists	35
Ali Amini	36
Ebtehaj	38
The Shah and his economic team	43
The Shah's support falters	46
Amini's return	47
Understanding the Shah's support	49
Chapter Three: The White Revolution, the Young Turks, and the start of the Golden Decade (1962-1969)	55
The White Revolution	57
The 'Young Turks'	62
The Mansur Government	63
Hoveyda	68
The Technocrats	72
Understanding the Shah's support	78
Chapter Four: Boom and Bust (1969-1979)	84
The Shah and his Military	88
The Shah and his Economic Team	91
The Oil Boom	92
Planning in an Era of Plenty 1973-1974	95
Hyperboom 1974-1975	98
The King is Displeased	102
Understanding the Shah's relations with his Economic Team	104
Revolution	108

Chapter Five: Revolution, War, and Economists (1979-1989)	109
Initial optimism is crushed.....	109
Islamic Economics	115
The First Development Plan is Defeated	119
Economists, Population Growth, and War.....	124
The First Development Plan and a New Team	129
Economists in the Islamic Republic: Why the turnaround?.....	132
Chapter Six: The Rafsanjani Years (1989-1997)	139
The First Five Year Plan	140
Beyond the Plan	143
Privatization.....	143
Exchange Rate Policy	145
Implementing the Plan—Initial Success.....	146
Iran Stumbles	150
The Second Development Plan.....	156
Economists and Rafsanjani.....	160
Chapter Seven: Khatami (1997-2005)	164
The Cabinet.....	165
Choosing an economic policy direction.....	167
The Third Development Plan—Preparation and Approval	169
Implementing the Plan	173
Exchange Rate Unification	173
Trade Liberalization.....	175
Financial Market Liberalization.....	177
Reengaging with the International Financial Community	179
Reforming Fiscal Management.....	181
Privatization	185
Economists and Khatami	188
The end of the reform movement?.....	193
Chapter Eight: Ahmadinejad and the Abadgaran (2004-2012)	195
President Mahmoud Ahmadinejad cleans house	200
Populist Economic Policy Under Ahmadinejad	205
Domestic Outcry	209
IMF-Style Reforms with a Populist Twist?	213
Privatization and Justice Shares.....	213
Subsidy Reform	215
Economists and Ahmadinejad.....	219
Chapter Nine: Conclusion	223
The dependent variable: the influence of economists.....	224
Case #1: 1953-1958 (Policymaking power increases).....	224
Case #2: 1959-1962 (Policymaking power decreases).....	225

Case #3: 1963-1972 (Policymaking power increases).....	226
Case #4: 1973-1976 (Policymaking power decreases).....	226
Case #5: 1977-1978 (Policymaking power increases).....	227
Case #6: 1979-1987 (Policymaking power decreases).....	227
Case #7: 1988- 1992 (Policymaking power increases).....	227
Case #8: 1993-1997 (Policymaking power decreases).....	228
Case #9:1997-2004 (Policymaking power increases).....	228
Case #10: 2004-2009 (Policymaking power decreases).....	229
The independent variables	230
Independent variable #1: International Resources.....	230
Independent variable #2: Political power	236
Independent variable #3: Time	238
Independent variable#4: Crises.....	242
Independent variable #5: Successful Models.....	247
Discussion and proposals for additional research.....	249
Implications of Findings	253
Appendix: Timeline of major political and economic events.....	255
References.....	263

Chapter One: Introduction and Literature Review

Shortly after the 1979 Iranian revolution, the Plan and Budget Organization (PBO)—a thirty year old institution that had led the country’s economic planning and development drive since 1949—was summarily disbanded. The revolution’s leaders were suspicious of an organization staffed by Western-educated economists that had served the despised capitalist Pahlavis through a planning process that was judged incompatible with faith and reliance upon Divine Providence. Less than a decade later, however, a team of U.S. and European educated economists from the reconstituted PBO joined with like-minded professionals at the Central Bank of Iran and Ministry of Finance to spearhead a World Bank style reform program comprised of privatization, exchange rate unification, repeal of subsidies, and the reduction of trade barriers. With fits, starts, some reversals, some progress, this program guided the economic policymaking process in Iran for the next 16 years. How did Western-educated economists touting a ‘Washington Consensus’ reform program regain the trust of a political leadership for which communal chants of ‘Death to America’ were only the most visible expression of the country’s continued rejection of the Western model?

The converse puzzle can be observed in the pre-revolutionary era of the Pahlavi monarchy. In the 1960s a team of Harvard, Princeton, and Stanford trained economists guided the country through what was called the “Golden Decade” of enviably high growth and low inflation. Their concerns and advice were entirely ignored, however, when they warned the Shah during the oil boom that the absorptive capacity of the economy could not handle the scale and volume of investments he desired. How did a

monarch who referred to Westernization as “our welcome ordeal” come to lose his confidence in his economic team about whom he was now heard to say one should “listen to economists and always just do the opposite” (Milani, 2008: 28, Pahlavi, 1961: Chapter 7)?

Most explanations for the ability of economists and other experts to capture the policymaking agenda rely heavily on the favorable or altered worldview of the political leadership. Such leaders are expected to turn to experts out of dissatisfaction with current policies and a conviction that expert knowledge can be relied upon to navigate complex economic events and issues. These explanations are challenged to explain how a pro-Western monarchy explicitly modeling itself on the West might reject its Western-educated advisors while an anti-capitalist theocracy explicitly rejecting the Western model would embrace them.

An alternative view is that the source of expert power stems from their ability to deliver domestic (votes or political power) or international (loans, grants, etc.) goods. I argue that economists are especially well placed to access and deliver international goods and that the observed similarities of economists cycling in and out of power under two vastly different types of regimes in Iran result primarily from fluctuations in the extent to which the goods they can deliver are valued.

The purpose of this study is to shed light on the circumstances under which economists successfully “whisper in the king’s ear” through an investigation of the experiences of economists in pre-and post- revolutionary Iran. Before examining the details of the case study, however, the present chapter establishes the importance of studying economists, examines the current state of the scholarly literature relevant to this

topic, and delineates the hypotheses under consideration as well as the research design used to guide the investigation.

Why Study Economists?

It is reasonable to begin by considering whether and why the study of economists is important for an understanding of economic policy outcomes. Indeed, a number of structuralist accounts of economic policy formulation suggest that expert advisors, politicians, and other agents are largely epiphenomenal to international flows of goods and capital, or the natural resource base of the economy. Unfortunately, however, such approaches are unable to fully account for observed economic policy outcomes in Iran.

The literature on *globalization* suggests that increasing international economic integration has created competitive pressures between and among states to gain access to export markets and attract investments by multinational corporations and international capital; and that these pressures have resulted in predictable economic policy responses (Drezner, 2001, Mishra, 1999). In order to increase the marketability of exports, for example, states have privatized inefficient state-owned enterprises, reduced taxes that might inhibit the activity of domestic firms, and cut down on borrowing and investment activities that might crowd out the private sector. In order to entice multinational corporations, regulations regarding labor relations and environmental protections have been rolled back (Brecher and Costello, 2000, Brickman et al., 1985). And in order to attract portfolio investment and reduce the likelihood of capital flight, governments have adhered to a wide range of economic policies perceived favorably by the international financial market (Andrews, 1994, Gill and Law, 1989, Strange, 1996). Theoretical and

empirical work in this area suggest that, perhaps, globalization pressures alone account for much of the observed convergences in policy outcomes.

The theorized relationship between exposure to the global economy and policy convergence has, however, come under increasing scrutiny particularly as a result of empirical studies that have failed to find predicted outcomes. In an investigation of OECD countries from 1985 to 1995, for example, Garrett (1998:b) found no evidence that globalization leads to a policy race to the bottom. Similarly Stephens (2003) study of EU housing finance systems finds that despite the European Single Market, national governments continue to “have rather more control over housing policy than convergence theory suggests” (p.1024). A number of scholars have even found that globalization may in some cases lead to increasing divergence of national regulatory policies. In a detailed examination of the development trajectories of South Korea, Argentina, and Spain, Guillen (2001) found that these three countries, initially very similar on a number of measurements, have diverged a great deal as a result of globalization which “actually encourages diversity in economic action and organization form rather than convergence” (p. 4). Guillen’s conclusions are supported by Garrett (1998:a) and Scruggs and Lange (2002) who also find that globalization has led to divergence in OECD economic policy regimes and union density.

There is also the problem that Iran is simply not very integrated with the global economy. As compared with the OECD countries that constitute the usual objects of globalization studies, Iran has been much less open to international trade and investment flows over the last thirty years as a result of high tariff and non-tariff trade barriers, heavy handed financial market regulation, an unpredictable investment environment, and

international economic sanctions. If the globalization thesis is only ambiguously supported in highly integrated OECD nations, it is much less likely to be relevant to a study of the economic policies of a country that is in many ways isolated from the global economy.

Rentier state theory is another structuralist approach that would seem to be particularly relevant to the study of an oil exporting nation like Iran. A rentier state is one that receives a substantial portion of its income from external rents that accrue directly to the government and are largely independent of domestic production processes (Shambayati, 1994). Such dependence on the oil sector has been observed to lead to similar economic institutions and policies in a number of countries with otherwise very different political, cultural, and economic histories (Karl, 1997, Shafer, 1994). Specifically, the domestic economies of rentier states are expected to be dominated by governments that: invest oil proceeds into a multitude of inefficient state owned enterprises; subsidize the private sector with easy credit, guaranteed business contracts, and protection from international competitors; and provide favored employment opportunities in overstuffed bureaucracies and public enterprises.

The rentier state literature can be criticized, however, for overgeneralizations that fail to take into account differences among and developments within oil-based economies. Indonesia in the 1970s and 80s, for example, is generally acknowledged to have weathered the ups and downs of the oil market much more successfully than many of its OPEC counterparts (Lewis, 2007). Similarly, several of the Gulf monarchies have recently been observed to have refashioned their public enterprises as well as their overall development models in a manner that suggests oil wealth is less determinative of

economic policy than previously thought (Hertog, 2010, Hvidt, 2011). Furthermore, even the strongest proponents of the ‘resource curse’ acknowledge that times of “low oil prices provide the opportunity to create a different development dynamic” (Karl, 1999: 48). Unfortunately, however, they provide little guidance as to the variables relevant to the best usage of such opportunities.

In contrast to the structuralist approaches described above, the present study is grounded in a more agency based perspective that views economic policymaking outcomes as resulting from inter-elite bargaining and negotiation. Economists are an important object of study insofar as they are often major participants in such bargaining and negotiations. The central argument driving this study is that economists are more likely to influence this process when they are able to access and deliver international goods that are valued by domestic actors. The following two sections consider the scholarship on economists and the variables that have been identified as contributing to their ability to dominate the economic policymaking process.

The Ubiquitous Rise of Economists

The presence of professional economists in high-level policymaking positions has become so commonplace, it can be difficult to remember that this is a relatively recent phenomenon. In the United States, for example, none of the first nine chairmen of the Federal Reserve held a degree in economics at any level and as recently as 1979, the post was held by a lawyer with no formal economics training. A similar pattern can be observed in the economic leadership histories of other countries. In the United Kingdom, Germany, Canada, Brazil, Argentina, and Japan, among others, economic policymaking

was traditionally the domain of generalists such as lawyers, businessmen, or politicians (Babb, 2001, Bergh, 1981, Dezalay and Garth, 2002, Markoff and Montecinos, 1993, Pechman, 1989). In the Middle East, as late as 1978, only 24% of Central Bank Governors, and Ministers of Economics, Finance, Trade, or Industry had an economics background (Askari and Cummings, 1978: 350). In countries like Italy and Israel, professional economists experienced outright disdain from bureaucrats and officials who felt their ‘cold-hearted’ numbers-based approach was inappropriate to the country’s culture or goals (Ferraresi and Ferrari, 1981, Kleiman, 1981).

By the late 1970s, however, the policymaking role of economists had become pervasive enough that it began to capture the attention and research agendas of social scientists. Rhoads (1978: 113) reports that by 1973, 43% of PhD social scientists working in the U.S. government were economists and by 1975, economists comprised 74% of the 257 social scientists working at the highest levels of the federal government (GS 16 and above). Outside the United States, the growing power of economists was noted in articles and books that highlighted their experience and role in dozens of countries (Camp, 1977, Coats, 1981, Giles, 1979, Pechman, 1989).

More recently, both empirical and case-based investigations have confirmed the growing role of economists—especially U.S. educated economists—around the world. Using a 50-year database of the educational backgrounds of world leaders, Hira concludes that “there has been a notable rising importance of economics as a background for leaders in Latin America, Africa, and Asia (2007: 326). Hira’s work is corroborated by a number of case studies conducted primarily in Latin American countries such as Chile, Mexico, Brazil, and Argentina (Babb, 2001, Dezalay and Garth, 2002, Markoff

and Montecinos, 1993) that highlight the growing importance of economists in general and U.S.-trained economists in particular

Explaining the Phenomenon

How is it that a group of self-proclaimed experts entirely lacking the votes or dollars of traditional interest groups came to dominate policymaking in an arena where politically sensitive decisions about the distribution of material resources are made? Scholarship on this topic can be roughly categorized based on the relative weight accorded ideational versus material factors. As discussed below, the literature on functionalism, epistemic communities, and mimetic isomorphism suggest that economists gain power as a result of the changed convictions of political leaders who are convinced of the value of economists' advice. By way of contrast, the literature on interest groups and coercive isomorphism suggest that economists gain power to the extent that they are able to deliver valued goods from the domestic (votes) or international (loans, grants) arenas. The hypothesis guiding this investigation is that economists are particularly well placed to access and deliver international goods. Below this scholarship is reviewed in greater detail.

International resources

As compared with other domestic actors, economists have significant advantages in being able to access and deliver highly valued international goods such as aid, grants, loans, and investment. International financial institutions, investment banks, or aid organizations are often run by fellow economists that are more likely to trust members of their own profession with the grants, loans, and investments they are requesting. A

number of studies of Latin American countries have documented that countries desperate for such funds will push to the top of their economic policy making teams those individuals that are most likely to inspire the trust and loosen the purse strings of counterparts for whom the presence of familiar and trusted economists signal a well-run economy and the responsible use of requested funds. Sarah Babb (2001), for example, has demonstrated that U.S. trained economists came to dominate the policymaking process in Mexico in large part because their presence served to reassure international investors that the economy was in knowledgeable and appropriately trained hands. Similarly, in a study of Latin American technocrats in the 1980s, Ben Schneider (1998) considers several different explanations for their simultaneous ascendance in countries that varied greatly in terms of political and economic structure. Schneider concludes that the only explanation that fully accounts for observed outcomes is that “political leaders seek out technocrats in order to signal government commitment to economic reform and thereby restore investor confidence” (Schneider, 1998).

This explanation is particularly compelling for the Iranian case insofar as it explains why economists might have had such similar experiences under two ideologically opposing regimes. That is, the pro- or anti- Western orientation of the regime would have had much less impact on the experience of economists than the extent to which the political leadership sought loans, grants, or investments from the international community and, therefore, needed economists to facilitate access to them.

Economists as political interest groups

While the primary hypothesis driving this investigation is that economists gain influence due to their advantages in delivering international goods, another view is that political leaders turn to economists insofar as they can deliver votes and dollars just like any other interest group (Schneider, 1998: 80-82). The ability of a given group to mobilize and influence policy has been identified, within the traditional literature on interest groups, as dependent upon group size (the smaller the better) and the votes or dollars available to support sympathetic electoral candidates (Brenner, 1969, Olson, 1965). While economists—particularly Western-educated economists in developing countries like Iran—may be a relatively small group with relatively few collective action problems, they clearly do not command the financial or electoral resources of more traditional groups. Researchers have found, however, that policymakers can be responsive to the interests of diffuse groups and may, therefore, be willing to embrace policy options that economists frame as being beneficial to (and thereby resulting in votes from) large portions of the electorate (Bailey, 2001). Furthermore, in many developing countries, foreign-educated economists are of necessity members of wealthy, elite, well-connected families with the means to send their children abroad to study for several years. As such, economists are more likely to have family and/or other associational ties with wealthy or influential individuals that they might ‘deliver’ to policymakers in order to increase the likelihood that their preferred policy choices will be adopted (Schneider, 1998: 81).

Noting these various means by which technocrats actively pursue the implementation of their policy ideals, Guillermo O’Donnell (1973) has analyzed their

role in Latin American and concluded that they are so powerful that their activities can be inimical to the democratic conduct of governance. In O'Donnell's account, technocrats quickly become frustrated by the inability of messy democracies to identify, select and stick to effective policies. Concluding that parliaments are an obstacle and hindrance to growth-promoting strategies, technocrats ally themselves with the military and others in a coup coalition that overturns populist democracies in favor of what O'Donnell labels a 'bureaucratic-authoritarian' form of government. Technocrats and economists are, according to this narrative, not only a powerful interest group within a pluralist society but also a group powerful enough to help overturn pluralist societies deemed an obstacle to its preferred policies.

Functionalism

The two processes described above assume that political leaders turn to economists because they believe economists can deliver something of value. In contrast, earlier theories about the role of economists assumed that political leaders become convinced of the need to hire economists because of the increasing complexity of the world, the superiority of the advice economists provide, or the example of successful states in the system.

One of the first literatures to note (and applaud) the growing power of economists was functionalism (Haas, 1968, Mitrany, 1968, Rosamond, 2000). In the words of David Mitrany: "We have traveled far from the glittering parade of princes at the Congress of Vienna to the sober meetings of civil servants, scientists and technicians" (Mitrany, 1968: 67). The technification of governance was seen by functionalists as a natural and

predictable response to the growing complexity of the modern world and the increasing responsibilities of welfare states to their citizens (Schneider, 1998: 78). Governments and the politicians who ran them did not have the expertise needed to function effectively in this new and uncertain environment. They therefore turned to neutral experts to help them determine their interests and how they might be attained (Rosamond, 2000: 31-38).

The growing power of experts was, according to functionalists, not only inevitable but was also a normatively positive trend. In the hands of economists, engineers, and other scientists, policy decisions would be guided by rational science rather than the self interest of rulers and politicians. This process would, furthermore, lead to increased international cooperation and integration—the primary interest of functionalists—as scientists worked together across national boundaries to address shared issues and problems.

This rosy view of the role of technocrats has been challenged on several fronts. Critics have pointed out that very few government decisions are purely technical and/or lacking in distributive implications (Rosamond, 2000: 40). Insistence that such decisions be removed from the arena of political or public debate would, therefore, eliminate citizen involvement in decisions that materially affect their welfare thereby severely diminishing the quality of democratic governance (Centeno, 1993, Laird, 1993, Nelkin, 1975). A different line of critique has been offered by radical constructivists who question the ontological and epistemological bases by which individuals are defined as ‘experts’. Asserting that knowledge is a social construction whose correspondence with reality is impossible to determine, such critics suggest that scientific claims of objectivity

and/or privileged access to reality are contestable (Knorr-Cetina and Mulkay, 1983, Woolgar, 1988).

Functionalists have also been criticized on theoretical grounds for failing to describe the reasons why and process by which politicians were expected to cede significant power to experts or how the proper experts for the job would be determined. Neofunctionalists, among others, were uncomfortable with the seemingly agent-less assumptions that such processes were inexorable and would proceed with little contestation from politicians or those experts not selected for the job (Haas, 1968: 31 & 59).

Most troubling for the present investigation of Iran, however, are functionalism's predictions regarding the inexorable and unidirectional nature of change in the position of economists as a response to the growing challenge of navigating the complex international economic order. Such assumptions are challenged by the actual experience of economists during various episodes of Iranian history—such as the 1973 oil boom as well as the immediate post-revolutionary period—when economists were unable to influence policy decisions and even lost positions of power.

Epistemic Communities

The theoretical framework and research agenda for this body of literature was most clearly laid out in a special International Organization issue on Epistemic Communities in which Peter Haas and Emanuel Adler elaborated upon a concept originally conceived by John Ruggie (Adler and Haas, 1992, Haas, 1992, Ruggie, 1975). Frustrated by the dominance and limitations of neorealist structuralism, Haas, Adler and

other contributors to the issue sought to identify and highlight a ‘nonsystemic origin for state interests and...a dynamic for persistent cooperation independent of the distribution of international power’ (Haas, 1992: 4). Such an origin was believed to have been found in transnational epistemic communities of scientists or experts that share causal beliefs and normative values and work toward common policy goals by informing the interests and beliefs of the various states they serve in a manner that often leads to policy convergence and increased international cooperation. In his theoretically rich introduction to the special issue, Haas describes the defining characteristics of this new analytical category and discusses the traits which distinguish epistemic communities (ECs) from other associations such as interest groups, professions or bureaucracies. In epistemic communities, these scholars identified an important channel for a state’s identification of interests and relevant cause-and-effect relations—a process which was believed to be entirely ignored or underspecified in neorealist and other structuralist accounts of international relations

The epistemic communities approach shared many of functionalism’s assumptions—albeit more clearly delineated—regarding the reasons why and the processes by which governments and politicians entrust sensitive policy decisions to experts and professionals. Like the functionalists, scholars of epistemic communities emphasize the increasing uncertainty policymakers face in our modern and complex world (Adler and Haas, 1992: 387). Scholars of epistemic communities do not assume, however, that politicians automatically recognize this growing complexity or necessarily conclude that their own skills are no longer sufficient for the task of governing. A crisis or other unexpected shock to the system is required to render political leaders more open

to the advice of experts who can help them understand what caused the crisis, what the state's interests are or should be, what policy options are available, and what new institutions might be necessary to carry them forward (Haas, 1992: 14). During and following such a crisis, political leaders are expected to be particularly amenable to expert influence in those areas for which they have few preconceived ideas or when the advice they receive is a good fit with core beliefs they already hold (Haas, 1992: 29).

Like functionalists, scholars of epistemic communities have also been criticized for their overly optimistic view of the role scientists and experts may play in informing the views of policymakers. Critics have questioned their assumptions that scientists are neutral and unbiased advisors by highlighting examples of their propensity to ignore empirical evidence that contradicts their "cherished models" (Jacobsen, 1995: 302). More damningly, critics point to cases where experts seem to 'sell out' by adapting their positions to suit the preferences of the agencies or individuals employing them (Jacobsen, 1995: 301-02). Proponents of the epistemic communities approach might point out that scientists that do 'sell out' or refuse to be budged by empirical evidence are likely to very quickly lose their standing as a member of the epistemic community in question (Kogan, 2005: 10). Such cases do highlight, however, the real possibility that epistemic communities may at times serve as nothing more than a fig leaf of pseudo-scientific respectability for the policies politicians wish to implement for their own self-interested purposes.

As regards the Iranian case, epistemic communities of Western-educated or Western-associated economists and technocrats might be expected to gain influence during the Pahlavi era of an explicitly pro-Western monarchy. Their influence would be

expected to wane, however, under the fiercely anti-Western and anti-capitalist theocrats ruling the Islamic Republic. Scholarship on epistemic communities is challenged, therefore, by the observation that economists in fact experienced similar cycles of falling in and out of favor under both regimes.

Mimetic Isomorphism

Mimetic isomorphism refers to the process by which organizations or states emulate the forms and practices of the most prominent or successful examples in their field. Paul DiMaggio and Walter Powell (1983) have described this process as a way of minimizing uncertainty. An organization or nation-state lacking perfect information about the optimal structure or practices with which to interact with complex events can look to other successful models as guides. Simmons and Elkins (2004) have described emulation as stemming from reputational costs associated with maintaining alternative policies or structures. When interacting with counterparts from other countries and in international organizations, policy elites may experience some discomfort from representing a country with ‘backward’ policies or institutions. A good example of this purposeful emulation can be found in Eleanor Westney’s (1987) account of imperial Japan which, starting in 1859, actively sought to learn about and incorporate Western practices. Westney details the process by which Japanese leaders created a national police system based on the French model, a national postal system based on the English model, and a thriving media sector based on a general Western model. In part due to this active observation and adaptation of the models provided by economically and militarily superior countries,

Japan transformed itself over a fifty year period from an isolated feudal society to one of the world's major powers and became itself a model for emulation by other countries.

The process of mimetic isomorphism might influence the hiring of economists in developing nations in at least two ways. For example, noting that the United States and other dominant nations within the international system incorporate expert advice into their policymaking processes, the leaders of developing countries might do the same in the hopes that imitating stronger countries' methods will lead to similar results. Second, policymakers might be more likely to trust and hire those economists that share their admiration for and wish to replicate the capitalist economic models of the U.S. and other dominant nations. It is not difficult to imagine that Mohammad Reza Pahlavi who openly admired and sought to guide his nation toward the economic and military success of the West would emulate its forms of governance including the prominent role accorded economists. Given the Islamic Republic's explicit rejection of the Western model, however, theories of mimetic isomorphism are harder pressed to explain, for example, Khatami's endorsement of a World Bank-inspired reform program spearheaded by Western-educated economists.

Hypotheses and Variables Under Investigation

The dependent variable in this investigation is the influence of economists. The first step in systematizing measurement of this variable is to clarify what is meant by 'economists'. An economist can refer to an individual that has attained a formal degree, usually a masters or PhD, in the study of economics. For the purposes of the present

study, however, the focus is on those individuals advocating liberal economic policies preferred by Western nations and international financial institutions.

The next step is to clarify what is meant by 'influence'. There are two ways in which the waxing and waning of liberal economists' power can be conceptualized. The first is to consider the extent to which such individuals are appointed to or otherwise attain prominent policymaking positions such as the Minister of Finance, Central Banker, or Head of the Plan and Budget Organization.

A second way to conceptualize the power of liberal economists is to investigate the extent to which these individuals are able to successfully promote their policy preferences over the objections of opposing ministers, parliamentarians, members of court or clerics. In order to measure this, we must first define the economic policies and policy preferences held by liberal economists. Throughout the time period under consideration, these individuals promoted: a) fiscal policy discipline and avoidance of large fiscal deficits; b) tax reform to broaden the revenue base; c) redirection of public spending away from subsidies and consumption; and d) strengthened legal protections for property rights. There are a few economic policy areas, however, in which liberal economists' recommendations have changed reflecting a global trend away from Keynesianism and toward neoliberalism. Specifically, prior to the 1980s, liberal economists were more supportive of government investment in capital-intensive public enterprises, more tolerant of government regulation of and protections for domestic industries, and less concerned about controls on exchange rates, interest rates, and trade barriers. More recently, however, liberal economists have become associated with the Washington Consensus package of reforms that insists upon privatization of public

enterprises, the liberalization of exchange and interest rates, and the reduction of trade barriers.

Luckily, for the purposes of the present study, the shift in preferences of liberal economists roughly coincides with the occurrence of the Islamic revolution. Prior to the revolution, therefore, the dependent variable can be defined by the extent to which liberal economists are able to see their Keynesian preferences actualized into policy decisions. While after the revolution, the dependent variable can be defined by the extent to which liberal economists are able to see their neoliberal preferences actualized into policy decisions.

Throughout both time periods, particular attention is paid to those policy areas that are especially sensitive or controversial. Fiscal policy, for example, is an area that inspires strong opinions given the material consequences associated with decisions about how much, from where, and on what the government should obtain and spend money. Similarly controversial are fundamental structural reforms that seek to change the government's role in the economy, increase market efficiencies, and eliminate rents. In seeking to implement these types of reforms economists were often opposed by individuals with ideological commitments to a larger government role in the economy or a desire to capture additional rents for themselves or their constituents. The extent to which economists promoting the preferred policies of the international financial community were able to dominate decisions in these two areas will serve, therefore, as a useful measure of their power or influence.

Based on the chronological narrative of economists' experiences that follows in chapters 2 through 9, ten distinct eras or 'cases' can be identified in which liberal

economists attained positions of power and were able to dominate policymaking in the policy areas defined above. A summary of this evaluation is presented in Table 1.

Table 1: Observed Variation in Policymaking Power of Economists

Case Number	Years Comprised	Power
1	1953-1958	High
2	1959-1962	Low
3	1963-1972	High
4	1973-1976	Low
5	1977-1978	High
6	1979-1987	Low
7	1988-1992	High
8	1993-1997	Low
9	1997-2004	High
10	2004-2009	Low

Having defined the dependent variable, attention can now be turned to the hypotheses and independent variables under investigation. The primary hypothesis can be defined as:

Hypothesis A: Economists gain influence when the international resources they can deliver are valued and desired by the country’s political leadership; Economists lose influence when those resources are not valued or desired.

The independent variable—the desire and need for international resources—can be measured by the extent to which Iran’s leaders actively solicited and depended upon international grants and loans from international institutions, powerful nations (such as the United States or other Western powers) and international investors, particularly as a result of budgetary or balance of payments pressures.

The alternative hypotheses under consideration are drawn from scholarship that credits the influence of economists to changes in the worldview of political leaders or the ability of economists to deliver domestic goods such as votes or dollars. They are stated and defined more formally below.

Hypothesis B1 (Pluralism): Economists gain influence when they are able to deliver domestic resources, primarily votes, dollars, or power. Economists lose influence when they are unable to deliver domestic resources.

The independent variable is the extent to which economists created or led political parties or enjoyed personal political popularity in ways that might have allowed them to deliver political power to individuals or parties associated with them.

Hypothesis B2 (Functionalism): Economists gain influence over time as uncertainty due to modernization increases; Economists never lose influence.

Functionalists explain the growing dependence of politicians and policymakers upon economists as resulting from the complexity of the modern world which is assumed to have increased steadily over time. Time is therefore a sufficient proxy or measure of the independent variable or complexity of the modern world.

Hypothesis B3 (Epistemic Communities): Economists gain influence when an epistemic community of economists is formed and able to use periods of political or economic crisis to offer new solutions when policymakers have become aware of increasing uncertainty and the limitations of earlier policy choices. Economists' influence is lessened or remains stable in the absence of such political or economic crises or in the absence of a strong epistemic community.

Scholarship on epistemic communities suggests that each instance of an increase in economists' power ought to have been preceded by a shock or crisis that would jolt policymakers into recognizing the modern world's growing complexity as well as earlier limitations in interpreting and identifying the nation's interests within it. Such time periods constitute a 'teachable moment' that a strong epistemic community can use to promote its own interpretations of the reasons for the crisis as well as the appropriate policy response. The joint independent variables therefore are the presence or absence of an epistemic community in combination with the presence or absence of political or economic crises preceding changes in the influence of economists. The existence of such an epistemic community can be determined by the strength of professional and associational ties between individuals sharing a common commitment to developing the country along the lines preferred by the international financial and donor communities.

Hypothesis B4 (Mimetic Isomorphism): Economists gain influence when their countries' leaders seek to import models of governance from successful Western states within the international system. Economists lose influence when political leaders reject Western models of governance.

The independent variable is the extent to which Iran sought to emulate Western models of governance. The clearest variation in the independent variable occurred at the time of the revolution when a pro-Western pro-capitalist monarchy was replaced by a vehemently anti-Western anti-capitalist theocracy. More subtle variations in the extent to which the West might have served as a governing template will also be evaluated based upon public and private statements of political leaders in this regard.

Case Justification and Significance

Two characteristics make Iran a uniquely useful case with which to investigate these hypotheses. First, Iran constitutes a ‘least-likely’ test of the proposition that access to material resources rather than changes in the world-view of political leaders is what drives the relative influence of economists and other experts. There are few nations that have rejected the Western model more vehemently than the Islamic Republic. Iran’s turn to Western-educated economists and its embrace of a World Bank inspired economic reform program in the late 80s suggests that the need for international resources overrode its ideological commitment to maintaining the purity of its anti-capitalist and anti-Western identity.

Second, while a great deal of theoretical and empirical work has been done to conceptualize and test the conditions under which economists gain policymaking power, very little exploration has been done of the conditions under which economists might lose power. Studies of functionalism or the role of epistemic communities are based, for example, on assumptions of increasing complexity of the world. Studies of economists as political interest groups look at how economists’ increased political activism results in greater policy power but fail to investigate whether subsequent political quietude causes them to lose that power. There are also few studies that examine the way that resource Independence might cause economists to lose their positions of power or the way that a once-dominant country’s fall from power might slow or reverse mimetic tendencies among developing countries.

Part of the problem is that there are simply very few cases or countries in which both directions of change in the dependent and independent variables can be observed.

Iran is in this regard a uniquely useful case with which to investigate hypotheses about both the rise and fall of economists given the cyclical nature of their ascendance and fall from power under both the Pahlavi and Islamic regimes. Over the sixty year period under investigation, Iran has also experienced great variation in the primary independent variables of interest. The Shah, for example, overtly sought to model his country on the powerful Western nations that had achieved economic prosperity and global dominance. Leaders of the Islamic Republic, in contrast, adamantly rejected the Western model and all things related to it. As an oil exporting nation, Iran has also experienced significant variation in its dependence upon or independence from the favor of international financial institutions or investors. Bidirectional variation in the political activism of economists as well as the experience of periods of crisis followed by periods of calm also facilitate the researcher's ability to trace linkages between the independent and dependent variables under a variety of conditions. The following section provides additional background information on Iran.

Background on Iran

The nation-state of Iran is the cultural, linguistic, and ethnic heir of the Persian empire. The modern era of Iran's history can perhaps be said to have begun in 1921 when Reza Khan overthrew the remnants of the weakened Qajar rulers to establish his own dynasty. Reza Khan ruled the nation until being forced to abdicate in favor of his young son Muhammad Reza by Allied forces that objected to his support for Germany during World War II. Muhammad Reza Shah ruled the nation for almost forty years surviving exile and numerous assassination attempts and overseeing the country's transformation

from an agrarian society to—with the aid of petrodollars—a modest industrial power (Abrahamian, 2008, Gasiorowski and Byrne, 2004, Halliday, 1979, Katouzian, 1981).

The Shah was overthrown in the 1979 revolution that ushered in the Islamic Republic under the leadership of Ayatollah Ruhollah Khomeini. The new regime combined elements of democracy (an elected parliament and president) with theocracy (absolute rule by the Supreme Leader). The 1980s were marked by revolutionary turmoil and a grinding war with neighboring Iraq. After Khomeini's death, the pragmatic President Rafsanjani sought to rebuild the war-torn country and de-emphasized religious fervor in favor of economic progress. The next president, Khatami, was primarily interested in political reforms but continued and strengthened Rafsanjani's economic programs as well. In 2005, the populist hardliner Ahmadinejad became the country's first non-clerical president. Emphasizing a return to revolutionary values, Ahmadinejad rolled back many of his predecessors reforms. The contested 2009 election in which Ahmadinejad's opponents claimed election fraud resulted in mass demonstrations and arrests that rocked the nation for months (Abrahamian, 2008, Amuzegar, 1993, Wehrey et al., 2009, Wright, 2010). See Appendix I for a more comprehensive review of major political events in Iranian history.

Iran has long hosted one of the largest economies (second after Saudi Arabia in 2009) and largest populations (second after Egypt in 2011) in the Middle East and North Africa region (See Figure 1 and Figure 2). Its resulting per capita GDP, however, has remained in the bottom half of its regional group, peaking in the 1973 oil boom at a level not attained again until the recent rise in oil price.

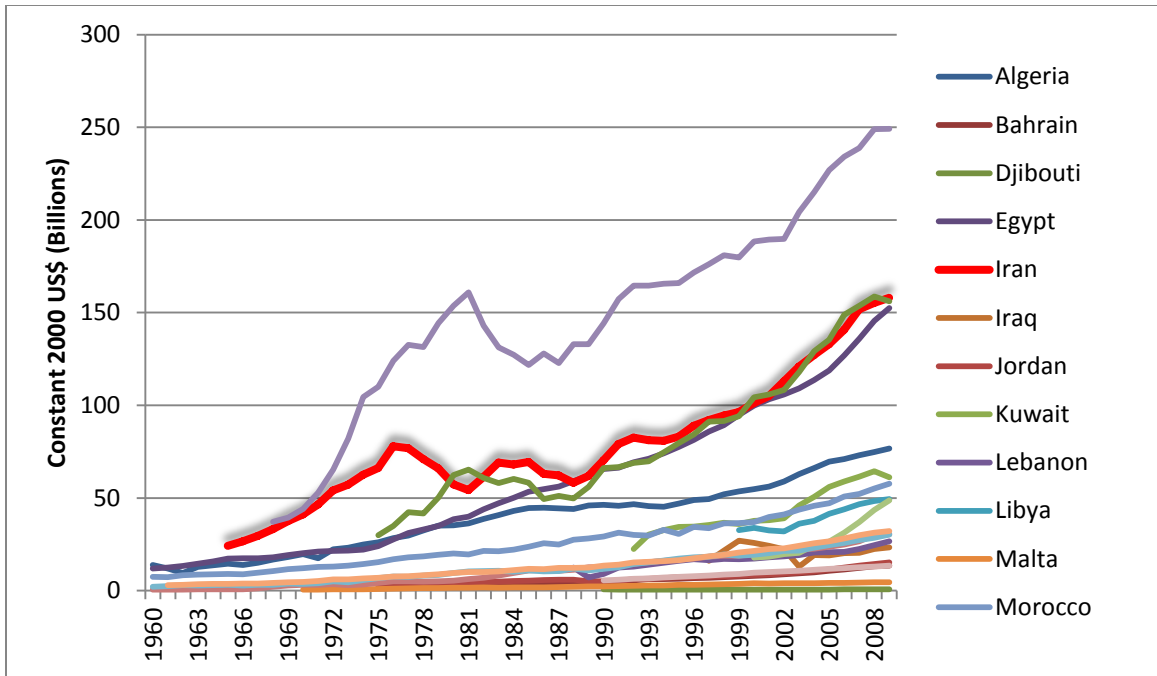


Figure 1: GDP for MENA countries (World Bank, 2012)

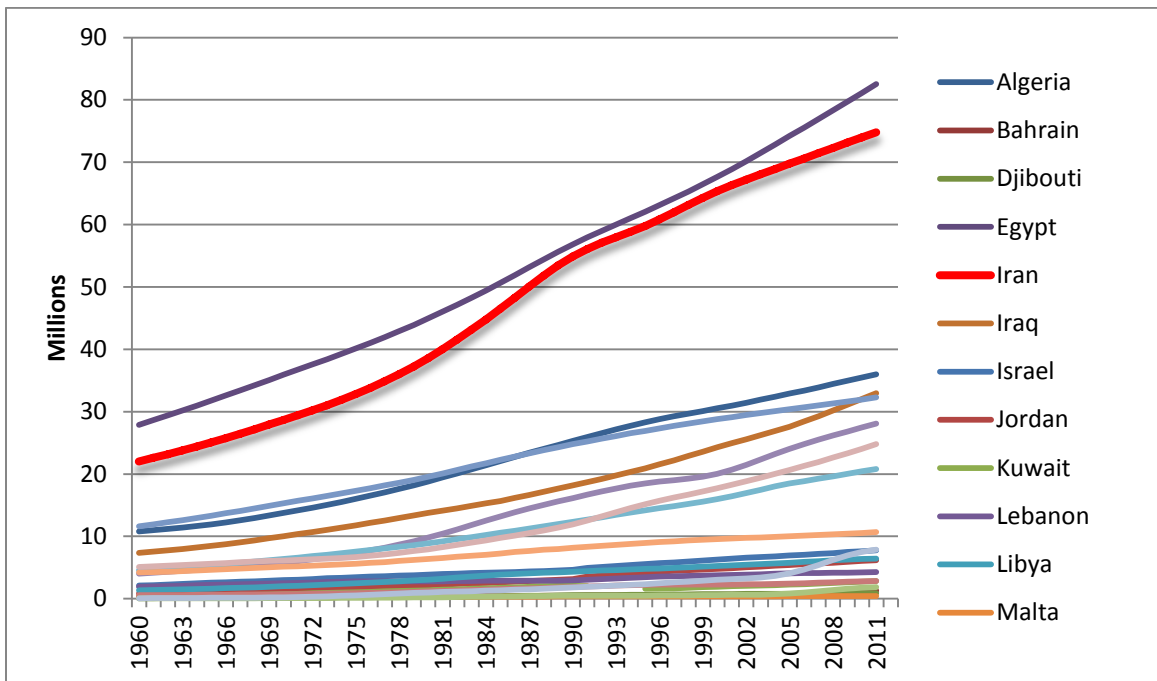


Figure 2: Population of MENA countries (World Bank, 2012)

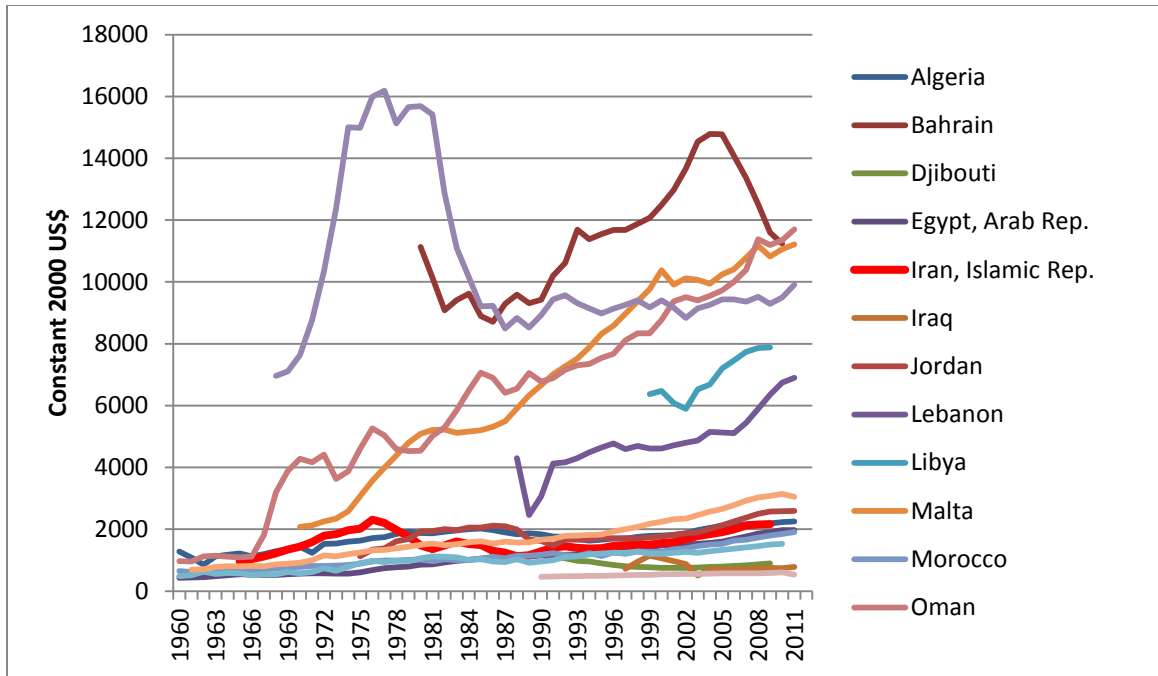


Figure 3: Per capita GDP for MENA countries¹ (World Bank, 2012)

Iran's economy and government is heavily dependent upon the hydrocarbons sector. Iran has the world's fourth largest oil reserves and second largest gas reserves (See Figure 4 and Figure 5). In 2011 Iran was still the world's third largest exporter of oil (after Saudi Arabia and Russia) but may soon face the prospects of being edged out due to declining production capacity as well as tightening sanctions (OPEC, 2012: Table 3.18). Iran has not emerged as a top exporter of natural gas due to underdevelopment in the sector as well as heavy domestic use (EIA, 2012: pages 7 - 11, OPEC, 2012: Table 3.22). Since 1993, revenue from the sale of oil has comprised 35 to 75% of the government's total revenues (See Figure 6). Oil revenues have also made up a large part

¹ Kuwait, Qatar, and the UAE, all of whom had per capita GDPs well in excess of \$20,000 during this time period, have been eliminated to make it easier to see variations among the remaining countries.

of export revenues—78% in 2011, down from a peak of 88% in 2000 and a sizeable portion of GDP (13 to 41% since 1993; See Figure 7 and Figure 8). Other important sectors of the economy include services which in 2007 contributed 45% of GDP, and agriculture which contributed 10% (see Figure 9).

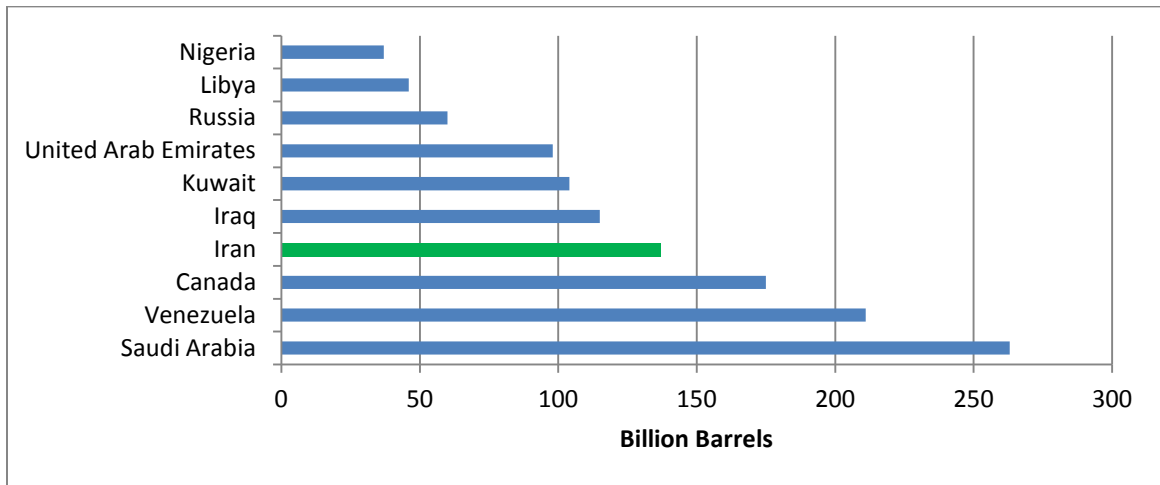


Figure 4: Largest holders of oil reserves (EIA, 2012)

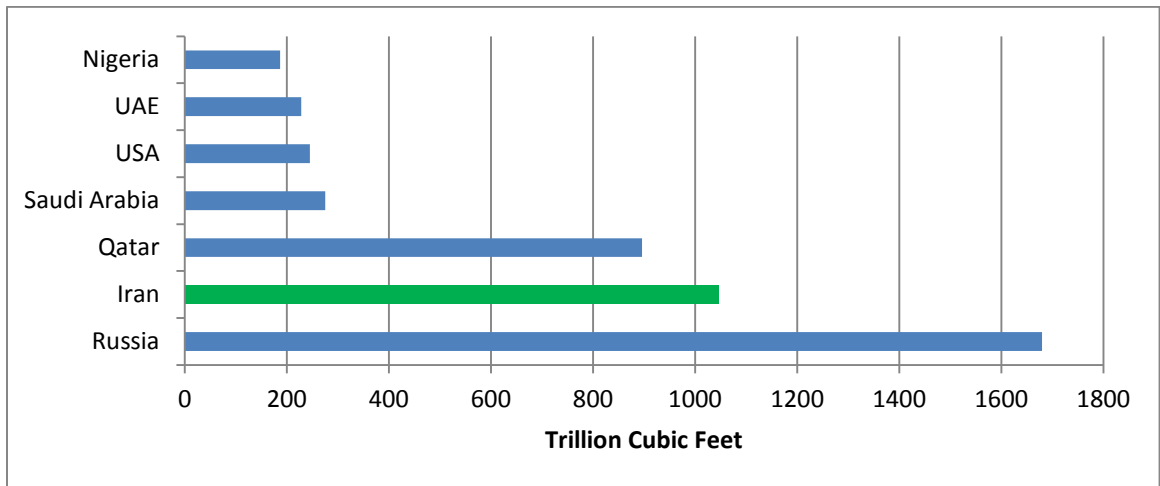


Figure 5: Largest holders of gas reserves (EIA, 2012)

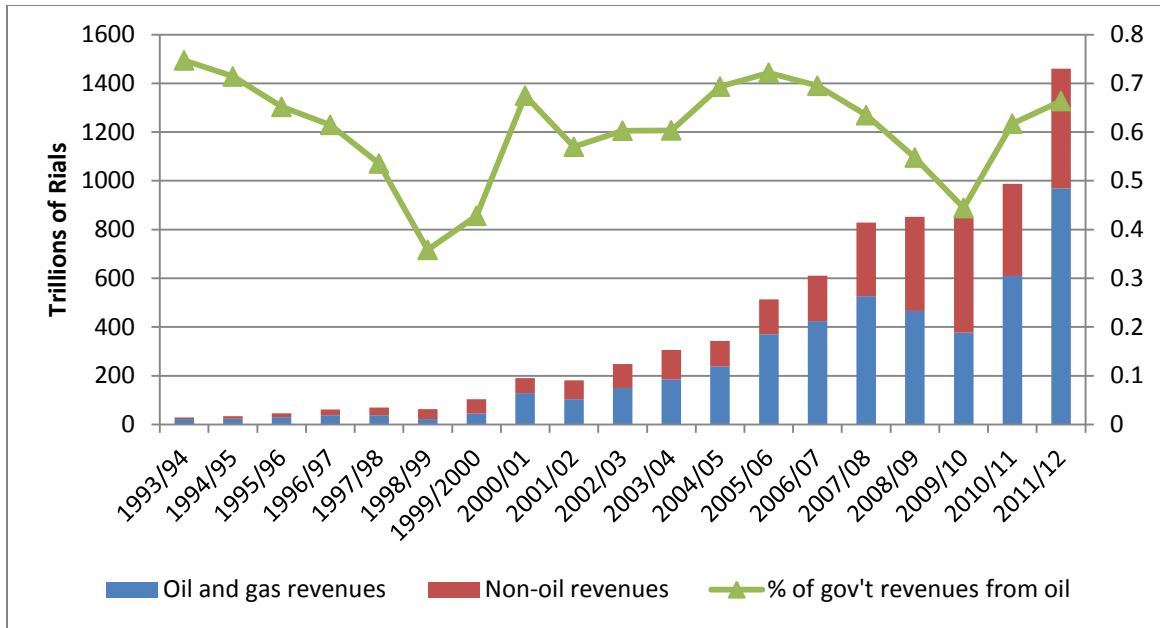


Figure 6: Oil revenue in rials and as a ratio of government revenues²

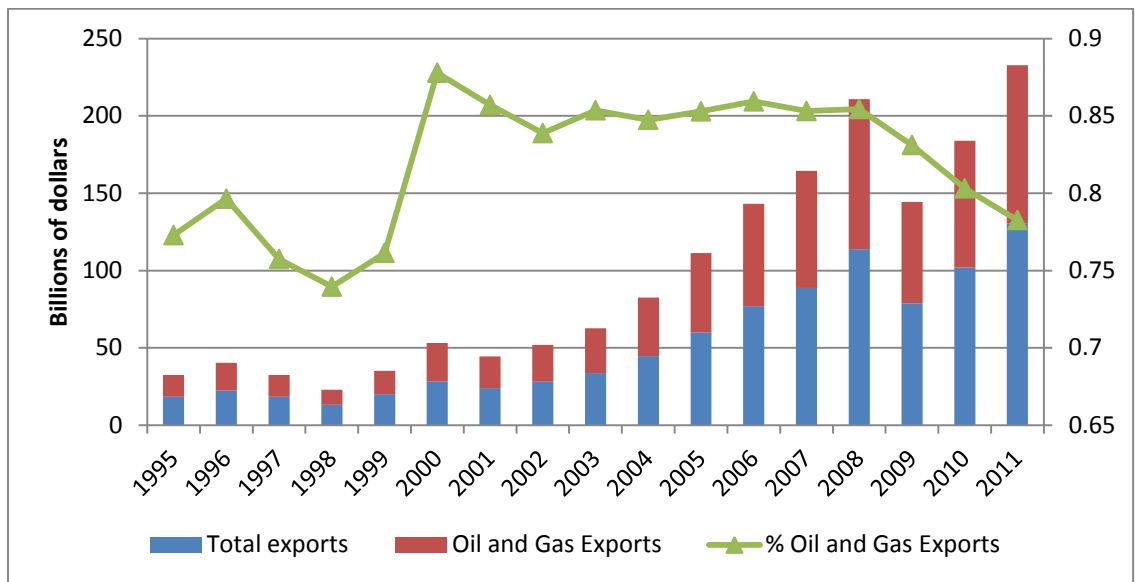


Figure 7: Oil revenue in dollars and as a ratio of total export revenues³

² Data compiled from IMF Article IV consultations conducted in the years 2000, 2002, 2003, 2004, 2005, 2007, 2008, 2009, and 2011, as well as 1998 IMF Report 98-27 on Recent Economic Developments; Data for 2010/11 are estimates and data for 2011/12 are projections.

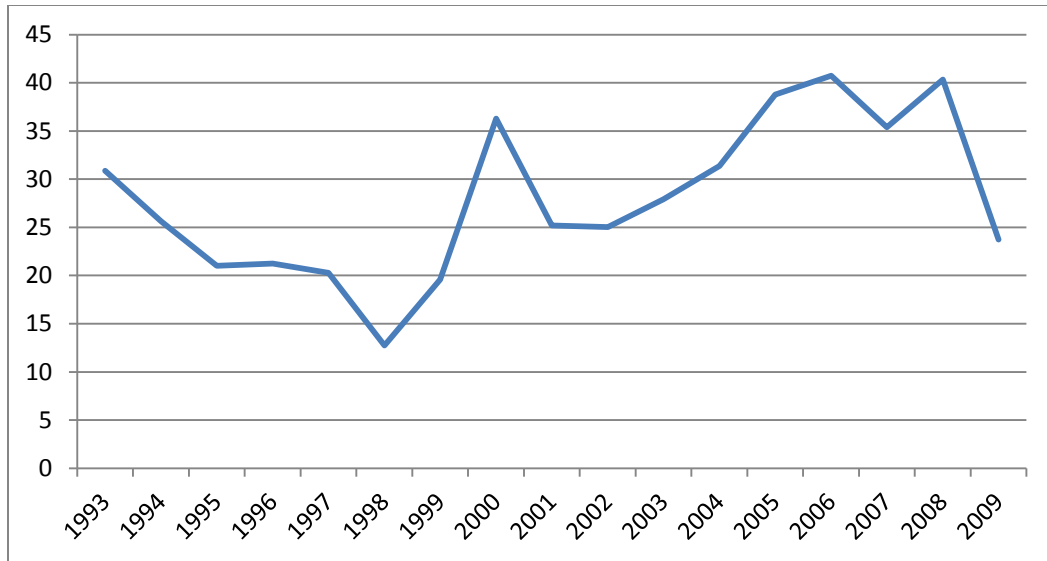


Figure 8: Oil as a percentage of GDP (World Bank, 2012)

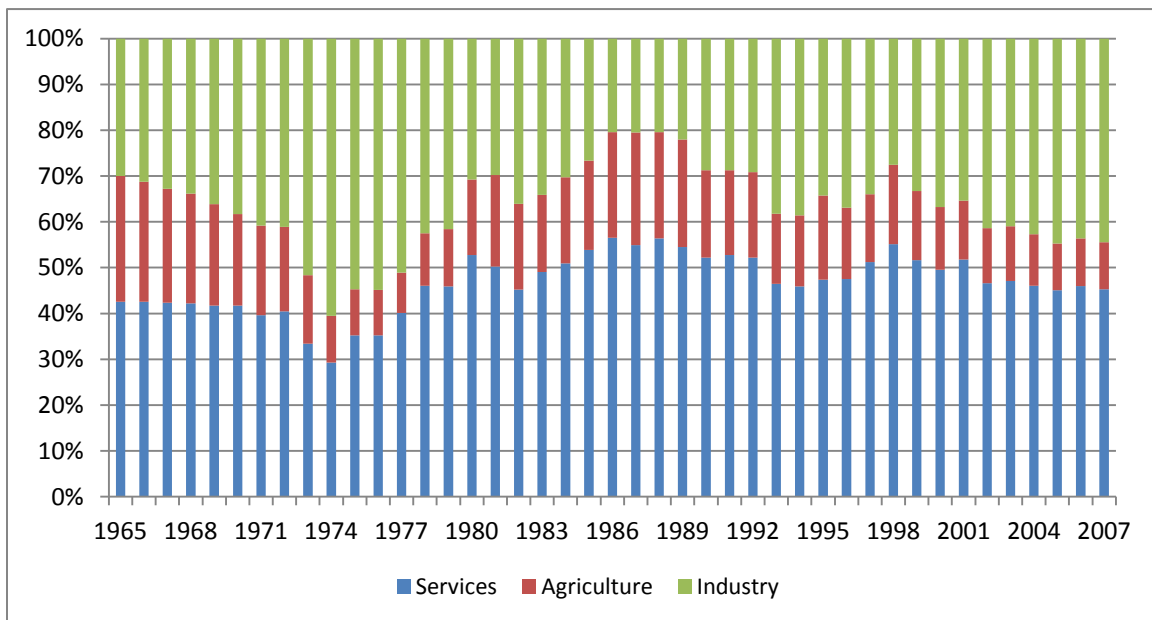


Figure 9: Sectors of the Iranian Economy (World Bank, 2012)

³ Based on UNCTAD data. See: UNCTAD. (2012) Unctad Stat Database. p. <http://unctad.org/en/Pages/Statistics.aspx>.

Over the past fifty years, the amount of Iranian trade with the international community—consisting primarily of oil exports and the import of intermediate products—has varied widely. Trade as a percentage of GDP was highest during and immediately following the oil boom of 1973 and fell dramatically after the revolution and war with Iraq (see Figure 10). Iran’s biggest trading partners have shifted eastward in recent years. In 2011, Iran’s top five export markets were China, Japan, Taiwan, Turkey, and India as compared with Japan, Italy, France, South Africa, and Korea in 1995. Similarly, the top five countries of origin for Iran’s imports in 2011 were the U.A.E, China, Korea, Germany, and Turkey, whereas in 1995 they were Germany, Japan, Argentina, Russia, and the UK (UNCTAD, 2012).

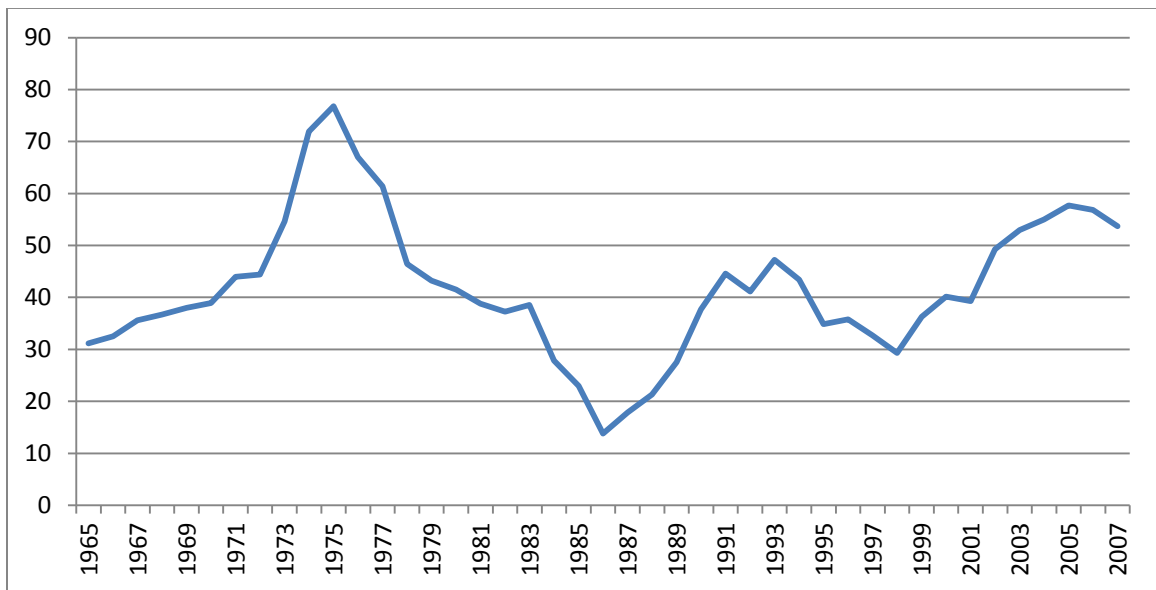


Figure 10: Trade as a percent of GDP

Iran, perhaps unsurprisingly, has not been a particularly attractive environment for foreign investment. In only five of the last forty years has inward FDI comprised more than 1% of GDP.

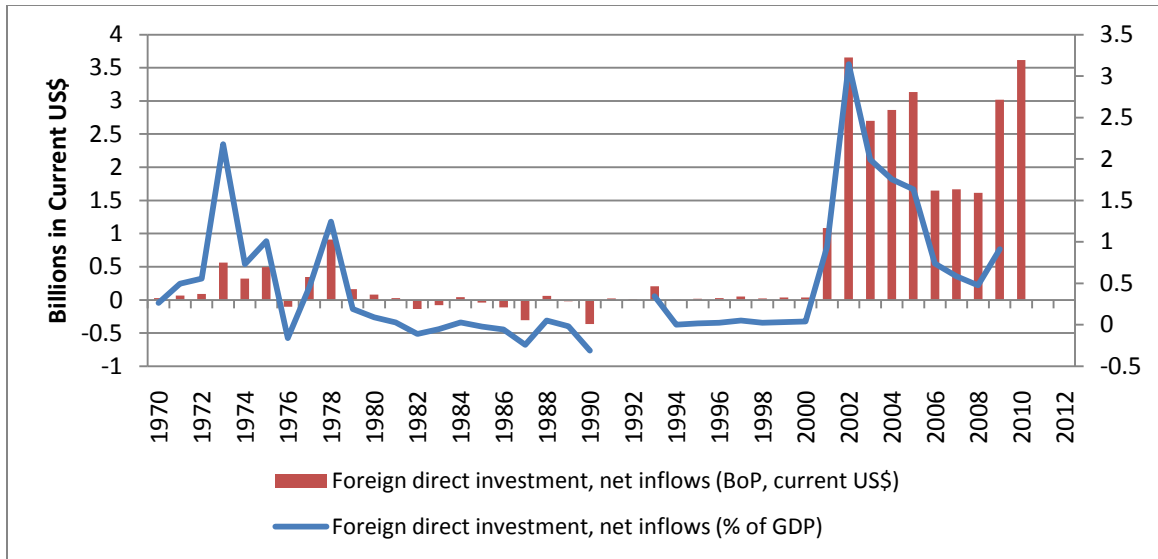


Figure 11: FDI in dollars and as a percentage of GDP

A more comprehensive timeline of political and economic events in Iran can be found in Appendix I.

Data and Methods

Data for this investigation was drawn from a number of primary and secondary source materials. Fifty-two semi-structured interviews were conducted in Iran during the summer of 2004, summer of 2006, and winter of 2009. Participants included high-level former officials at the Plan and Budget Organization, Central Bank, and Ministry of Finance in addition to journalists, economic analysts, officials in various ministries, and private sector actors. While government economic policy was for many years a relatively ‘safe’ topic for discussion and even critique, this is no longer the case. The government’s sensitivity to criticism in this regard has increased greatly since the contested 2009 election and especially since international economic sanctions began to make themselves

felt in 2011. As such, information or quotes from interviews are not attributed in order to protect the anonymity of the subjects.

Additional primary source material has been drawn from interviews conducted by third parties. Bahman Ahmadi-Amouee has published many such interviews with some of the most important members of the Islamic Republic's economic policymaking teams. The Harvard Iranian Oral History Project as well as the Foundation for Iranian Studies include recordings and transcripts of interviews with many of the most influential economists and economic policymakers from the Pahlavi era that were also very useful.

State Department archives housed in the National Archives in College Park, MD were also consulted. Monthly, quarterly, semi-annual, and annual economic reports in addition to various memoranda from field offices in Tehran, Isfahan, Tabriz and other cities provided a great deal of information for the years 1953-1973.

Current and archival news reports from the English and Persian press were also very useful. Secondary sources were also consulted including a number of biographies of notable personalities from the Pahlavi period and various economic histories of Iran from both the Pahlavi and Islamic periods.

These data were incorporated into a historical and chronological narrative—the first of its kind—of the experiences of economists and the extent of their influence in the years since the Mossadegh coup in 1953 that comprises chapters two through eight. Chapter nine divides the narrative into ten distinct cases—five from the Pahlavi period and five from the Iranian Republic—and considers the extent to which each independent variable is responsible for variation observed in the dependent variable throughout the entire seventy year period.

Chapter Two: After the coup (1953-1961)

In late 1950, under the leadership of the fiery nationalist Mohammad Mossadegh, Iran's parliament (Majles) rejected a revised oil concession agreement negotiated between the Iranian government and the Anglo-Iranian Oil Company (AIOC)⁴. Having determined that the original 1936 agreement had been signed under duress and that, in ensuing years, the British had employed a variety of shady accounting practices to avoid paying Iran the stipulated percentage, the Majles moved to nationalize its oil industry (CIA, 1951, Farmanfarmaian, 1997: 205, 07-12, 34-64). Although Iran was willing to compensate AIOC for its investments and other sunk costs, it was unwilling to accede to British demands for additional reparations for potential future losses (Ross, 1952). After a two year battle of wills in which the British imposed a total embargo on Iranian oil while Mossadegh traveled to the United Nations and World Court to successfully defend Iran's right to nationalize (Sullivan, 1951), the issue was mooted by a CIA and MI6 sponsored coup d'etat that toppled Mossadegh in mid-August 1953 and secured the throne for Mohammad Reza Shah (Gasirowski and Byrne, 2004, Kinzer, 2007).

The story of technocrats in Iran begins in the aftermath of this coup. Having placed its bets on the Pahlavi monarchy, the U.S. was determined to see it succeed. Over

⁴ A great number of primary and secondary source materials are available on the Mossadegh era. The CIA, for example, produced a number of Intelligence Estimates during this time including "The Current Crisis in Iran: Secret Special Estimate SE-3," March 16, 1951; "Current Developments in Iran: Special Estimate SE-6" May 22, 1951; "Probably Developments in Iran in 1952 in the Absence of an Oil Settlement: National Intelligence Estimate NIE-46," February 4, 1952; and "Probable Developments in Iran through 1953: National Intelligence Estimate NIE-75," November 13, 1952." For an account of domestic politics during this period see Sepehr Zabih's *The Mossadegh Era*. For a first-hand account of British oil policies in Iran see Manuchehr Farmanfarmaian's *Blood and Oil*.

the next decade, millions of dollars of aid was poured into the country. Among other things this money was used to create the institutions needed for economic development that were often staffed with Western advisors and Western-educated Iranians to run them.

Iran's first economists

Within days of the successful coup, America's new role of patron to Muhammad Reza Shah's throne became clear as U.S. officials began hinting that the emergency financial aid requested by but long withheld from Mossadegh would be made available to the new pro-Shah cabinet headed by Prime Minister General Zahedi (Decision up to President About U.S. Help for Iran, 1953). While furious discussions were underway in Washington DC as to the appropriate amounts and methods by which to disburse such aid, Embassy officials in Tehran were scrambling to secure the personnel support necessary to fulfill their new responsibilities (Byroade, August 25, 1953, Henderson, August 21, 1953). By September 10th, less than a month after the coup, the United States had deposited the first tranche—\$5.3 million—of the \$45 million emergency aid it promised to provide over the next 9 months (Doty, 1953, Iran Gets \$5,300,000 of New Aid from U.S., 1953). A further \$23 million was provided that year in the form of Point IV—the precursor to USAID—aid (CIA, 1953). In December 1953, Vice-President Nixon visited Tehran to show further U.S. support for the Shah and emphasize that the goal of US aid was to help “this [Iranian] Government and this people to be strong, independent and free” (Nixon Cites Goal to Keep Iran Free, 1953).

Ali Amini

Chosen to head the Shah's economic team were two men destined to have a strong hand in determining the shape and direction of Iran's new institutions of economic development. The first, Ali Amini, was the scion of a wealthy and aristocratic family that had served the Qajar monarchy as ministers and prime ministers for a hundred years. Educated in France, he had received a PhD in economics with a dissertation on the foreign trade monopoly in Iran. A politically ambitious man, he was known to have already set his sights on becoming Prime Minister. With the help of his American friends—his rumored closeness with John Kennedy in particular—he would eventually achieve this goal less than a decade later (Farmanfarmaian, 1997: 308-10, Milani, 2008: 63-71).

Named Minister of Finance within hours of General Zahedi's victory over Mossadegh, Amini's immediate challenge was figuring out how to keep the country running despite a severe lack of revenue or savings. The British embargo had prevented Iran from selling a single drop of oil over the previous two years such that by the time of the August coup, the treasury was bare and the country owed at least \$500 million (CIA, 1953: paragraphs 14-16, Henderson, August 28, 1953, *Iranians Are Told Oil Dispute's Cost*, 1953). Amini attacked this task in three ways. The first was to beg and borrow as much as possible from the new American benefactor. Given the U.S. role in the recent change of government, the Iranians had high hopes for financial aid, expecting something on the order of \$300 million to tide them over to such time as oil revenues would pick up again. They were bitterly disappointed by the actual amounts they received. Iranian officials complained that such stop-gap funding was not nearly enough for the

employment-generating investments the country needed to solidify support for the new regime (Henderson, September 3, 1953, Henderson, September 10, 1953, U.S. Aid Total Criticized, 1953). Prime Minister Zahedi even threatened to resign as “it would be dishonorable for him to stay in office if it should become clear he [is] unable to carry out promises made to Iranian people who were trusting him” (Henderson, September 11, 1953). Despite these disappointments, Amini continued to work doggedly with Embassy staff and officials in DC to identify and explore additional sources of funding.

Amini’s second task was to negotiate a deal with the British that would end the oil embargo and allow Iran to resume receipt of the oil revenues it so desperately needed. Despite the removal of Mossadegh, the British refused to lift the oil embargo until a new oil concession was signed⁵. Dr. Amini headed the ministerial commission that negotiated the new deal with British and American interests (Amini, 1995). The U.S. proposed a consortium of oil companies that would take control of Iranian oil production with AIOC—now re-named British Petroleum—holding a 40% share (Hangen, 1954, Kinzer, 2007: 196). The final agreement stipulated that Iran pay BP \$40 million in compensation for ‘rupture of agreement’; and refused to allow any Iranians to join the board of directors or be permitted to audit the consortium’s books. In presenting the deal for ratification by the Majles, Amini glumly declared that it was not a great deal for Iran, but it was the best

⁵ Indeed, the British were also adamantly opposed to American aid—beyond emergency levels—for fear it might serve as a disincentive for Iranians to swiftly conclude a deal. See Bailey, Michael. (2001) Quiet Influence: The Representation of Diffuse Interests on Trade Policy, 1983-94. *Legislative Studies Quarterly* 26:45-80.

that could be got (Amini, 1995: 99-100, Farmanfarmaian, 1997:305-10)⁶. The deal was ratified by the Senate on October 28th and tankers began moving Iranian oil out of Abadan three days later (Love, 1954).

Amini's final approach to generating revenue was to launch a campaign to reform the country's customs and tax-collecting agencies (Amini, 1995: 102-03). Widespread tax evasion among the wealthy combined with corruption and graft among government workers had resulted in an unfair burden of direct and indirect taxes on the poorer classes. Proclaiming a 'holy war' on these problems, Dr. Amini pledged an overhaul of the tax collection machinery and institutions to implement the country's first comprehensive progressive tax structure (CIA, 1954: 9, Doty, 1953). These efforts culminated in the introduction and passage of a new tax law in August 1955 (Semi-Annual Economic and Financial Review, Iran, January-June, 1955, August 22, 1955: section 9b). Amini also relied upon U.S. technical and financial aid toward the development of more orderly mechanisms for budgeting and tax collection.(Rountree, 1955).

Ebtehaj

Working in concert with Amini was Abol Hassan Ebtehaj, the descendent of a slightly less illustrious family of middle-class government functionaries. His father managed the land and accounts of a wealthy and often-absent landowner and did well enough to send his sons to study abroad in Paris and later at the American School in

⁶ Majles deputy Abdul Rahman Faramarzi said of the vote: "When there is only one road ahead of you you have to take it whether it is good or bad" See: Byroade, Henry. (August 25, 1953) Memorandum of Conversation with Harold Beeley.

Beirut. Less politically motivated than Amini, Ebtehaj was rumored to have turned down several offers for the position of Prime Minister in favor of jobs that gave him influence over economic policy decisions. While he was never formally trained in economics, his sixteen years at the British-owned Imperial Bank of Persia—for many years the informal central bank of Iran—as well as his years heading Iran’s new national bank provided him with a formidable expertise in banking, finance and development economics that was recognized by more traditionally trained colleagues as well as the International Monetary Fund which hired him to head their Middle East Department (Bostock and Jones, 1989, *Iran Gives Post to Banker*, 1954, Milani, 2008: 735-43). After several years in Washington, DC. Ebtehaj returned to Iran in the summer of 1954 to head the Plan Organization.

The Plan Organization⁷ was created in 1949 to administer the country’s very first seven-year economic plan which had been drawn up with the help of the American consulting firms Morrison Knudsen and Overseas Consultants Incorporated (OCI). The goal was to shield oil revenues from budgetary demands by creating an independent body empowered to invest them in the capital and infrastructure projects needed to support Iran’s economic growth and development (Bostock and Jones, 1989: 94-99). Unhappily, however, the First Plan and Plan Organization (PO) were launched just as Iran was sliding into the tumultuous Mossadegh years and the British oil embargo. Starved of funds, by the time Ebtehaj arrived in 1954, the PO was virtually bankrupt and indebted to

⁷ Over its seventy year life, the Plan Organization (PO) has been renamed the Plan and Budget Organization (PBO) and, later, the Management and Planning Organization (MPO). All three names and acronyms refer, however, to the same organization.

numerous foreign contractors while the First Plan itself had been wholly abandoned (Bostock and Jones, 1989: 112, Taylor, April 26, 1958: Introductory Background).

Ebtehaj's first order of business was to assess the current status of the First Plan, terminate it and lay the groundwork for a clean start with the Second Plan. To this end, Ebtehaj initiated an audit of the PO's finances in order to compile a centralized record of the contractual obligations, debts, and projects it was committed to (Bostock and Jones, 1989: 113, Henderson, October 7, 1954). Since Mossadegh's overthrow the year before, various ministries and government bodies had been spending profligately with easy credit available due to expectations of the imminent resumption of Iranian oil exports. With the help of a newly created Economic Council made up of the Prime Minister, Ministers of Finance and Economy, and the governor of the Central Bank, Ebtehaj quickly moved to halt this uncoordinated spending and reassert the Plan Organization's authority over expenditures related to major development projects (CIA, 1954: paragraph 40, Love, 1954). These efforts were strongly supported by the Americans whose growing concerns over Iranian spending practices were manifest in new stipulations that additional aid "be used to pay off American creditors first, that additional purchases be limited to essential goods and that any transaction above \$15,000 be cleared with Washington" (Byroade, October 13, 1954, Love, 1954).

Ebtehaj's next step was to draft an interim plan designed to guide the country's development program over the short term while a second development plan was being prepared and approved. In so doing, his stated priority was the big infrastructure projects—roads, railroads, ports, and dams—that he believed were necessary to support the country's development and economic growth (Bray, June 22, 1955). Ebtehaj also set

out to combat corruption through a number of changes in the way contracts were awarded and managed. Among other things, Ebtehaj sought to ensure that major project were awarded on the basis of international tender rather than the prevailing system of contract-hunting by local agents of international corporations. Ebtehaj also insisted that all new contracts contain a clause that would void the agreement if bribes were found to have taken place (Bostock and Jones, 1989: 113 & 24).

In the process of preparing the Second Plan, Ebtehaj also sought to restructure and transform the Plan Organization itself into a more active, effective, and influential institution. He began developing and staffing two major new departments. The Technical Bureau was charged with appraising the technical aspects of proposed projects as well as overseeing their actual implementation by the PO or foreign contractors. The Economic Bureau was expected to produce future Development Plans based upon thorough study of the country's macroeconomic indicators and development needs; it also played a role in considering financial arrangements and agreements for funding proposed projects (Bostock and Jones, 1989: 123). In staffing these two departments, Ebtehaj heavily favored foreign advisors and/or foreign-trained Iranian nationals and made special arrangements to ensure that the compensation available for these positions would be enough to make them attractive to the most capable candidates⁸ (Memorandum of

⁸ Creation of the Economic Bureau, for example, would have been impossible without a large grant from the Ford Foundation which enabled the Plan Organization to not only pay the full salaries of international advisors but also raise the salaries of foreign-educated Iranian employees over the normal limits of civil servants.

Conversation: "Staffing of the Economic Bureau of the Seven-Year Plan Organization", March 13, 1958).

In short order, Hector Prud'homme, a senior member of the World Bank's staff agreed to head the Technical Bureau while Kenneth Hanson, suggested by the noted Harvard University economist Edward S. Mason, took over the Economic Bureau (Kerr, February 29, 1956, Taylor, September 21, 1957). Under these men a growing cadre of foreign-educated Iranian nationals was recruited and trained, including individuals such as Khodadad Farmanfarmaian, Manuchehr Gudarzi, and Reza Moghadam, all of whom were destined to play a growing role in guiding the country's economic development drive over the following decades, (Bostock and Jones, 1989, Farmanfarmaian, November 10, 1982, Gudarzi, 1999, Majidi, 1999, Taylor, July 9, 1958).

Iran's Second Seven-Year Development Plan was launched in April 1956 with majles approval of 70 billion rials (\$920,000,000) to be spent over the next seven years. The Plan reflected Ebtehaj's preference for long-term development over immediate improvements in living standards and consisted primarily of spending targets for priority sectors with 22% of funds going to agriculture and irrigation, 33% to transport and communications, 15% for industries and mines, and 26% for social development (Brewer, 1956, Kerr, April 18, 1956). The Second Plan law included several extremely controversial stipulations insisted on by Ebtehaj. First, the Plan Organization was to receive 60% of the country's oil revenues until March 1958 after which its allocation would be increased to 80% of oil revenues (Bostock and Jones, 1989, Brewer, 1956: 128). Second, despite traditional mistrust of international creditors, the Plan Organization was authorized to take on up to \$240 million in foreign loans to ensure available funding

for approved projects (Taylor, April 26, 1958). Finally, the Plan Organization—and Ebtehaj himself, as Managing Director—was to be accorded a great deal of power. In its analysis of the proposed legislation, the American Embassy in Tehran wrote that the bill “makes it clear that the Plan Organization will enjoy fiscal independence of the Government, that its authority to formulate development plans is supreme and unchallenged, and that it enjoys almost complete discretion in determining the terms and conditions under which its approved development projects will be executed” (Bray, July 16, 1955). Due to these and other misgivings, debate over the Second Plan lasted nearly nine months and involved several different drafts. In the end, it was approved with only minor changes (Kerr, April 18, 1956).

The Shah and his economic team

Throughout this crucial time period, the Shah was generally supportive of his economic team. Ebtehaj in particular attracted a great deal of ire from members of Parliament who often seemed determined to undermine him and the Plan Organization at every turn. Shortly after the passage of the second Seven Year Plan, for example, Ebtehaj negotiated an unusual \$75 million World Bank loan that, contrary to usual practice, was not tied to a specific project. Opposition in the Majles and Senate was overwhelming and vitriolic. The agreement was called “an insult to Iran” that would force the country to “mortgage everything we have” (Clock, November 21, 1956). Despite the concerted opposition of the President of the Senate and Speaker of the Majlis, the Shah stood behind Ebtehaj applying heavy pressure on individual legislators to ensure that the loan

would be approved by both legislative bodies in a timely manner (Clock, January 3, 1957).

Cabinet ministers were also resentful, and likely jealous, of the absolute powers Ebtehaj enjoyed to disburse oil revenues, take on foreign loans, and oversee development projects as he saw fit⁹. They were offended by his obvious disdain for the capabilities of the ministries which he proclaimed were corrupt, inefficient, and bloated bureaucracies (Taylor, April 26, 1958). And they complained that as cabinet ministers accountable and answerable to the parliament, they ought to have more power over projects related to their areas of responsibility than the unaccountable Plan manager¹⁰ (Kerr, February 29, 1956). Some cabinet members retaliated by seeking to obstruct or even compete with PO projects. The Minister of roads, for example, did everything in his power to deny approval for PO road construction projects (Kerr, October 15, 1956) while the Minister of Mines and Industry submitted competing applications for loans from the Ex-Im bank for favored projects (Kerr, May 23, 1957).

Ebtehaj also had frequent confrontations with the Prime Ministers with whom he worked. General Zahedi—who had led the successful coup that saved the Shah’s throne—could not abide Ebtehaj’s defiant independence and refusal to accept his authority over the PO. The clashes between the two men became so heated that at one

⁹ The American Embassy said “For five years Ebtehaj has been the terror of Cabinets”. See: Love, Kennett. October 22, 1954 Iranian Deputies Ratify Oil Pact. New York Times.

¹⁰ As the Economist noted: “Not unreasonably did the minister of roads think that roads were the responsibility of his department. The minister of defence thought that topographical surveys were his business. The minister of agriculture wanted to control loans for agricultural machinery. But the Plan Organisation was doing all these things”. See: Bowling, John W. (February 21, 1959) Foreign Service Despatch 583: Political and Economic Aspects of the Fall of Plan Organization Director Ebtehaj.

point Zahedi, a former General, sent a tank with soldiers to the Plan Organization ostensibly to remove Ebtehaj by force (Farmanfarmaian, November 10, 1982: transcript #3). The Shah intervened, making clear to Zahedi that Ebtehaj was to be allowed free reign. Resentful that his service to the throne had been poorly repaid, Zahedi resigned shortly thereafter only to be replaced by an Ebtehaj friend and ally, Hossein Ala' (Rountree, 1955, Rountree, 1955).

Ebtehaj's saving graces throughout this time were his immaculate reputation for financial probity, and, more importantly, the Shah's support. Without the Shah's strong backing, Ebtehaj simply could not have withstood the barrage of criticism and power plays that he was continually subjected to from influential political enemies.

With Amini, the Shah had a slightly more complicated relationship. Given his political skills, powerful family, and general popularity, the Shah had less need to shield Amini from critics. Indeed, his popularity combined with his well-known ambition, and American friends made Amini a clear political threat to the Shah who was still licking his wounds from the humiliating Mossadegh experience. Nonetheless, the Shah retained Amini in a series of important posts. Minister of Finance until May, 1955, Amini was briefly moved to the less influential position of Minister of Justice¹¹ where the Shah continued to rely upon him in negotiations with the Americans so much that the U.S. Embassy staff became confused about his real role (Chapin, 1955, Chapin, 1955, Dulles,

¹¹ At the time, the Economist protested that "Dr. Amini's immense capacity is much more needed at the Treasury, where there is no one of his caliber to replace him and where firmness and experience are essential if the government is to extract from the rich and powerful the new direct taxation that has just been imposed" See: Persians Salvage Their Dreams. April 18, 1959 The Economist.

1955, Oil Negotiator Is Named Justice Minister of Iran, 1955). Shortly thereafter, Amini was sent to serve as ambassador to the U.S. where his expert knowledge of Iran's economic needs in addition to his personal friendships with government officials made him an extremely effective negotiator for additional technical, financial, and military aid (Amini, 1995: 104, Iranian Minister Named Envoy to Washington, 1955).

The Shah's support falters

By 1959, Ebtehaj was facing off against the third Prime Minister of his tenure. Dr. Manouchehr Eghbal, like his predecessors, needed funds for government expenditures and hoped to balance his budget by reducing the Plan Organization's allotted share of oil revenues. Ebtehaj, violently opposed to such a scheme, pointed out that the World Bank's \$75 million loan had been conditional upon Iran's commitment of oil revenues to the PO's economic development activities (Bostock and Jones, 1989). Eghbal responded by going to Parliament with a bill transferring the powers and responsibilities of the PO's Managing Director to the office of the Prime Minister (Walz, March 1, 1959). Having survived machinations of this sort in the past, Ebtehaj might reasonably have expected that the Shah would once again ensure that nothing came of this latest effort. The king, however, seemed to have tired of Ebtehaj who had of late been causing more headaches than usual with his opposition to a pet fertilizer plant project in Shiraz, and his embarrassing complaints to American officials about the need for economic rather than military aid (Bowling, February 21, 1959, Farmanfarmaian, November 10, 1982). In sacrificing Ebtehaj, the Shah could rid himself of an irritating constraint on his freedom of movement while also currying the favor of the vast numbers of Ebtehaj's enemies. On

February 15th, Ebtehaj was informed by his deputy Khosrow Hedayat that the Majlis with an unusual burst of speed had passed the law transferring his powers to the Prime Minister that morning after merely a week of deliberations (Walz, March 1, 1959). Ebtehaj resigned his position within hours and would never work for the government again (Bostock and Jones, 1989).

By this time, Ali Amini had also fallen out of favor with the Shah. A year earlier, the Shah had uncovered a plot by a group of prominent military and political men to force him to “reign and not rule” as a constitutional monarch with greatly limited powers. The group, headed by General Valiollah Qarani, commander of the Army’s intelligence staff, had gone so far as to establish regular contact with the American embassy and other officials at the state department who did little to discourage their ‘soft coup’ planning. The Shah was incensed and arrested the plotters immediately. Suspected of having been peripherally involved with the group, Ali Amini was made persona non grata much to the chagrin of the U.S. State Department. He was promptly recalled from Washington DC and spent the next few years outside of government. The Shah reportedly said “I will make Amini take his dream of becoming a prime minister to [his] grave,” (Dulles, February 28, 1958, Gasiorowski, 1993, Milani, 2008: 66-7 & 445-49).

Amini’s return

In the absence of Ali Amini and Abol Hassan Ebtehaj, many of the institutional reforms and programs they had launched foundered. The Ministry of Finance stagnated and soon gained a reputation for corruption and opposition to any reforms that might threaten its vested interests over the country’s taxation and budgeting apparatus (Eliot,

September 8, 1964). Without a strong director to protect its mission and finances, the Plan Organization became subject to political and patronage pressures that eroded its revenue base and diminished its control over development projects (Eliot, February 12, 1963, Taylor, March 17, 1959, Walz, September 14, 1962). The PO was reorganized so that the execution of development projects was no longer carried out by itself but by the ministries instead (Swihart, April 11, 1964, Taylor, October 1, 1959). The only sub-division of the Plan Organization to retain a certain amount of power was the Economic Planning Bureau due, according to the U.S. Embassy, to its being the only group “really qualified to prepare acceptable loan applications” (Taylor, August 10, 1959). The young economists and technocrats Ebtahaj had hired, mentored, and promoted grieved his departure as a signal of that the political leadership had “rejected the goal of economic development, the goal of progress” (Majidi, 1999: 243).

By 1960, several years of persistent budget deficits had resulted in a serious inflation problem while escalating expenditures were making it more and more difficult for Iranians to pay back their rapidly accumulating debt (Taylor, August 15, 1959). By the middle of the year, the Government was forced to turn to the IMF for \$55 million in loans. In return, the government was forced to accept a series of reforms intended to quickly stabilize the economy (Herter, July 1, 1960, Walz, September 12, 1960). Simultaneous with the government’s attempts to implement these austerity measures a political crisis unfolded as the Shah’s clumsy attempts to manipulate parliamentary elections backfired (Wailes, August 4, 1960). The combined political and economic crises culminated in a teacher’s strike on May 4, 1961 over pay cuts in which 50,000 demonstrators clashed with the Iranian Army. Prime Minister Sharif Emami and his

entire cabinet tendered their resignations. By May 6, in a surprisingly swift turnabout, the Shah had asked his nemesis Ali Amini, to form a new cabinet to lead as Prime Minister (Foreign Relations of the United States, 1961–1963 Volume Xvii, near East, 1961–1962, Document 41, May 4, 1961).

Understanding the Shah's support

The 1950s were an interesting and, perhaps, confusing time for economists. Immediately following the 1953 coup, Ebtahaj and Amini had free reign to implement the policy reforms they felt would best further the country's economic development. By 1959 both men were out of power but only two years later, Amini was heading another reform-minded cabinet, this time as Prime Minister. How can the Shah's vacillating support for a strong economic team and their economic reforms best be understood?

Functionalist and epistemic communities approaches attribute the increasing power of economists to growing uncertainty arising from rapid modernization or periods of political/economic crises. It is certainly true that Iran in the 1950s was in the midst of a period of rapid modernization in which its leaders were grappling with the difficult task of learning about and finding Iran's place within a complicated international economic system. Furthermore, the Mossadegh's oil nationalization, oil embargo, and subsequent U.S.-backed coup constitute exactly the kind of political and economic crisis that scholars of epistemic communities have predicted might render political leaders more open to the advice of experts who can help them understand the causes of the crisis as well as the policy options that might prevent its recurrence. The historical record, however, does not indicate that the Shah, overwhelmed by a sense of uncertainty, had lost the confidence to

conduct his economic policy without the guidance of recognized experts in the field. Indeed, even as he publicly defended Ebtehaj and Amini and retained their services, the Shah often worked at cross-purposes to their overall goals and vision. In his interview with the Harvard Iranian Oral History Project, Amini refers to his strong disagreements with the Shah over the issue of taxes as a primary reason for his transfer to the Ministry of Justice and suggests that the Shah often opposed his proposals despite their obvious utility and/or popularity (Amini, 1995: 102-05). At the Plan Organization, Ebtehaj grew increasingly frustrated with the Shah's insistence on military spending that he felt threatened the economic development program he labored to promote. Reflecting this frustration, at one point, Ebtehaj went so far as to suggest to his deputy that the PO ought to commit to more projects than it could afford because "If I don't commit those funds, the government will take away those funds and misspend it on military projects" (Farmanfarmaian, November 10, 1982: transcript #3). The Shah's eventual firing of Amini and Ebtehaj, furthermore, suggest that his commitment to their economic program was never particularly strong.

Mimetic isomorphism describes the way that states lacking means of identifying optimal goals, structures, or practices can look to the examples of particularly successful models as guides. Observing, for example, the fact that the United States actively solicits and incorporates the advice of economists might have inspired the Shah to have done the same. The Shah might also have been partial to economists that favored the American capitalist model. Certainly there is evidence that the Shah seems to have made a conscious decision to identify with and pattern his country after the West and the United States. In a chapter titled "Westernization: Our Welcome Ordeal" in his book *Mission for*

My Country, the Shah writes: “Today we have far to go to catch up [to the West] and it is not enough merely to ‘catch up’” (Pahlavi, 1961: 132). Additional evidence that the Shah had ideologically aligned his nation with the West comes from his decision to abandon Iran’s official neutrality and, over strenuous Soviet objections, join the Baghdad Pact coalition which had been created by the U.S. and U.K. as a bulwark against Communist expansion in the Middle East (Hangens, November 27, 1955, Milani, 2001, Soviet Tells Iran Mid-East Linkage Threatens Peace: Protests Teheran's Decision to Join Turk-Iraqi Treaty, October 13, 1955). There is little evidence, however, that the Shah’s admiration of and desire to achieve Western success varied in ways that might explain variation in the experience of economists during this time.

Political Interest Group analyses highlight the way experts mobilize political power to influence policy decisions by, among other things, forming or supporting political parties or tacitly endorsing nondemocratic methods that weaken or eliminate political rivals. Ebtehaj, as discussed above, was famously unpopular and apolitical and had very few supporters besides the Shah and his loyal deputies¹². Amini, however, as a prince of the pre-Pahlavi monarchy, had the connections, money, and political support to be a formidable force. And his participation, however peripheral, in the Qarani affair suggests he was not opposed to using such power to achieve his ends. Ultimately, however, the Shah successfully clipped his wings at every opportunity through transfers, overseas assignments that separated him from a potential base of support, and banishment

¹² Indeed the American Embassy in Tehran noted that “Ebtehaj has persistently made enemies at a rate which showed some kind of negative genius”. See: Drift in Iran. June 25, 1955 *The Economist*, 1135-36.

from government office after his flirtations with treason were discovered. Indeed, the Shah's behavior toward Amini suggests that potential political power may sometimes even be a liability for economists in autocratic systems of government where the monarch may be extremely jealous of his absolute power. Certainly, Amini's political viability seemed to impede his ability to be effective as the Shah, feeling threatened even before the Qarani affair, was constantly undercutting him.

The Shah's behavior vis-à-vis his economic advisors and their preferred policies might best be understood as stemming from his need for international resources. In the immediate aftermath of the U.S. sponsored coup d'état, Iran was wholly dependent upon the generosity of the United States to support its budget on a month-to-month basis. Even after a new oil deal was negotiated and revenues renewed, Iran's treasury required several years to repay debts and get the country's finances in order. Indeed, U.S. Embassy reports and State Department memos from this period are almost entirely monopolized by discussions of Iran's requests for and American deliberations regarding technical, economic, and military aid. Given the Shah's desperation for such aid, he might have been willing to tolerate Ebtehaj's and Amini's liabilities based on the reasonable expectation that their perfect English, USAID and World Bank friendships and widely acknowledged economic expertise made them the individuals most capable of inspiring trust and loosening purse strings.

Several years after the coup, however, there is evidence that the Shah was feeling less urgency about remaining in the Americans' good graces. A State Department profile of the monarch in 1957 noted that "[d]uring the past five years probably the most significant aspect of the Shah's development has been his growing self-confidence and

assertiveness” (Cassilly, March 11, 1957). Having consolidated his grip on power since the coup, the Shah was confident that domestic threats had been eliminated. The Shah also had reason to believe U.S. aid would be forthcoming irrespective of the kinds of advisors he maintained or the type of economic policy he pursued. The continuing Cold War combined with a shocking series of coups and revolutionary activity in countries like Iraq, Turkey, and South Korea rendered the United States more concerned with preserving its friends than influencing their economic policy behavior. The Shah might have surmised the conclusions of the State Department’s Planning Board that the “U.S. wants to keep Iran independent, pro-Western and stable. Substantial military and economic aid are the price needed to achieve this result” (Boggs, February 5, 1957).

In 1961, however, the Shah’s newfound confidence seems to have crumbled in the face of domestic political strife and economic pressure. In selecting his new Prime Minister, the Shah seemed to be counting on a positive response from the new Kennedy Administration to their trusted friend Amini (Rockwell, May 20, 1987). Indeed within four days of Amini’s premiership, the U.S. State Department and Embassy in Tehran were engaged in discussions over actions that could be taken to support and strengthen Amini and the Shah that ultimately resulted in grants for millions of dollars of budgetary support (Foreign Relations of the United States, 1961–1963 Volume Xvii, near East, 1961–1962, Document 51: Record of Action No. 2427 Taken at the 484th Meeting of the National Security Council, May 19, 1961, Wailes, May 10, 1961). A plausible explanation for the king’s turn to a political rival he suspected of treason is that the country’s political and financial straits were dire enough that the most important requirement of any candidate for Prime Minister was that they be able to inspire the trust

and financial backing of the United States. Under the circumstances, Ali Amini was the individual that best fit the bill¹³.

The events of 1959-1962 in a less dramatic fashion resemble and foreshadow the Shah's behavior during the oil boom and bust of the 1970s. As discussed below, when oil revenues began flooding into the country and the Shah gained the position of creditor—no longer debtor—of loans to the United States, he felt at great liberty to fashion Iran's economic policy as he saw fit with little input from his army of ignored policy advisors. When the boom turned to bust, however, the Shah scrambled to find a new technocratic Prime Minister and economic team to address the country's financial woes.

Before discussing the 1970s, however, the following chapter discusses the post-Amini era when the Shah found a way to balance the American preference for dealing with technocrats and economists against his personal distaste for political rivals. In Ali Mansur, Amir Abbas Hoveyda and their group of Western educated young men the Shah found a perfect combination of technocratic aptitude to please the West and political obeisance to shore up his absolute rule.

¹³ In a 1987 interview with Habibi Ladjevardi of Harvard's Iranian oral History Collection, Stuart Rockwell who worked in the American Embassy at the time of Amini's appointment denied any knowledge of overt U.S. pressure for the appointment of Amini but speculated that "...it is possible also that the Shah felt that the appointment of Amini as Prime Minister might cause the United States to be more generous in providing economic assistance....It could be that the Shah thought we would like it, and I guess we did like it, because we thought Amini was a good man but we did not take it upon ourselves to tell the Shah that we thought he should appoint him" Bowling. Foreign Service Despatch 583: Political and Economic Aspects of the Fall of Plan Organization Director Ebtehaj..

Chapter Three: The White Revolution, the Young Turks, and the start of the Golden Decade (1962-1969)

The Amini administration did not last long. The Shah's animosity toward his Prime Minister only increased over time. He was annoyed when Amini refused to include his trusted aide Assadollah Alam in the new cabinet and instead stocked it with controversial and opposition-affiliated individuals such as Dr. Mohammad Derakhshesh one of the leader's of the teacher's strike, Nura-al Din Alamuti a former communist party leader, and Hasan Arsanjani a rabble-rouser who had for many years agitated for land reform to distribute property to peasants (Amini, 1995: 145, Milani, 2008). The Shah was further angered when Amini made the embarrassing announcement that the nation was on the verge of bankruptcy as a result of the actions of "incompetent and traitorous officials [that] had misused government funds and built up personal wealth" (Iran Warning Voiced: Country near Fiscal Collapse, Premier-Designate Says, May 8, 1961).

The Shah's opportunity to rid himself of his irritating Prime Minister arose just a year after Amini's appointment. Faced with a looming budget deficit that could not be pared down Amini's only options were to convince the Shah to agree to cuts in military spending or convince the Americans to give more aid (Dr. Amini's Defeat, 1962). The Shah, however, was both fiercely protective of the military budget (Amini, 1995: 147-48) and indifferent to Amini's troubles¹⁴ while the Americans, tired of perpetual shakedowns

¹⁴ NSC staff reported that "the Shah sits back doing nothing; he reputedly said Amini is a U.S. man so the U.S. can support him" See: Rockwell, Stuart in an interview recorded by Habib Ladjevardi. (May 20, 1987). Cambridge, MA: Iranian Oral History Collection, Harvard University. Online: <http://www.fas.harvard.edu/~iohp/rockwell.html>.

and facing their own balance of payments problems, refused to give any more than the \$67 million of grants and loans that had already been given over the past year (Komer, July 19, 1962). Amini proceeded to offer his resignation, a move that has been interpreted as a bluff intended to spur the Shah and/or State Department to action (Milani, 2008: 69). To Amini's apparent surprise, however, his resignation was accepted by the Shah who in appointing his close friend and ally Assadollah Alam effectively began running the government himself (Amini, 1995:150-51, CIA, 1962, Komer, July 19, 1962). Unable to wheedle additional funding or solid statements of support out of the U.S. Government, Amini had become an expendable resource¹⁵.

In contrast to the first time he got rid of Amini, however, this time the Shah did not allow his departing Prime Minister's reforms to end with his tenure. Indeed, over the next five years, the Shah transformed his image from that of a conservative monarch reluctantly endorsing his advisor's reforms under U.S. pressure into the champion of a reform program he claimed as his very own. This transformation began with his co-

¹⁵ The Shah's successful trip to the United States in April 1962 may have also convinced him that the Americans would not object too strongly were Amini to be removed. During the trip, the Americans rarely mentioned Amini by name. President Kennedy went so far as to agree with the Shah that for "Iran to succeed its government would have to act firmly for a time and...the United States would not insist that Iran do everything in an absolutely legal way". This may have given the Shah the confidence to rid himself of Amini without fearing the wrath of the U.S. Government Komer, Robert. (June 15, 1962) Foreign Relations of the United States, 1961-1963 Volume Xvii, near East, 1961-1962, Document 294: Memorandum from Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy). <http://history.state.gov/historicaldocuments/frus1961-63v17/d294>. On the other hand, Stuart Rockwell who worked in the U.S. Embassy at the time has denied such an interpretation saying: "I don't recall any particular reason that the Shah would have had to think that he had a green light from Kennedy to do as he saw fit" Foreign Relations of the United States, 1961-1963 Volume Xvii, near East, 1961-1962, Document 246: Memorandum of Conversation. (April 13, 1962), edited by United States Department of State: <http://history.state.gov/historicaldocuments/frus1961-63v17/d246>, Milani, Abbas. (2008) *Eminent Persians: The Men and Women Who Made Modern Iran, 1941--1979*. Syracuse: Syracuse University.

opting of the land reform program into his ‘White Revolution,’ a six-point plan he obtained the nation’s overwhelming approval for in a 1963 referendum (Pahlavi, 1967, Swihart, May 27, 1963, *The World: Reform in Iran*, January 28, 1963). Concurrently, the Shah recruited a government of young, foreign-educated but politically weak technocrats to run the nation’s business under his own personal direction. Over the next ten years, these young technocrats guided Iran through its “Golden Decade,” a stable period of high growth with little inflation during which countless factories, dams, roads, hospitals, and universities were built while socioeconomic indicators such as literacy, poverty, child mortality, etc. improved.

This chapter details the initiation and accomplishments of the White Revolution as well as the rise and impact of the Shah’s new technocratic managers. It also investigates and considers likely motives for the Shah’s new enthusiasm for and sometimes even leadership of the reform movement.

The White Revolution

Iran’s traditional social structure was loosely feudal with the large majority of the population working as peasants or tenant farmers on land owned by a small (and often absent) landowning class (Pahlavi, 1967: 21). By the 1950s, such a social structure was not only anachronistic but was also believed to be extremely inefficient as profit incentives for increased peasant productivity were largely absent (Richards, 1975, *The World: Reform in Iran*, January 28, 1963). In its study of the matter, the Plan Organization concluded that meaningful agricultural development was impossible until such time as the structure of land ownership was reformed (Farmanfarmaian, November

10, 1982: Transcript Number 9). Early on, the Shah took a few tentative steps toward addressing this with the distribution of Crown Lands and the passage of an extremely weak land reform bill in March 1960 (Boggs, April 7, 1960). Landowner objections were powerful enough, however, that the Shah was unable or unwilling to actually enforce implementation of the new law and the issue of land reform was largely ignored until the following year when the Amini cabinet took over.

The Plan Organization's study of land ownership and proposal for its restructuring were taken up by Dr. Hassan Arsanjani, Amini's new Minister of Agriculture (Farmanfarmaian, November 10, 1982: Transcript number 9). Arsanjani was a lawyer, journalist, and politician with a reputation of something of an anti-capitalist radical. He had been agitating for land reform for many years though he had little technical knowledge of how it might be done (Milani, 2008: 85-91, Zonis, 1971: 53-61). In May, 1961, when Amini asked Arsanjani to join his cabinet as the new Minister of Agriculture, Arsanjani hit the ground running. Within two weeks he had convened a land reform seminar and by the end of the year he had prepared a new land reform law based on the PO's proposal that—in the absence of a temporarily dissolved parliament—was swiftly adopted by the cabinet and signed into law by the Shah (Calhoun, 1979: 121, Iran's Peasants to Get More Land, January 11, 1962, Shah Signs Bill for Iran Reform: Landless Peasants Will Get Portions of Big Estates, January 16, 1962).

The 1962 Land Reform law departed from the Plan Organization's original proposal in that it only attempted to break up the big mega-estates and allowed landowners to retain as much one whole village. Any land over and above a single village, however, was required to be sold to the government who would subsequently

resell plots to those farmers that had been working it for the previous three years (Unhappy Alliance, January 27, 1962). When PO officials complained to Arsanjani about the inherent unfairness that a peasant's opportunity to own land should be dependent upon the size of the estate in which he resided, Arsanjani agreed and suggested that political pressure had prevented him and the Shah from implementing the whole plan. Arsanjani correctly predicted, however, that this first step would create the political momentum necessary to carry land reform into the smaller holdings as well (Farmanfarmaian, November 10, 1982: Transcript 9). By March the first transfers began in the northern Maragheh region, chosen according to Dr. Arsanjani because it was home to the "most wicked landlords of Iran, who whip the peasants like serfs" (Iran Begins Land Transfer, March 4, 1962, Shah Signs Bill for Iran Reform: Landless Peasants Will Get Portions of Big Estates, January 16, 1962).

When the Amini government fell in July 1962, it would not have been a surprise if Arsanjani had left with it. The Shah had never been very enthusiastic about the appointment of this radical reformer who was believed to have taken inspiration for his land program from the Eastern European experience with the Kholkhozes and who was also implicated in the Qarani coup attempt (Gasiorowski, 1993, Telegram Number 784 from the U.S. Embassy in Tehran to the Department of State, March 19, 1963, United States Department of State Airgram a-518: Land Reform in Iran, February 18, 1963). In fact, however, Arsanjani was not only asked to stay on as Minister of Agriculture but was also empowered to intensify the land reform program which was soon incorporated into and encompassed by the White Revolution—the Shah's signature 'revolution from above' which was intended to "radically chang[e] the face of our society" and "construct

a modern and progressive Iran on sound and strong foundations” (Pahlavi, 1967).

Arsanjani was kept on until the following year when land reform was well underway and his growing political popularity among the peasant population began to look dangerously powerful to the Shah (Swihart, March 19, 1963, Zonis, 1971: 59-60).

The White Revolution consisted of a six-point plan (later expanded to twelve) which was presented at the National Congress of Rural Cooperatives in Tehran on January 9, 1963 (Bill, 1970: 2-3, Pahlavi, 1967) and overwhelmingly supported in a referendum held later that month (The World: Reform in Iran, January 28, 1963). In addition to extending land reform to smallholders, the Shah’s plan included: profit-sharing programs for urban laborers; women’s suffrage; literacy and health corps; nationalization of forests, pastures, and waterways; and civil service reform (Bill, 1970: 31-32). In rhetoric and substance the plan was an assault on the wealthy and landowning classes and thereby comprised a major shift in the Shah’s relationship with and policy toward the moneyed classes he had hitherto been reluctant to alienate (Furnas, January 21, 1963, United States Department of State Airgram a-508: The Iranian Revolution - Some Thoughts and Speculation, February 11, 1963).

Contemporary and later critics have argued that the ultimate impact of land reform and the White Revolution was not altogether positive for the peasants or other lower classes (Farmanfarmaian, 1997: 368, Yeganeh, 1985). Having destroyed a feudal system that for all its flaws had been operating relatively successfully for thousands of years, the government lacked the administrative means to speedily and efficiently create an alternative. Peasants who had been accustomed to relying on landowners to determine crop schedules, coordinate the use of machinery, and resolve disputes were suddenly on

their own. Naturally, some peasants and landowners were quicker than others to adjust to and find ways to benefit from the new social order while the less talented often found themselves worse off than they were before (Parvin and Zamani, 1979).

Nevertheless, while the so-called “Revolution of the Shah and the Nation” often fell short of its rhetoric, it did indeed fundamentally alter social relationships between the classes and transform landownership in Iran from a system of tenancy to one of owner-occupation (Lambton, 1969, Majd, 1987). A new middle class of farmers and small landowners was created with the freedom to develop its own political strength. The literacy and health corps which sent military conscripts into villages to teach reading, writing, and hygiene further lifted the prospects of the children of villagers. Increasingly, parliamentarians as well as high-level bureaucrats and ministers hailed from these classes rather than the landed aristocracy which had maintained its control over these levers of power for so many years (Amuzegar and Fekrat, 1971, Bill, 1970: 36, Meyer, May 22, 1967: 118, Moghaddam, 1972). Certainly the American embassy saw the program as both progressive and in line with its own interests in Iran’s long-term stability. The Shah was seen to have “made a clean and irrevocable break with the traditional moneyed, land-owning, and religious elites on whom he relied so heavily in the past” (Furnas, January 21, 1963) while the success of the reform program was seen by both the Secretary of State and US Ambassador to Iran as being “fundamental to our interests”(Holmes, May 15, 1963).

The ‘Young Turks’

Concurrent with the launching of the White Revolution, the Shah began to groom a new group of individuals to help him run the country and institute the reforms necessary to spur economic growth. These individuals—often described as the ‘Young Turks’ by the American Embassy—had three defining characteristics. First, nearly all were foreign-educated and well-versed in the international language of technocrats. Second this group was carefully culled to ensure that independent-minded, politically viable, or politically ambitious individuals like Ebtehaj or Amini were not included. Finally, these individuals were young. Unlike the elder generation of government functionaries who had “seen the Shah in his most vulnerable hours, when he was weak, marginalized or on the run...the new elite had had its political baptism when the Shah was well ensconced on his throne in the full regalia of an authoritarian, modernizing monarch” (Milani, 2001: 163). Emblematic of this new elite was the Shah’s support for the transformation of the Progressive Circle (or *dowreh*) into the New Iran political party which under the leadership of Hassan Ali Mansur and Amir Abbas Hoveyda was to dominate Iranian politics in the 1960s and 70s.

In Iran, political salons or *dowrehs* were a traditional forum where groups of like-minded men met on a regular basis to discuss the nation’s problems and form political alliances in the relaxed and informal setting of someone’s living room (Zonis, 1971). By the early 1960s one such *dowreh* was the Progressive Circle led by Mansur and Hoveyda and comprised almost entirely of young, foreign-educated technocrats. Interestingly, neither Mansur nor Hoveyda could rightly be called technocrats. Mansur, born in 1923 to an aristocratic and political family—his father served as prime minister in 1941 during

the Allied attack on Iran—had completed a bachelor’s degree in political science at Tehran University (Milani, 2008: 229-35) and spent some time studying political science and economics in Paris (Schmidt, January 27, 1965). Hoveyda who had grown up abroad as his father served in various diplomatic missions in Damascus and Beirut, eventually made his way to Europe where he received his degree, also in political science, from the Free University in Brussels (Milani, 2001). Both men joined the Foreign Service where they became fast friends while rooming together during several years of work at the Iranian Embassy in Germany.

Despite their non-technical backgrounds both men seem to have developed a strong appreciation for and faith in the power of technocrats—particularly foreign-educated technocrats—to lead the nation out of its backwardness and solve all manner of social and economic ills. In a series of essays with titles like “Today Responsibility Must Lie with the Technocrats and There Are Not Enough Technocrats” Hoveyda wrote of the urgent need for the government to train, recruit, and promote much-needed technocrats to positions of power (Milani, 2001: 140-41). Mansur and Hoveyda also seemed to have the self-confidence necessary to surround themselves with individuals that were better-educated and arguably smarter than themselves. The Progressive Circle included many foreign-educated individuals with advanced and doctoral degrees that helped to define the group’s positions on a variety of issues under consideration.

The Mansur Government

In May, 1963, the Progressive Circle was catapulted to prominence when the Shah announced his support for the group and his reliance on it for economic advice in

particular (Iranian Reformer: Hassan Ali Mansour, January 22, 1965, Milani, 2008: 232, Milani, 2001: 154). One month later, Stuart Rockwell of the American embassy reported on a conversation with the Shah in which he shared his plans for a new political party which would be established “to become the main political force in [the] future” and which would “be organized...by Hassan Ali Mansur and his progressive group” (Rockwell, June 24, 1963). Over the next nine months, it became common knowledge that Mansur would soon be appointed to the post of Prime Minister. In anticipation of his accession, Mansur formalized the Progressive Circle into the political party New Iran which, with the Shah’s support and a certain amount of election fixing, swept the parliamentary elections in October capturing 138 out of 188 available seats (Rockwell, October 14, 1964). Mansur next began preparing for the premiership, discussing cabinet posts with friends, and developing a plan of action for his anticipated time in office. American Embassy officials began meeting with members of the Progressive Circle in addition to Alam’s lame duck cabinet in order to divine the future directions of Iranian policy (Jernegan, March 2, 1964, Swihart, February 10, 1964). Finally, on March 7th, the new government took power (Eliot, March 9, 1964). It was “...in many ways, different from all of its predecessors. It was a younger cabinet, primarily consisting of foreign-trained technocrats. As the Shah had told the American embassy, a changing of the guard was at hand” (Milani, 2001: 163).

The Mansur government got off to an energetic start, swiftly attracting the attention of foreign reporters who wrote that “[f]or the first time in Iran’s history, a Government rising from a political party had come into office with a detailed program” (Walz, April 7, 1964). The new cabinet launched its series of reforms with a concerted

assault upon a bastion of traditionalism and reputed corruption—the Ministry of Finance. For many years, efforts by the Plan Organization to streamline the country’s budgeting process and combine all development, administrative, and military expenses into one overarching budget had been firmly and successfully resisted by this body (Farmanfarmaian, November 10, 1982: tape 3). Much to the consternation of Finance Ministry bureaucrats, one of Hoveyda’s first acts as the new Minister of Finance was to surrender all budgetary functions to the Plan Organization under Harvard-educated Majid Majidi (Eliot, March 23, 1964). Hoveyda next turned his attention to reforming the tax code as well as the process of tax collection and administration. To this end, he enlisted Berkely-graduate Jamshid Garachedaghi to help him computerize ministry operations thereby eliminating the chaos that contributed to and resulted from “deep layers of vested interest that had hitherto defined the ministry” (Milani, 2001: 165). Hoveyda also worked with IMF advisors to develop a new tax law that would simplify taxation and remove loopholes while increasing government revenues (Eliot, December 14, 1964, Eliot, February 8, 1965, Swihart, November 18, 1964). To underscore his commitment to rooting out corruption, Hoveyda also removed “a sizeable number of undesirable” employees and referred some of them to the Civil Service Tribunal for investigation (Eliot, December 14, 1964). Hoveyda also publicized his fight against corruption in statements to the press about his intentions to “weed out corrupt and incompetent officials” (Eliot, September 8, 1964).

While Hoveyda was whittling away at the traditional turf of the Finance Ministry other members of Mansur’s team were working to expand and enlarge the mandate of the Plan Organization which had withered since Ebtehaj’s departure. The Mansur team

worked swiftly to reverse this trend. While the responsibility for execution of projects was left to the ministries, the Plan Organization was empowered to vet, choose, and prepare the projects ministries were expected to implement under its own supervision (Swihart, April 11, 1964). The transference of the Ministry of Finance's budgetary function to the Plan Organization also gave the PO power to resist attempts to raid its development funds for administrative or consumptive purposes.

In addition to these major institutional reforms, the new technocrats pursued a number of smaller policy changes intended to spur private sector investment and increase the efficiency of the public sector. By the end of the year, the government—often with the help of foreign consultants or advisors from USAID, the World Bank or the IMF—had drafted or submitted a number of new bills designed to, among other things: modernize Iran's banking system; reform the Civil Service Code to allow the discharge of redundant or incompetent government employees; and launch a stock exchange on the model of the New York Stock Exchange (Eliot, October 5, 1964, Stave, May 4, 1964).

It was, perhaps, inevitable that opposition would arise to the assault on traditional practices and values resulting from Mansur's broad reform program. The old guard struck back through obstructionism and sometimes outright defiance. A number of employees of the Ministry of Finance even wrote and circulated a pamphlet attacking Hoveyda (Eliot, September 8, 1964). Those who sympathized with the old guard saw them as the last vestiges of those traditional bureaucrats who attained their positions after years of hands-on experience managing agricultural lands in the provinces. These individuals had slowly worked their way up the bureaucracy and were intimately familiar with "how the land was managed, what the problems were among the people, and what

the real value was of goods, services, water, and transport” (Farmanfarmaian, 1997: 161). They were now being replaced by foreign-educated technocrats with no roots in or respect for these traditions. One member of the old guard lamented: “O God! To whom can we complain that in this land, the more you are alien to the culture, the more you are likely to be embraced by the powers that be?...Why have our elite become so confused, insecure, and reckless that they show no fear of what they should be afraid of, and know nothing other than how to inadequately mimic strangers?” (quoted in Milani, 2001: 164)

An opposing view of the traditional bureaucrats as essentially corrupt, however, is provided by the U.S. Embassy in Tehran which reported that “[i]t is not surprising that the ‘old guard’ among the civil servants... has attempted to strike back...as any thorough reform would endanger or destroy the numerous rackets of these officials” (Eliot, September 8, 1964). In the eyes of embassy officials such as Stuart Rockwell, the new technocrats were a huge improvement insofar as they understood and could communicate “the complexities of the economic relationship” in a manner that was familiar to the Americans (Rockwell, May 20, 1987).

Resentment against the Prime Minister and his team was not limited to disgruntled government bureaucrats. The general public was particularly incensed by the passage of the hugely unpopular Status of Forces Agreement which granted American military personnel and their dependents immunity from prosecution in Iran. It was further irritated by austerity measures taken by the Mansur government, such as the doubling of the price of gasoline, a forty percent increase in the price of kerosene, and the implementation of a large exit tax. Religious Iranians were also upset by the government’s treatment of the respected cleric Ruhollah Khomeini who was exiled to

Turkey after criticizing government policy. On January 21, 1965 at ten o'clock in the morning, the Prime Minister was on his way to Parliament to present the latest oil agreement negotiated between Iran and the consortium. Before he could enter the building, Mansur was shot by a young man carrying, in addition to his gun, a copy of the Qur'an and a picture of Khomeini (Howison, January 21, 1965).

Hoveyda

An assassin's bullet could not, however, interrupt a reform program that clearly enjoyed the endorsement of the crown. In a memo on "The Significance of the Assassination of Prime Minister Hasan Ali Mansur" Thomas Hughes, Director of the State Department's Bureau of Intelligence and Research predicted that: "the character of [the] regime will remain unchanged" (Hughes, January 28, 1965). Indeed, within hours of Mansur's death, his Minister of Finance, best friend, and almost-brother-in-law¹⁶ Amir Abbas Hoveyda was appointed Prime Minister and introduced a virtually unchanged cabinet—a development interpreted as indicative of the Shah's determination to "see the reform measures begun by the slain Premier continued" (Iran's Finance Minister Succeeds Slain Premier, January 28, 1965). Hoveyda himself soon announced that his economic program "is the same as Mansur's" and confirmed his continued commitment to the various reforms—the new tax law, the Civil Service Code, and the new budget bureau—initiated by his predecessor (Eliot, February 8, 1965).

¹⁶ Shortly after Mansur's death, Hoveyda married Leila Emami, the sister of Mansur's widow.

In implementing the new reforms, Hoveyda had something which Mansur tragically did not...time. Much to the surprise of those who had seen five different Prime Ministers in the past five years, Hoveyda managed to remain in his post until 1977, becoming Iran's longest serving Prime Minister ever (Milani, 2001: 184-5). Whether his longevity was due more to his effectiveness as Premier or his ability to manage his relationship with an insecure monarch, the fact is that this period of political stability provided the context necessary to consolidate important economic reforms and unleash an era of rapid economic growth with—at least before the oil boom—little price inflation.

Diplomatic reports as well as newspaper accounts attest to the speed with which Iranian industrialization took place in the mid to late 60s. A Biweekly Economic Review from the U.S. Embassy's economic officers in December 1967, for example, states that in the reporting period, four new industrial facilities had been dedicated in Khuzistan Province, the Iran Aluminum Company was founded, Iran State Railways continued negotiations to purchase 30 new locomotives, a woolen textile mill in Tabriz had contracted to sell its entire output to the Soviet Union for the next two years, and a new department store had been opened (Prince, December 11, 1967). Around this same time, Walter Cutler, a U.S. consular officer stationed in Tabriz wrote in his End of Tour Reflections that "...when I look around carefully at the rapidly changing countryside, at foundations being dug for giant machine tool factories and tractor plants...I am reminded that Iran's northwest, once so important but so long in the decay, is already undergoing what I believe is a major renaissance" (Cutler, October 28, 1967). The New York Times and Wall Street Journal, meanwhile were filled with headlines like: Iran Builds Oil Port on Kharg Island (New York Times December 19, 1965), Allied Chemical in Iran

Venture: Pact Calls for a \$100 Million Petrochemical Facility (New York Times October 27, 1965), Indiana Standard Unit, Goodrich Approve Join Ventures With Iran: Firms to Take Part in \$46 Million of Sulphur and Petrochemical Plans with National Oil Company (Wall Street Journal February 15, 1966), and Belgian Concern Will Build Three Sugar Mills in Iran (Wall Street Journal June 6, 1967).

U.S. intelligence reports and policy papers on Iran also began to note the economic boom and credit it for Iran's increasing domestic stability. In a 1966 letter to Assistant Secretary of State Raymond Hare, Ambassador Armin Meyer wrote: "It has been years since the political atmosphere has been as sluggish, as self-satisfied, or as resigned to the status quo. This...is in large measure attributable to economic prosperity....A rising new middle class is on the march economically and, in the short run at least, appears to be developing an interest in political stability" (Meyer, October 22, 1966). A State Department Background Paper prepared on the occasion of the Shah's visit to Washington DC similarly noted that: "The internal Iranian political scene has not been as stable as it is today since World War II....[The Shah's] programs for economic development, land reform, health and education and many other improvements have engaged the cooperation of most Iranians and have outdone the slogans and proposals of the opposition to his rule" (Newberry and Mulligan, August 15, 1967).

Indeed Iran's economic growth was so impressive that the U.S.—bogged down by heavy military expenses in Vietnam—began winding down its military and economic aid. On November 29, 1967, Iran was officially declared to have 'graduated' from the American aid program that had delivered \$605 million in budgetary and development aid since 1951. Military aid as well as shipments of surplus food under the Food for Peace

program were expected to continue for a few more years but end by June 1969 (U.S. And Iran Celebrate the End of Aid Program, November 30, 1967). Hoveyda used the formal phase-out ceremonies as an opportunity to encourage the American private sector to take a more active role in Iran, and wrote to Secretary of State Dean Rusk “Iran’s Fourth Plan will offer new opportunities to your private sector to participate in the economic progress which we can justifiably expect....I hope you will extend a cordial invitation to the American private sector to examine carefully the opportunities which Iran offers and to explore further cooperative ventures mutually beneficial to both countries” (Meyer, November 21, 1967).

Throughout this time period, the Shah was a driving force pushing his economic team to squeeze additional growth out of the economy through whatever means necessary. At times, his demands and expectations seemed unrealistic and even delusional. In reporting on a 1967 discussion with Court Minister Assdollah Alam, U.S. Ambassador Armin Meyer noted that the Shah’s impatience for accelerated progress was evident in his “virtually impossible” proclamation that “within three years 90% of the components of vehicles produced here will be manufactured in Iran” as well as his demands for the accelerated completion of three large dams in Khuzistan (Meyer, April 1, 1967). In preparing Iran’s Fourth Development Plan, officials of the Plan Organization confided to the American Embassy that the upward revision of growth numbers in the Plan’s final version was insisted upon by the Shah (Prince, October 17, 1967). While acknowledging that the Shah “tends toward wishing progress [is] more rapid than is realistic” senior officials like Hoveyda and Alam understood the Shah’s impatience as

reflective of his desire to see Iran modernized “up to European standards before his reign comes to an end”(Meyer, April 1, 1967, Meyer, January 24, 1967).

The Technocrats

Translating the Shah’s ambitions into actual results was a dedicated group of technocrats whose shared educational experiences, unity of purpose, and longevity in public office resulted in a strong, cohesive team that lead the government’s economic policy process in a consistent manner throughout the 1960s and early 70s. All of these individuals were foreign-educated as economists or engineers—sometimes at the same institutions—and, therefore, shared a common language as well as a common cognitive framework for identifying problems and proposing solutions¹⁷. These individuals shared the Shah’s belief in economic growth as the ultimate gauge of successful policy and were willing to sacrifice alternative measures of development like relative equality as they worked to determine the government interventions necessary to produce growth (Farmanfarmaian, November 10, 1982: transcript 2). Working under and benefitting from the political stability of Hoveyda’s tenure, many of these individuals were also able to hold their own positions for relatively long periods of time thereby developing strong relationships with one another that further contributed to the cohesiveness and consistency of Iran’s economic policy team during this time.

¹⁷ Indeed, there were subtle differences between members of this group depending upon the country in which they had studied. The French-educated Asfia and Alikhani were more apt to consider government spending and other interventions in the market, English and American-educated Samii, Farmanfarmaian, and Amuzegar favored the private sector as the primary engine of the economy Rockwell.

Mehdi Samii, for example, who trained at the London School of Economics, alternately headed the Central Bank of Iran (CBI), Plan Organization, and then the CBI again over a seven year period from 1964 to 1970. Samii had a reputation as an excellent banker who was highly respected in both domestic and international circles (Eliot, May 16, 1966, Farmanfarmaian, November 10, 1982: transcript 10). Samii's major contribution at the CBI was to establish a strong tradition of central bank independence from the Ministry of Finance and other political forces (Farmanfarmaian, November 10, 1982: transcript 10, Milani, 2008: 765). He also was a major proponent of developing indigenous Iranian talent through, for example, scholarship programs for promising young students to study abroad and a successful push to prohibit foreign banks from employing non-Iranian managers of their domestic business (Eliot, October 5, 1964, Eliot, January 27, 1964). Samii—well respected by the Americans and trusted by the Shah—soon became the main Iranian negotiator with U.S. officials particularly during the annual economic reviews established by the U.S. embassy as a requirement for approval of military purchases (Meyer, March 15, 1968, Meyer, May 3, 1967).

Working closely with Samii at the Central Bank and Plan Organization was Khodadad Farmanfarmaian a PhD economist with degrees from Stanford and the University of Colorado. Farmanfarmaian was originally recruited away from a prestigious position with Princeton by Abol-Hassan Ebtehaj to help create and head the Plan Organization's new Economics Bureau. Several years later, Farmanfarmaian agreed to serve as Mehdi Samii's deputy at Iran's Central Bank, himself becoming Governor five years later when Samii moved to head the Plan Organization. Apparently sensing a mismatch, it wasn't long before Samii and Farmanfarmaian traded jobs and

Farmanfarmaian moved back to the Plan Organization to run it for the next four years. The American Embassy thought extremely highly of Farmanfarmaian, and welcomed every successive appointment of this “brilliant, aggressive, and development-minded” economist (Meyer, March 13, 1969, Swihart, July 30, 1963).

Jamshid Amuzegar, Minister of Finance for ten years from 1965 to 1974, was also U.S. educated, having received his PhD from Cornell University in hydraulics engineering (Afkhami, 2009: 272-4, Milani, 2008: 72). Given the Ministry of Finance’s long-standing animosity toward the Plan Organization and Central Bank, a certain level of rivalry with Samii and Farmanfarmaian was inevitable. Such rivalry remained respectful, however, and the three men worked successfully together to, among other things, avert the potentially negative side effects of the swift economic expansion of the 60s (Farmanfarmaian, November 10, 1982: transcript 10, Meyer, April 30, 1969). An important part of Amuzegar’s portfolio was representing Iran at the Organization of Petroleum Exporting Countries (OPEC). In this capacity, Amuzegar successfully pushed Iran’s hard line position with respect to oil prices. As chairman of the OPEC team negotiating with the oil companies, Amuzegar gained international recognition when, under the Shah’s direction, he successfully coerced the companies to accept a series of price hikes (Afkhami, 2009: 276-9, *Tenacious Iranian Negotiator: Jamshid Amouzegar*, February 15, 1971). Amuzegar enjoyed the respect and confidence of the Shah who ultimately elevated him to succeed Hoveyda as prime minister. As discussed in the following chapter, Amuzegar’s premiership was short-lived, however, as the Islamic Revolution began to gather steam.

Safi Asfia, a French-educated engineer, headed the Plan Organization for six years. Like Farmanfarmaian, Asfia was recruited and trained by Ebtehaj during the PO's early years to head its Technical Bureau. Asfia oversaw implementation of the Third Development Plan as well as the planning for the Fourth. He worked to decentralize the Plan Organization through the creation of provincial bureaus that participated in the selection and implementation of local projects. He developed a new system for evaluating and categorizing contractors according to their capabilities (Afkhami, 2009: 321, Milani, 2008: 95). He also worked to generate more public awareness of PO activities and successes to counteract negative perceptions of ineffectiveness (Dunn, November 18, 1963). Asfia was succeeded in 1968 by Samii when he left the PO to become deputy prime minister for social and economic development. In this capacity, he remained involved in identifying and selecting development projects throughout the remainder of Hoveyda's tenure (Milani, 2008: 95).

Alinaghi Alikhani was another French-educated member of this economic team. Having received his PhD in Economics from Paris University, Alikhani returned to Iran where he began working for the economic bureau of the country's brand new intelligence service SAVAK. After several years with SAVAK and, later, the national oil company, Alikhani—only 32 at the time—was asked to help combine the Ministry of Commerce and the Ministry of Industry into a new Ministry of Economy that he would head for the next seven years (Milani, 2008: 60, Stave, March 11, 1963). Among the ministry's primary tasks was to determine the country's import and export policies. Alikhani pursued somewhat interventionist and protectionist policies using tariffs to protect infant industries and a variety of incentives to encourage non-oil exports (Stave, March 26,

1963). Alikhani also favored strengthening indigenous capabilities and management within the private sector going so far as to publicly speak out against ‘foreign domination’ of Iran’s economy (Panos, January 11, 1965). While the U.S. embassy thought highly of Alikhani’s courage and capabilities it also, perhaps unsurprisingly given its implications for U.S. business, resented his ‘etatist’ approach (Meyer, April 30, 1969, Panos, July 11, 1966).

The talents and capabilities of these individual men were greatly enhanced by the support they received from one another in their pursuit of the common goal of greater growth. Speaking of the synergy he felt when heading the Ministry of Economy while Samii was at the Central Bank and Asfia at the PO, Alikhani has said: we “understood each other. We kept each other informed of what we did and sought each other’s advice. Consequently, we were almost always in agreement not only about general policy but often also about what went on in our individual bailiwicks” (Afkhami, 2009: 323, Alikhani, 2001) .

Such commonality of method and purpose was further strengthened by the corps of junior men newly returned from studying abroad who circulated between these different governmental bodies—often with stints at the World Bank or IMF in between—applying their talents and similar training to the various economic problems of this swiftly developing country (CIA, 1964). Bahman Abadian, for example, a PhD economist and Harvard Mason fellow started out as chief of planning under Asfia at the Plan Organization then moved to work with Samii and Farmanfarmaian at the Central Bank (Eliot, August 12, 1963, Eliot and Dunn, July 13, 1964, Lambert, 2008). After a four year stint at the World Bank he returned to Iran again in 1969 to work for Samii at

the Plan Organization (Prince, June 24, 1969). Reza Moghadam, who had a PhD in economics from Stanford helped draft the legislation for the creation of Iran's Central Bank where he worked for several years as its "brains and backbone" before leaving for a job with the IMF (Eliot, March 5, 1963). Like Abadian, he returned several years later to join Samii's team at the Plan Organization (Farmanfarmaian, November 10, 1982, Prince, March 13, 1969: transcript 10). Mohammad Yeganeh, the Columbia University-trained economist was recruited by Alikhani from a post at the United Nations into the Ministry of Economy to develop a system for gathering reliable statistics on economic developments in Iran (Afkhami, 2009, Stave, January 27, 1964: 324). Farhang Mehr, who attended the London School of Economics, held posts at the national oil company before becoming a deputy at the Ministry of Finance and, later, deputy Prime Minister under Hoveyda (Eliot, May 20, 1963, Milani, 2008: 959-64).

Throughout this period, the Shah was unfailingly open to and supportive of his economic team's direction on all topics other than security and foreign affairs. Alikhani has written that he and his colleagues were "[b]acked by the Shah" who encouraged free debate, "attempted to reach consensus; [and] even in private audiences... avoided imposing his own views on his ministers" (Alikhani, 1991: 8). Mehdi Samii agrees that the monarch was willing to listen and even learn from his advisors (Milani, 2008: 765). The Shah was perceived by many technocrats as an enlightened leader determined to implement the reforms the country desperately needed despite the entrenched opposition of traditionalists and other vested interests. Farmanfarmaian has said that at the time "I felt the Shah was the greatest refuge I had. I felt the Shah was the ultimate hope. I felt the

Shah capable of understanding what we young reformists were saying far more than anybody else” (Farmanfarmaian, November 10, 1982: transcript 7).

Understanding the Shah’s support

As compared with the previous decade, the Shah’s support for his economic team in the 1960s was remarkably consistent. Whereas in earlier years, the Shah seemed eager to rid himself of reformist advisers and prime ministers whenever circumstances allowed, in the sixties, the Shah actually sought out Mansur and Hoveyda and strongly supported their and their technocratic team’s efforts toward the modernization of Iran’s bureaucracy and development of its economy. What factors are responsible for this shift? How does the experience of Iran generate insights into the role of expert advisors and the conditions under which they are likely to be entrusted with politically sensitive decisions about the distribution of material resources?

Functionalist and epistemic communities explanations of technocratic power emphasize the way that uncertainty arising from rapid modernization or periods of political/economic trouble cause leaders to experience a crisis of confidence that renders them more open to expert advice. As compared with the tumultuous 1950s, the 1960s were relatively free of major political or economic crises. It is possible, however, that the culmination of the events of the earlier decade in addition to the balance of payments crisis of the early 60s may have finally elicited the Shah’s change of heart regarding economists and their proposed reform measures.

Mimetic isomorphism describes the way that states lacking means of identifying optimal goals, structures, or practices can look to the examples of particularly successful

models as guides. During the 1960s, the Shah deepened his ideological bond with the West as he clearly chose the U.S. side in the intensifying Cold War. While his dependence on the U.S. provided material incentives for his promotion of economists in his regime, perhaps his admiration for the dominant American model also convinced him of the utility of expert opinion in economic policy development.

Political Interest Group analyses highlight the way that experts mobilize political power to influence policy decisions. Such analyses might look for a strong political party or populist movement to explain Arsanjani's success in launching land reform or Mansur's reorganization of the government bureaucracy. Neither Mansur nor his successor Hoveyda, however, ever enjoyed the kind of broad political support that such analyses would predict while Arsanjani only enjoyed a measure of populist support after his reform programs were well underway.

Indeed, political popularity or power often seems to have been a liability for those ministers or politicians with a reform agenda. The Shah was extremely jealous of his own power and determined to stamp out potential rivals long before they developed a reliable political base. Arsanjani was relieved of his duties, for example, once his ability to rally tens of thousands of peasants for demonstrations and conferences became apparent. The Shah preferred technocrats that were entirely apolitical and unlikely to protest his autocratic rule. Interestingly, despite their exposure to western democratic culture through their studies abroad as well as, quite often, their foreign wives, many of the economists and technocrats he recruited during this period were not apt to press for or even be in favor of greater political participation at home. In a revealing moment during his interview with Habib Ladjevardi of Harvard's Iranian Oral History Project, Khodadad

Farmanfarmaian says of his and his colleagues relationship with parliament that “We had no patience for them...In our heart, we believed they knew nothing about economic development and the less they interfered with us, the better it was...Our attitude was that these people really do not know very much and they do not matter” (Farmanfarmaian, November 10, 1982: Transcript Number 14). Such disregard and, indeed, dislike for the country’s democratic institutions is reminiscent of Guillermo O’Donnell’s account of technocrats in Latin America who became so frustrated by the inability of messy democracies to implement effective policies that they allied themselves with the military in coup coalitions that overturned populist democracies in favor of ‘bureaucratic-authoritarian’ forms of government (O’Donnell, 1973). In the Iranian case, this class of individuals seemed to have allied themselves and struck a bargain with the Shah—he would support their economic policy preferences and they would support his hold on power.

The Shah’s behavior vis-à-vis his economic advisors and their preferred policies might also be considered as stemming from his continued need for international resources. Although U.S. budgetary support diminished in the 1960s, total economic (non-military) aid continued to play an important role in the Iranian economy. From 1960 to 1967 U.S. grants and loans for budgetary and development assistance, the Food for Peace program, and Ex-Im Bank loans totaled about \$417 million (CIA, 1967). In 1964, furthermore, a Memorandum of Understanding was signed between the two countries that established an annual economic review in which Iranian officials were required to demonstrate the health, stability, and development progress of the country before U.S.

credits for military purchases would be approved for the following year (Rusk, July 2, 1964).

In addition to direct financial aid, the Shah was also extremely concerned with maintaining the political support of the Americans. The experience of the 1953 coup d'état suggested that one rules Iran at the pleasure of the Western powers, particularly the United States. The "Qarani Affair" in 1958 seemed to further confirm the American's willingness to 'switch horses' and transfer its backing to another viable alternative. Throughout this time, therefore, the Shah was extremely sensitive to any hints that the American embassy might be interested in or actively pursuing relations with opposition groups such as the National Front. Khodadad Farmanfarmaian has related, for example, how upset the Shah became—"I had never seen the Shah like this; he turned white, completely white" (Farmanfarmaian, November 10, 1982: Transcript 7)—upon hearing that the State Department had merely asked a few questions about the National Front during his recent meetings in DC.

U.S. interests in Iran were to keep the country "independent, pro-Western and stable" (Boggs, February 5, 1957). The United States was terrified of the prospect of another China-like communist-inspired peasant revolution that might threaten Western access to Iranian oil reserves and since the early fifties had pushed for land reform as a way to avoid such an outcome (Calhoun, 1979). Economic and political reforms were also seen as necessary to thwart the ideological appeal of socialism and create a middle class invested in the maintenance of a stable, capitalist regime. By the late fifties, therefore, after much interagency deliberation, the official policy of the United States became to "press the Shah to institute promptly, meaningful political, social and

economic reforms designed to increase popular support for his regime” (Foreign Relations of the United States, 1958–1960, Volume Xii, near East Region; Iraq; Iran; Arabian Peninsula, Document 257: National Security Council Report, November 15, 1958). The State Department also welcomed the ascension of Prime Minister Amini, an independent and strong politician who they believed understood the need for, as well as process by which, economic reform must proceed (Meyer, August 11, 1960).

The Shah had no intention, however, of instituting political reforms or permitting the rise of a political rival that might weaken his own grip on power. Given his throne’s dependence upon American backing, however, he had to be sensitive to their demands. His strategy over the next decade appeared to be two-fold. First, in Mansur, Hoveyda, and the Young Turks surrounding them, the Shah identified a group of people that were politically weak and had no interest in pushing for political reforms but whose educational pedigrees, Western acculturation, and economic reform program were capable of inspiring the trust and even respect of the State Department. Second the Shah began to seriously pursue and implement land reform through his White Revolution in order to allay American concerns about a peasant revolution. Between land reform and the promotion of a new politically weak but otherwise impressive economic team, the Shah may have hoped to satisfy the Americans enough that their earlier pressure for political reforms would be greatly reduced. The record of U.S. support for the Shah over the next decade suggests that his gambit was successful.

In sum, the promotion of a Western-educated team of technocrats and economists and the implementation of their economic policy plans seemed to have served multiple

purposes. Most importantly, these men had the ability to impress their American interlocutors and earn Western respect and aid dollars for the country's economic reform efforts. So long as they retained their positions of power over economic policy, the U.S. was unlikely to push for additional political reforms. And the economic reforms—particularly land reform—they promoted were compatible with the Shah's domestic political goal of broadening his power base from the landed aristocracy to the peasants.

The following chapter will examine how this strategy fell apart as the Shah—now confident in his own political power and financially strengthened by petrodollars—began to ignore and disregard the economic policy advice of his economic team.

Chapter Four: Boom and Bust (1969-1979)

By the end of the 1960s, the Iranian economy was the envy of the developing world. With some of the fastest growth rates the world had ever seen¹⁸, Iran's rapid industrial and economic expansion combined with land reform and other social endeavors, had transformed the nation (CIA, February, 1973). Walt Rostow, the famed economist and political theorist placed "Iran at that point on the development ladder where the 'take off' is just about finished..." (Saunders, June 13, 1968). William Scranton, in Iran as part of a tour designed to gather information about the Middle East for President-elect Nixon, was said to be greatly impressed by the 'bubbling prosperity' he observed (Schmidt, December 9, 1968). Iranian officials at the time were, as one might expect, even more effusive in their praise. Prime Minister Hoveyda was known to say that Iran had "not only 'taken off' but was 'in orbit' (Meyer, April 30, 1969). Even retrospective accounts, however, by impartial and less sympathetic observers have described the accomplishments of the 1960s as "something of an economic miracle" (Milani, 2008: 25).

It wasn't long, however, before the social and economic strains of such a hectic pace of development began to show. The heavy public spending, and rapidly expanding bank credits that fueled the decade's phenomenal growth rates had resulted in worrisome pressures on prices and foreign exchange reserves. Rising cost of living estimates

¹⁸ From 1965 to 1969, the average growth in GNP at constant prices was 10.5 percent See: Meyer, Armin. (April 30, 1969) United States Department of State Airgram a-212: 1348: Year of the Pragmatists.

indicated that inflation at a rate of about 6% was beginning to affect the population (Prince, July 30, 1969). Years of domestic and foreign borrowing had left the country with a debt service ratio that threatened to diminish the country's sterling credit rating and was beginning to worry commercial lenders (MacArthur, March 19, 1970, Prince, October 2, 1969).

Among the Shah's foreign-educated coterie of technocrats and economic advisors two distinct groups could be discerned based upon the country in which their academic studies were conducted and their economic policy instincts. The French-educated group headed by the Plan Organization Manager Safi Asfia and Minister of Economy Alinaghi Alikhani were apt to propose direct government controls and interventions as their preferred method for addressing the economy's ills. The American and English-educated group headed by Central Banker Mehdi Samii and his deputy Khodadad Farmanfarmaian as well as the Minister of Finance Jamshid Amuzegar preferred the institution of austerity measures that would reduce the availability of credit, increase revenues from taxation, and decrease budget deficits. The American Embassy clearly preferred the Anglo group and seems to have been concerned about which group would prevail. (Meyer, April 30, 1969).

Much to the American's relief, for the next several years, the Samii-Farmanfarmaian group was dominant. The Shah retired Safi Asfia through a promotion to the Prime Minister's office and moved Samii over to head the Plan Organization while Farmanfarmaian took over as Governor of the Central Bank. Both men filled the top tiers of their respective organizations with like-minded technocrats many of whom they recruited from overseas. Reza Moghadam left his work with the IMF to return to the Plan

Organization as Samii's Principle Deputy Managing Director while Bahmani Abadian left the World Bank to become the Deputy Director for Plans and Projects. Cyrus Samii was also recruited from the World Bank and returned to Iran to be Farmanfarmaian's deputy at the Central Bank. From inside Iran, economists Dariush Oskui and Ali Hezareh were both brought to the Plan Organization. Samii's recruiting efforts were greatly aided by the increased flexibility he achieved from a bureaucratic victory that freed the PO from the Civil Service Code's restrictions on hiring and salaries (Meyer, March 13, 1969, Meyer, April 30, 1969).

At the Central Bank, Farmanfarmaian moved quickly to institute monetary policies that would help slow the overheating economy and correct the foreign exchange problem. Reserve requirements for commercial banks were raised by 20%, the ceiling for interest rates was raised and the rediscount rate was raised from 5 to 7% (Meyer, March 13, 1969, Meyer, April 30, 1969). Farmanfarmaian began negotiations for longer-term, less costly loans from governments and international institutions to refinance the short-term supplier credits that heretofore had comprised much of the government's borrowing and by the end of the year had arranged for \$130 million to be repaid over six years (MacArthur, December 5, 1969). The World Bank also agreed to a \$30 million credit for an irrigated farming project as well as a \$40 million loan to the Industrial and Mining Development Bank of Iran (Prince, October 2, 1969). Farmanfarmaian also launched a public campaign to encourage Iranians to invest domestically rather than placing their money with foreign mutual funds that he accused of luring Iranian capital abroad (Meyer, April 30, 1969).

At the Plan Organization, Samii aided the effort to head off a foreign exchange crisis by reviewing and prioritizing ongoing or planned projects and eliminated or postponing them where possible. Indeed, aside from three major ongoing ‘core’ projects—a steel mill, gas pipeline, and petrochemical complex—no new projects from the Fourth Plan were initiated (Meyer, April 30, 1969). As a result, spending increases in 1348 (1969-70) were less than a quarter of what they had been in preceding years reflecting what the U.S. Embassy called the PO’s “sharp retrenchment” program (Prince, February 16, 1970).

Samii also initiated institutional changes that he believed would transform the Plan Organization into a more effective and efficient body. Planners and project executors were integrated into ten sectoral units thereby eliminating a major source of conflict and confusion due to the overlapping responsibilities of the two previously-separate functions. A process of regular evaluation of projects was implemented to measure the physical progress being made and identify potential problems. A single office was also created to coordinate and oversee technical aid from and cooperation with international or aid institutions. And the Executive Committee of the Plan Organization which previously lacked sufficient technical knowledge of projects to make educated decisions regarding their approval was also replaced with a new committee staffed by a rotating group of experts more familiar with the requirements of a feasible project (Prince, June 24, 1969).

The Shah’s support for his economic team started off strong. In a Persian New Year address given shortly after the personnel shuffle, he publicly endorsed Samii and Farmanfarmaian’s new monetary and fiscal policies and emphasized the importance of a

healthy balance of payments and foreign exchange reserves (Meyer, April 30, 1969). He also supported Prime Minister Hoveyda's insistence that government ministries limit budget increases to a relatively small 5% (Prince, October 2, 1969). Ultimately, however, the Shah proved unable or unwilling to take action on the one issue with the most potential to relieve the balance of payments crisis—military and defense expenditures.

The Shah and his Military

The Shah's insistence upon a strong military began early in his reign. Having witnessed the ease with which foreign troops had entered and occupied his country during World War II, the Shah seemed determined to purchase and build the needed arms and forces to prevent a reoccurrence (MacArthur, December 30, 1970). In the early years (the late forties and fifties) the Shah's primary concern was his powerful and expansionist neighbor to the north. Given their own suspicions of and hostile relations with the USSR, American diplomats were apt to be somewhat sympathetic to the Shah's concerns and supplied close to a billion dollars over the next decade in military aid (U.S. And Iran Celebrate the End of Aid Program, November 30, 1967). In those years, objections to or frustration regarding the Shah's defense spending were more likely to be expressed by Iran's own economic planners. Ebtehaj, for example, complained to Ambassador Loy Henderson that Iran "could not undertake [to] divert funds from economic and social development to maintain armed forces capable of resisting direct or indirect aggression" (Henderson, October 7, 1954). By the end of the 50's, however, even the Americans had grown impatient with the Shah's repeated badgering for military aid. In a May, 1958 telegram to the State Department, Ambassador Selden Chapin wrote that the Shah's

military ambitions “are a major irritant to our relations with Iran” and “The problem of how to handle these frequently unreasonable demands is, as I can testify from sad experience, the one most difficult problem in our relations with Iran” (Chapin, May 29, 1958).

By the sixties, however, the Soviet threat seemed less imminent. The Baghdad Pact, negotiated by the United States and including the UK, Iraq, Pakistan, and Turkey committed its members to mutual cooperation and protection. The pact was intended as a signal of Western commitment to preventing Soviet expansion along its southwestern frontier (Hangens, November 27, 1955, Welles, October 2, 1955). With the Soviet threat contained, the Shah became increasingly concerned about political instability and hostility emanating from his Arab neighbors. Egyptian President Nasser with his strident anti-Americanism and pan-Arabism was offering strong verbal encouragement to an Iraqi-based movement to ‘liberate’ Iran’s oil producing Khuzistan region. Egypt’s active involvement in Yemen may have increased the Shah’s concerns about Cairo’s potentially expansionist ambitions (Pryor, 1978). As the British began drawing down their involvement in the Middle East, leaving it altogether in 1971, the Shah argued that a further build up of forces was required not only to defend Iran but also to allow it to police an unstable region of the world (CIA, February, 1973: 10, Lee, November 18, 1970, Prince, October 17, 1967).

American diplomats did not share the Shah’s concerns in this regard. In a scathing and sarcastic memo to President Johnson preparing him for a meeting with the new U.S. Ambassador to Iran Armin Meyer, National Security Council staff member Robert Komer wrote that the Shah “doesn’t pay enough attention to his own economy, but loves

(now that we've stopped the Soviets for him) to worry about the piddling Arab threat" (Komer, April 15, 1965). The Kennedy and Johnson administrations spent a great deal of effort trying to discourage the Shah from superfluous arms purchases and encourage him to focus instead on staving off internal threats to his throne through social and economic programs. The Department of State sent frequent instructions to the U.S. Embassy in Tehran to communicate this position to the Shah and, for example, "emphasize our deep interest in Iran's economic development program and its relationship to [the] fundamental security of his country" (Rusk, July 2, 1964). Military sales agreements were also structured in such a way that they were dependent upon annual American review and approval of economic programs and progress (Rusk, July 2, 1964). Upon the conclusion of an agreement for a \$200 million military purchase loan, for example, President Johnson instructed the State Department to ensure that "each slice of this new program [be] submitted to him for approval only after [a] searching review of Iran's economic position". (Wriggins, May 23, 1966).

Under President Nixon, however, both the desire and ability to dissuade the Shah from military spending largely evaporated. By this time, America's economic and military aid program had largely ended and the U.S. had much less leverage over how the Shah chose to spend his own money. Indeed, embassy reports noted that "Iran would be expected to buy elsewhere what it could not buy from the United States"(Meyer, March 13, 1969). Furthermore, the Nixon administration felt that a heavily armed Shah might, in fact, be in the national security interest of the United States. Given the burden of the Cold War as well as the ongoing conflict in Vietnam, Nixon informed American allies that the United States was no longer willing to fight their wars (Text of President Nixon's

Address to Nation on U.S. Policy in the War in Vietnam, November 4, 1969). Instead, America would play a more supportive role by arming its allies, and ‘deputizing’ countries to police and guard against Communist expansion in their own regions. Iran formally acceded to this role in 1970 when an NSC Review Group determined that given British withdrawal from the Persian Gulf region, the United States ought to back “Iran as our ‘chosen instrument’ to be keeper of stability in the Gulf”(Kissinger, October 22, 1970). Finally, diplomats determined that the addition of hundreds of millions of dollars per year in exports plus substantial interest payments on credit sales was surely in America’s national self interest insofar as it would strengthen the U.S. balance of payments (Meyer, March 13, 1969). During the Nixon administration, therefore, any objections to military sales to Iran generally hinged on the sensitive nature of the technology being provided and not on the economic implications of the Shah’s expenditures¹⁹.

The Shah and his Economic Team

Despite his insistence upon continued defense expenditures, the Shah was in all other ways extremely supportive of the Samii-Farmanfarmaian economic team. A combination of austerity measures as well as increased revenue from the 1971 ‘Tehran Agreement’ with the oil majors (more on this below) facilitated a successful recovery from the balance of payments and inflation crisis. By the end of 1972 after Farmanfarmaian had succeeded Samii at the Plan Organization, the Shah was said to be

¹⁹ A prominent example being, of course, the controversial AWACS sale. See: Ibid.

so pleased with his performance that many observers expected him to be appointed the next Prime Minister (Farmanfarmaian, November 10, 1982: Transcript 11, Milani, 2008: 144). Samii, meanwhile, having tired of running a government bureaucracy, had stayed on as an advisor to the Prime Minister. In this capacity he continued to lead the Iranian team of negotiators that haggled with the State and Defense departments over the terms of each new military purchase agreement (Milani, 2008: 766). Samii was also charged by the Shah with the extremely sensitive task of exploring the creation of a new political party of intellectuals that would appeal to the new Iranian educated middle class (Milani, 2011: 379). The position of Iran's economic managers, particularly the US and UK educated members of this group, seemed very strong indeed.

Within two short years, however, both men had been removed from government service altogether. An understanding of this abrupt change in fortunes requires exploration and consideration of the event that transformed the oil-exporting countries and highlighted the weakness of the developing world—the 1973 oil boom.

The Oil Boom

Even before the 1973 oil boom when prices quadrupled (World Nominal Oil Price Chronology: 1970-2007, 2008), Iran's revenues from oil sales had been rising in response to changing supply/demand conditions, changing relations between producing nations and the multinational oil companies, and a restructuring of the international oil market to include independent companies. The post-World War II economic surge had unleashed a growing demand for cheap sources of energy in the developed countries while oil production in a number of important producers had begun to peak. The United States, for

example, despite producing at full capacity failed to keep up with demand during the cold winter of '69-70 and soon changed from a net exporter to a net importer of oil, much of it from the Middle East (Akins, 1973, Yergin, 1991).

Growing demand for oil strengthened the hand of as well as incentives for coordination among the producing countries which had long chafed against the terms dictated by the Seven Sisters²⁰. Prior to the 70's, oil producing countries had no control over the prices at which the companies chose—through negotiation amongst themselves—to sell their oil. An oil exporter's revenue, therefore, could be expanded only by increasing the total amount of oil produced (Amuzegar, 2001, Yergin, 1991). Negotiations between Iran and the Consortium, for example, consisted almost entirely of haggling over Iran's share of the supply to world markets (Hare, October 25, 1966, Meyer, March 14, 1968, Solomon, December 11, 1967). Incentives were such that it was very difficult for producing countries—all of whom were competing for a larger slice of that market—to coordinate their negotiations with the oil companies. Under high demand conditions, however, when nearly all production capacity was being utilized, the oil exporters could band together to begin addressing the pricing issue.

Oil exporters were further aided by the emergence of small, independent oil companies—like Conoco, Amoco, and Occidental among others—that were more than willing to accept less generous agreements that the majors would angrily decline (Amuzegar, 2001, Yergin, 1991). As the oligopsony of the oil majors began to crumble

²⁰ The group of major oil companies that controlled production, distribution, and pricing in the early and mid 20th century and included: Exxon (the old Standard Oil), Texaco, Royal Dutch/Shell, Mobil, Gulf Chevron, and BP (the old Anglo-Iranian Oil Company).

with the entrance of these independents, an oligopoly of oil exporters was solidifying and growing increasingly powerful in the form of OPEC—the Organization of Petroleum Exporting Countries.

In early December 1970, an OPEC meeting in Caracas, Venezuela established 55% as the minimum tax rate that member countries ought to impose upon the oil companies. The resolution was given teeth with a decision to threaten resistant companies with a shut off of oil (Amuzegar, 2001, *Annual Oil Market Chronology*, 2008). Despite weeks and months of “frantic maneuvering,...threats and ultimatums” twenty three international oil companies finally acquiesced to a deal negotiated by Iran’s Minister of Finance and representative to OPEC, Amuzegar (Tenacious Iranian Negotiator: Jamshid Amouzegar, February 15, 1971). In addition to increasing the oil exporters’ percentage of profits, the ‘Tehran Agreement’ of 1971 increased the price of oil by thirty-five cents a barrel and mandated additional annual increases to adjust for inflation (Amuzegar, 2001: 30, Graham, 1980, Yergin, 1991: 564).

Over the next two years, the posted price of oil rose two more times in response to OPEC demands. The real jump, however, occurred in 1973 when a combination of the Arab oil embargo and the unilateral announcement of a 70% posted price increase in October followed by a further doubling of prices in December produced panic in a new oil-thirsty world with zero spare capacity (Dadkhah, 1985). Prices soared, jumping from \$2.59 in September 1973 to over \$13.00 the following June (*Annual Oil Market Chronology*, 2008, *World Nominal Oil Price Chronology: 1970-2007*, 2008). In Iran, government oil revenues jumped from \$2.8 billion in 1972/73 to \$4.6 billion in 1973/74 and then nearly quadrupled to \$17.8 billion in 1974/75 (Razavi and Vakil, 1984: 63).

Planning in an Era of Plenty 1973-1974

By 1973, Iranian economists and the state bureaucracy had almost 25 years of experience with preparing and implementing increasingly sophisticated development plans (Amuzegar and Fekrat, 1971: 41, Karshenas, 1990: 93). While the First and Second Development Plans consisted primarily of simple lists of investment projects that were often prepared by or in coordination with foreign consultants, the Third and especially the Fourth Plans were indigenous products that incorporated complex macro-economic analysis of and forecasting for the private and public sectors. By the early 70's the state's investments in agriculture, infrastructure, and industry had resulted in consistently impressive GNP growth rates of close to 10% (Razavi and Vakil, 1984: Chapter 2).

The Fifth Development Plan was prepared over several years under the leadership of Mehdi Samii and then Khodadad Farmanfarmaian. With a targeted annual growth rate of 11.4 percent it was an extremely ambitious plan which at \$37 billion dollars was three and a half times bigger than the Fourth Plan and which would push the country close to its absorptive capacity (Amuzegar, 2001: 69, Farland, January 10, 1973, Razavi and Vakil, 1984: 70). In preparing the plan, Farmanfarmaian's stated goals were to address some of the social and regional inequities that had resulted from previous plans emphasizes on growth and urban development. The Fifth Plan, therefore, quadrupled spending for agriculture, health, education, and welfare to 5.6 billion while increasing local allocations to the provinces and poorer urban areas (CIA, February, 1973: 12-13, Farland, January 10, 1973, Farmanfarmaian, November 10, 1982: Transcript 11).

The Fifth Plan was presented to the cabinet, Prime Minister, and Shah at a public conference in Shiraz (Farland, November 11, 1972). In preparation for the conference,

Farmanfarmaian took his PO team of top managers to Shiraz to practice their presentation and ready their answers to the difficult questions they were expecting. Their performance at the conference was so effective and convincing that rumors regarding Farmanfarmaian's accession to the Prime Minister's office were strengthened (Farmanfarmaian, November 10, 1982: Transcript 11).

The following year, when the tidal wave of oil revenues landed on Persian shores, however, all the painstaking thought and time and effort and preparation that had gone into writing the Fifth Plan was swept away. By that time, Farmanfarmaian had been maneuvered out of government²¹ and the Shah instructed the Plan and Budget Organization (the name had been changed to reflect the new budgeting function allocated to it) to revise the Fifth Plan in light of the monumental capital inflows that were flooding the Central Bank (Helms, February 28, 1974, Helms, May 29, 1973).

In July, 1974, the new PBO chief Majid Majidi and his economists presented their proposal to the Prime Minister and the rest of the cabinet who had also been invited to submit their own proposed new expenditures. The PBO's Planning Division recommended a relatively modest increase of 31% in the amount of public investment from 1,545.8 billion rials in the original plan to 2,031.8 billion rials. The economists argued that insufficient port capacity and human capital represented two major bottlenecks that imposed severe constraints upon Iran's absorptive capacity. They also used their econometric models and statistical forecasting to demonstrate that public

²¹ Hoveyda, having become concerned that Farmanfarmaian was beginning to represent a political threat, ordered him to make changes in the PBO that he knew would be refused. Farmanfarmaian did indeed refuse and immediately resigned. See: Milani, Abbas. (2011) *The Shah*. New York: Palgrave Macmillan.

spending over and above Iran's absorptive capacity would result in "inflation, distortions, waste, and inefficiency" (Graham, 1980: 77, Milani, 2001: 268, Razavi and Vakil, 1984: 72). In the PBO's view, rather than pumping any additional funds into an already-overheating economy, the government ought to invest abroad so that the money could continue to grow and would be available when the country's was capable of putting it to work domestically.

Cabinet members objected strenuously. For so many years a lack of sufficient investment capital had hampered their hopes and plans for Iran's development. Now that the funding was finally available they could not imagine sending it abroad when it was so desperately needed at home. Their own proposals for new projects to be incorporated into the revised Plan would have amounted to a tripling of the public investment envisioned over the Plan period. Prime Minister Hoveyda, who seemed to have been swayed by the PBO's presentation suggested a compromise plan that would increase public spending by about 85%. (Razavi and Vakil, 1984).

The compromise plan was formally presented to the Shah the following month at a conference in the Caspian Sea resort Ramsar. Various personal accounts of the conference proceedings suggest that the Shah was uninterested in and impatient with warnings about the potentially negative consequences of unbridled spending (Amini, 2002: 139). The king's view was that "if manpower was short it would be imported; if ports could not handle the anticipated inflow of goods, then a crash program to improve throughput should be instituted immediately; and if inflation were to pick up, then Iran would deal with this crisis in an innovative fashion" (Razavi and Vakil, 1984: 74). Prime Minister Hoveyda offered little resistance to this directive. PBO chief Majidi has also

been accused of not doing enough to emphasize the risks of such a course of action (Graham, 1980: 78, Razavi and Vakil, 1984). The ultimate outcome was that the Fifth Plan was nearly doubled to \$70 billion dollars—an investment program heretofore unmatched by any other developing country (Amuzegar, 2001: 69, Helms, November 11, 1974).

Hyperboom 1974-1975

In practice, however, even the generous spending guidelines of the revised Fifth Plan were not adhered to. The much-delayed annual budget was finally completed the month after Ramsar with total disregard for the revised plan which was “laid on the shelf, in favor of a spending spree, a frantic search of how to spend what there was” (Razavi and Vakil, 1984: 80). As the New York Times reported “the Shah and his Government announce almost daily that they will spend more and more and more...” (Clarity, June 3, 1974). The Shah had set the nation on a course for a hyperboom.

And a hyperboom it was. By June of the following year, U.S. Embassy officials noted that the Iranian government seemed to be spending money faster as it could make it. Imports were up 150% over the previous year, foreign exchange reserves had fallen and capital imports were predicted to be required again by as early as 1977 (Miklos, June 11, 1975). The next month the Finance Ministry authorized foreign borrowing by government agencies and the month after that the New York Times noted that “Iran Despite Her Oil Wealth, Is Borrowing on a Grand Scale”(Pace, August 15, 1975). By the end of 1975, the U.S. Embassy reported a capital account deficit of \$772 million (Helms, November 26, 1975).

This dramatic rise in spending and imports quickly ran up against the physical and human capital bottlenecks that the Shah had refused to consider in Ramsar. Port infrastructure, poorly maintained, and barely able to handle pre-boom levels of imports was completely overwhelmed. In an almost 20 page report detailing the conditions of and potential for expanding Iran's four ports, the U.S. Embassy noted that "more than 150 ships are anchored at the head of the Persian Gulf waiting to enter the ports" despite the fact that ports were running on a 24 hour basis (Marshall, July 13, 1975). Goods that were offloaded were done so with such little organization and management that storage areas "are in a state of complete chaos. There is no system for placement of cargo and two crates from the same shipment may be placed in widely separate locations wherever room can be found" (Marshall, July 13, 1975). Chaos and overloading at the ports was further exacerbated by the absence of a sufficient number of trucks or other forms of transportation to move goods from ports in the south to their final destinations in Tehran and other cities (CIA, July 15, 1975: Appendix: Iran's Transportation Difficulties-- Current Situation and Outlook). To compensate, the government arranged for the speedy purchase and delivery of thousands of trucks and trailers whose arrival did little to remedy the problem due to a shortage of Iranian drivers (Razavi and Vakil, 1984: 85). Despite attempts to train and even 'import' additional drivers from Korea and Pakistan, "in 1977 it was still possible to see rows of trucks, neatly parked at Bandar Abbas, that had been awaiting drivers for three years" (Graham, 1980: 88). Port offloading and transportation delays naturally resulted in project delays as construction sites and teams waited idly for needed materials to arrive many of which suffered irreparable damage as a result of mishandling during their chaotic transport (Graham, 1980: 88).

The absence of trained personnel to man the factories, hospitals, and universities being built at breakneck speed was another serious bottleneck (CIA, July 15, 1975, Clarity, October 7, 1974, Helms, November 11, 1974: page 4). Indigenous talent being in short supply, the government recruited foreigners at great expense. Not only were expatriate salaries well above those of similarly-skilled Iranians but the foreign consulting firms recruiting them received per-month payments as well. As foreigners crowded into Tehran they further exacerbated demand and pricing conditions and contributed to the development of a serious housing shortage by 1975 (Razavi and Vakil, 1984: 86).

While infrastructure and manpower bottlenecks slowed the rate at which increased revenues could be translated into economic growth, inflation began to eat away at the nation's economic health altogether. As early as 1973, U.S. Embassy reports noted that "rising prices have become the nation's most serious problem" and that inflation was beginning to seriously hurt the poor as essential food items had become either entirely unavailable or extremely expensive (Helms, November 7, 1973). Foreign journalists reported that the price of "staple foods, textile goods and home appliances have been soaring, in some cases to 100 per cent above last year's levels" (Clarity, October 7, 1974). Inflation resulted not only from increased demand conditions but the government's monetary policies. Essentially, the government began paying for domestic expenditures by printing money such that between March 1974 and March 1975, money supply increased by 60% (Dadkhah, 1985: 376-77, Graham, 1980: 85-86). By the end of 1974, inflation was estimated by the U.S. Embassy as being between 20 and 25% (Helms, November 11, 1974).

Rather than addressing the root cause of inflation—uncontrolled government spending—the Shah and his government attempted to dampen it through the application of a draconian price control campaign designed to roll prices back to pre-boom levels by force. The government published lists of approved prices and hired university students to investigate compliance in the marketplace. Within weeks of the July 1975 launching, the campaign had resulted in thousands of arrests and even attacks upon merchants, businesspeople, and industrialists accused of profiteering (Graham, 1980, Katouzian, 1981:334, Razavi and Vakil, 1984). While the price control campaign was marginally successful in slowing inflation, it also introduced new distortions into the economy and chilled the business atmosphere (Helms, November 24, 1975). Writing from the northern city of Tabriz, U.S. consulate officials reported that while basic commodities had become less expensive, they were also more difficult to find. Numerous shopkeepers, meanwhile had gone out of business while factory managers were cutting down on raw material imports given uncertainty regarding the profitability of permitted prices (Neumann, September 30, 1975). Indeed, given uncertainties regarding the prices they would be allowed to charge, for some industrialists it became cheaper to simply leave their imports unclaimed, thereby adding to the port chaos discussed above (Graham, 1980: 97).

Eventually, however, a combination of lower-than-anticipated oil revenues combined with budget and balance of payments deficits forced the Shah and his government to confront the problems created by the free-spending approach encouraged at Ramsar (Helms, November 24, 1975). With much of the West in recession, demand for oil along with the associated revenues had dropped well below earlier projections resulting in multi-billion dollar deficits (Pace, June 11, 1976, Shah Says His Nation Has

\$4-Billion Deficit, July 27, 1975). By February 1976, Iran was struggling to pay contractors and financiers and was reduced to pleading with Western nations and their multinational oil companies to increase their purchases of oil (Graham, 1980: 98, Kilborn, February 5, 1976, Talks with Western Companies Set to Open Tomorrow, March 2, 1976). The spending prescribed by the Fifth Development Plan clearly had to be curtailed. The government briefly explored barter agreements as an alternative method of payment (Pace, May 10, 1976). Ultimately, however, scores of projects including a \$2 billion naval base, turbo-train rail, three oil refineries, and a nitrogen fertilizer complex on the Caspian Sea were ‘shelved’ or indefinitely delayed due to a lack of funding (Graham, 1980: 101, Pace, February 16, 1976).

The King is Displeased

Publicly, the Shah and his government continued trying to project a sense of confidence. In a March, 1976 interview with Newsweek, the Shah was described as still being “as bullish on Iran as ever” (Benjamin and Came, March 1, 1976). The Shah boasted: “We are even further ahead than what we planned... We will have a 17 per cent growth rate this year. Is this bad?” (Benjamin and Came, March 1, 1976). Prime Minister Hoveyda even claimed “We overspent with open eyes. We took the occasion of more income at one time to make a jump, and I don’t shed any tears about a miserable couple of billions of dollars’ deficit” (Benjamin and Came, March 1, 1976).

By the following October, however, all public pretense of confidence and foresight and had been retired as the Shah took to lecturing his citizens that the nation’s development requires hard work and sacrifice and that they should not expect to always

be covered in “soft wool. Incredibly, the Shah who just two years earlier had personally approved and even encouraged a spending spree now began blaming the “vultures” who “gather from everywhere and tell us to do this or that with our money while we do not have enough cement, enough bricks, enough port capacity, enough roads, and enough power of absorption” (Graham, 1980:20 & 103)]. In another move presumably intended to deflect blame, in November, the Shah launched an Imperial Commission charged with investigating waste, corruption, and the reasons for the Government’s inability to meet production schedules set out in the Fifth Plan. The proceedings of the Commission were broadcast live and Iranians watched as cabinet ministers were subjected to court-like hearings meant, perhaps, to demonstrate accountability and transparency (Afkhami, 2009: 438-39, Razavi and Vakil, 1984: 93). At the same time, the government began accusing and pursuing foreign companies over allegations of corruption. In one high profile case, the government sued and won a \$24 million settlement from Grumman as recompense for the company having paid large commissions to agents involved in the sale of F-14 planes (Pace, October 1, 1976, Witkin, December 16, 1977).

The ultimate scapegoat, however, was Prime Minister Hoveyda. Himself once a champion of economic reform and even political liberalization, the longest serving Prime Minister in Iran’s history had after twelve years become the weary defender of the status quo. Hoveyda’s close association with the Fifth Development Plan allowed the Shah to signal his displeasure with the aftermath of the oil boom through Hoveyda’s dismissal. Hoveyda was replaced by the Cornell-educated technocrat Jamshid Amuzegar who speedily launched an austerity program that cooled the overheated economy bringing growth rates down to just 2.8% (Ibrahim, February 4, 1979, Jamshid Amouzegar Is

Named to Head Iran's Government, August 8, 1977, Milani, 2001: 283). The new Prime Minister was given free reign by the Shah to slash expenditures, budgets and deficits and get the country on track for a slower but steadier pace of development with GDP growth rates down to 2-3% (Afkhani, 2009: 441-42, CIA, June 1979: 126, Ibrahim, February 4, 1979). Before the outcome of this new economic program could be evaluated, however, demonstrations and protests—some of them resulting from the austerity program itself—marked the beginnings of the revolution. Just a year after taking office, Amuzegar resigned as the Shah in a desperate bid to hold on his throne began furiously replacing Prime Ministers every few months before ultimately leaving the country himself in January 1979.

Understanding the Shah's relations with his Economic Team

In the 1960s the Shah's support for his economic team was remarkably consistent. Throughout the decade, the monarch actively sought out foreign-educated technocrats to craft and guide the country's economic policies. At the beginning of the 1970s, this support seemed to strengthen in favor of US and UK educated economists like Mehdi Samii and Khodadad Farmanfarmaian who worked together to address some of the ill effects of the previous decade's speedy growth. Within just a few short years, however, these men had left government service altogether and their remaining colleagues were being subjected to the Shah's utter contempt for their pessimistic analyses of Iran's absorptive capacity and the potentially catastrophic consequences of increasing public expenditures to match the massive incoming revenues. This complete disregard for the advice of economists and technocrats was short-lived, however, as by 1977 the Shah

disavowed responsibility for the hyperboom and allowed his new Prime Minister Amuzegar to implement an austerity program.

What factors contributed to these about-faces on the part of the Shah? What insights can a review of Iran's experiences generate into the role of expert advisors and the conditions under which they are likely to be empowered to guide the country's economic policy process?

Epistemic Communities or Functionalist approaches to answering these questions might look for evidence that the Shah, shaken by economic or political crisis would have been open to new cause-and-effect interpretations of events from an established community of credible economists or other experts. Such an approach is not very useful for interpreting or understanding the Shah's reasons for turning away from his economic advisors in the midst of the oil boom. It is perhaps more useful, however, for generating understanding into why the Shah returned to his economists prescriptions for an austerity program so swiftly after the boom turned to bust. The painful experience of having so clearly been wrong to encourage immediate spending of the oil revenues may have begot a crisis of confidence that led to a new appreciation for his economists' wisdom. While the arrival of the revolution in 1979 makes it impossible to evaluate the sincerity and longevity of the Shah's commitment to this new path, it is possible that this would have been the Shah's final about-face and that a Pahlavi Iran would have continued to be guided by economists and technocrats for many years. On the other hand, the Shah's willingness to sacrifice Jamshid Amuzegar in response to political pressure just one year after he was sworn into office casts doubt on such a thesis.

Originating from scholarship on organizational sociology, mimetic isomorphism describes the way that states lacking means of identifying optimal goals, structures, or practices can look to the examples of particularly successful models as guides. Observing, for example, the way that the advice of economists is incorporated into economic policymaking in the United States might have inspired the Shah to have done the same during the sixties and early seventies. The oil boom, however, and the hubris it perhaps engendered, may plausibly have inhibited such mimetic tendencies insofar as the Shah may have felt that the newfound wealth of his country obviated any further need to continue replicating the practices of other models.

Political Interest Group analyses of the role of economists look to their ability to capture and retain political support from masses, elites, or other interests in much the same way that any other interest group or political organization might. Given the absolute lack of political savvy in or following for men like Samii and Farmanfarmaian, such explanations offer little leverage in understanding when and under what circumstances they were entrusted with the nation's economic policymaking. They also have little to say about why these men suddenly seem to have lost the Shah's ear and confidence in the midst of the oil boom. In the case of Amuzegar, however, while he himself was famously uncharismatic and apolitical, his appointment might be interpreted as an entirely political move by the Shah intended to placate his people's discontent with the handling of the oil boom by suggesting that new and more capable hands were now at the helm.

Countries have also been noted to adopt behaviors expected or demanded of them by the stronger states on which they depend for various international resources. In the case of Iran, such theories provide a useful analytic framework for understanding the

relative power of economists and technocrats as a function of the extent to which Iran was materially dependent upon the United States. In the early 70s, when Iran was still in need of loans from the United States, World Bank and commercial investors, the Shah needed to retain and promote the services of men that would inspire the confidence of these creditors. During the boom years, Iran was flooded with more capital than it could use and itself became a creditor. The money and good opinions of outsiders became expendable and the Shah felt no qualms about treating his economists and their policy prescriptions as he saw fit. As the boom turned to bust and the country's newfound wealth seemed to disappear overnight, the Shah once again sought to ensure that his policy advisers were capable of winning and retaining the United States' good graces. An anecdote by William Sullivan, the last American Ambassador to Iran provides support for this view. In the summer of 1977, Ambassador Sullivan had a meeting with the Shah in which he expressed serious reservations about Iran's economic direction and its industrialization program. Although the Shah was visibly irritated by this line of questioning, it was shortly after this interview that Hoveyda's resignation and Amuzegar's Premiership were announced along with a host of additional measures including crackdowns on corruption and bribery. In his memoirs Sullivan writes: "I did not know exactly what cause and effect there was between my conversations with the Shah and the actions that he subsequently took to revise his economic programs. I frankly preferred not to find out because the implications of it troubled me" (Sullivan, 1981: 72).

Revolution

On January 16, 1979, Muhammad Reza Pahlavi, the Shah of Iran, left Tehran on a flight to Egypt. Two weeks later, Ruhollah Khomeini arrived and was welcomed by an ecstatic crowd of millions and by March, 1979, the country was declared the Islamic Republic of Iran. Many of the government's economists in the Plan and Budget Organization and Ministry of Finance welcomed this change with great hopes and plans for how their expertise could be used to build a new nation free of dictatorial intervention (Razavi and Vakil, 1984: 103-04). The following chapters assess the extent to which these hopes were realized by economists in post-revolutionary Iran.

Chapter Five: Revolution, War, and Economists (1979-1989)

Initial optimism is crushed

When the Shah left Iran in January 1979, many Iranian economists and technocrats were not particularly sorry to see him go. The monarch's utter disregard for warnings about the perils of an overheating economy and the resulting disaster of the oil boom and bust had alienated many of the educated classes (Anonymous, February 18, 2009). Indeed, in the run up to the revolution, the Plan and Budget Organization became something of an epicenter of bureaucratic revolt as one of its managers, Ali Akbar Moïnfar, a Japanese-trained seismologist, became the national strike coordinator for government workers (Razavi and Vakil, 1984).

The individuals comprising the Provisional Government (PG), which was constituted shortly after the Shah's departure, further inspired the optimism and hopes of the country's technocrats and economists. The PG was headed by the French-educated engineer Mehdi Bazargan who was a known supporter of free market economic policies (Sahabi and Ahmadi-Amooee, 2003). Shortly following his appointment, Bazargan's Foreign Minister Karim Sanjabi declared that "private investments and enterprise should be protected" (Ibrahim, February 14, 1979). Cabinet members were "engineers, lawyers, educators, doctors, and former civil servants, men drawn from the professional middle class and the broad center of Iranian politics" (Bakhash, 1990: 54, Ibrahim, February 14, 1979). Although few of these men had any formal economics education, they all valued expertise and were expected to be open to the guidance offered by their better trained

staff. Most importantly, clerics and radical Leftists were conspicuous primarily in their absence.

Within six months, however, such optimism dimmed. Although the provisional government was the nominal executive power in the country, the Revolutionary Council (RC) which had been created by Khomeini to oversee the revolution and transition period, and which was comprised primarily of left-leaning clerics, continued to operate behind the scenes as the supreme decision making authority (Bakhash, 1990). Whether in response to pressure from the RC or just general incompetence, the Provisional Government itself seemed to be doing a poor job of getting the economy back on track. By the summer of 1979 a wave of nationalizations and expropriations took place²² over Bazargan's objections that not only rattled the private sector's already-shaky confidence but also resulted in additional government debt and obligation given the bankrupt position of many of the banks, insurance companies, and factories that were being taken over (Ibrahim, July 6, 1979, Iran Takes over Insurers, June 26, 1979, Iran to Seize Some Industries, June 21, 1979, Sahabi and Ahmadi-Amooee, 2003:31). Moinfar, now promoted to head the PBO, began to lose his staff's confidence when he insisted on slashing the year's budget expenditures (Iran Slashes Budget Level, July 16, 1979). His admirable commitment to responsible government spending and elimination of waste betrayed a lack of understanding of basic economic principles such as the need for

²² Speaking of this to reporters, Moinfar said "I don't want to use the word nationalization. I would rather say popular ownership and the transformation of industries into enterprises working for the interests of the people". See: Farmanfarmaian, Khodadad in an interview recorded by Habib Ladjevardi. (November 10, 1982). Cambridge, MA, Iranian Oral History Collection, Harvard University Online <<http://www.fas.harvard.edu/~iohp/farmanfarmaian.html>>.

government stimulus during times of crisis. The result, predictably, was that “the Plan and Budget Organization ended up imposing significant financial constraints on an economy that had started rolling just a few weeks earlier” (Razavi and Vakil, 1984: 107-08).

By the end of the summer, even Moinfar had lost influence over the country’s economic policy direction. In August 1979, he presented the cabinet with a new Five-Year Development Plan intended to reflect the spirit of the new era by setting as its primary goal the achievement of a minimum standard of living for all Iranians within five years time. The plan was presented over several days and, despite being criticized by the Minister of Labor Dariush Forouhar for not being pro-worker enough, it was finally endorsed by the cabinet as a whole²³. The Revolutionary Council, however, refused to approve it and the whole project was ultimately abandoned as political instability, the American hostage crisis in November, and Bazargan’s resulting resignation forced policy makers’ attentions elsewhere (Sahabi and Ahmadi-Amooee, 2003).

When Bazargan resigned, the Revolutionary Council began ruling the country directly while it prepared for presidential elections. By this time, the uncertainties inspired by the revolution, the absence of a clear economic policy agenda, economic

²³ Sahabi speaks very highly of this plan saying that it was “more balanced and more professional” than any of the development plans he has seen since. See: Iran to Seize Some Industries. June 21, 1979 New York Times. Some of my interview subjects were less complimentary. One economist who was closely involved in the writing of the First and Second Development Plans under Musavi and Rafsanjani said “In those early days anyone who thought they knew something would come and give their ideas and call it a plan. These plans were basically just a list of material welfare goals that the writers thought would be good to have. The plans read like poetry about the need for everyone to have a house and everyone to have a job, etc” Sahabi, Ezzatollah, and interviewed by Bahman Ahmadi-Amooee. (2003) Eghtesad-E Siyasi-E Jomhuri-E Islami. Tehran, Iran: Gam-e No.

mismanagement, and the souring of relations with the West had begun to have a severe and noticeable effect. Laborers and workers, perhaps empowered by the victory of the revolution seemed to have developed a taste for strikes and demonstrations and often refused to return to the comparative banality of the assembly lines even when most of their demands were met²⁴ (Ahvaz Steel Worker's Strike, 1980, Kifner, March 22, 1979, Sahabi and Ahmadi-Amooee, 2003: 16-18). Alarmed by the government's inability to get the country back to work as well as the anti-capitalist sentiments that had resulted in extensive nationalizations, the private sector—when not fleeing or in hiding—refused to make new investments or maintain old ones. The government's unimaginative and increasingly predictable response to the turmoil was to seize control over more and more of the economy thereby increasing its own fiscal burden. By November 1979, it became clear that Iran's leaders would have to renege on earlier expressed intentions to 'eliminate wasteful spending' by limiting oil exports (Iran's Exports: Hard to Limit, November 19, 1979, Iran to Halve Its Oil Output, March 9, 1979). Iran's economic problems were further intensified when President Carter retaliated against the hostage seizure by freezing Iranian assets in U.S. banks thereby pushing the country into default on a \$500 million loan (Bennett, November 22, 1979). By the end of the year, Iran's economy was estimated to have shrunk by 12% with the falloff in manufacturing estimated at between 40 to 70 percent (Cowan, December 17, 1979).

²⁴ The revolution's leaders were not exempt from such battles with laborers. Sahabbi relates a story of how workers physically threatened the manager of a factory that had been built in 1963 by a religious group of investors that included people like Rafsanjani, Bahonar, Raja'i and Bazargan. See: Anonymous, Formerly High level Economist at the Plan and Budget Organization. (September 3, 2006) Personal Interview. Tehran, Iran..

The PBO was now being run by Ezzatollah Sahabi²⁵, a mechanical engineer with, by his own admission, little formal economics training but a good deal of interest in economic policy issues (Sahabi and Ahmadi-Amooee, 2003: 11). It was perhaps a sign of the times and the lack of trained economists in the Revolutionary Council's inner circle that his layperson's interest was enough to make Sahabi not only the PBO chief but also the head of the RC's Commission for Economics and Finance as well as the head of the Economics Committee of the Basij revolutionary people's militia (Sahabi and Ahmadi-Amooee, 2003: 21). Indeed, for the next five months of direct RC rule, Sahabi has claimed that he enjoyed near total control over the country's economic policy as other RC members "were so busy with political problems that they had no time or attention to spend on economic issues. As a result, whatever I would suggest would be quickly accepted" (Sahabi and Ahmadi-Amooee, 2003: 30).

Despite Sahabi's impeccable revolutionary credentials and close relationship with the movement's spiritual leader Khomeini, Sahabi's ten-month tenure at the PBO was marked by increasing resentment toward and suspicion of the institution. Having ousted the Shah who had been perceived as living large and hoarding money abroad, many of the new ministers were eager to distribute the fruits of the revolution to 'The People' through countless new projects. These ministers found it hard to believe that money

²⁵ Sahabi actually took over the PBO under Bazargan when Moinfar was moved to head the new Ministry of Oil. When Bazargan and most of the Provisional Government resigned, however, Moinfar stayed on despite the fact that he was married to Bazargan's niece. In the Khatami years, Sahabi became something of a reformist and opposition leader and was ultimately jailed. His funeral in May 2011 was extremely controversial as his daughter (herself a political activists that had been jailed numerous times) collapsed and died after plain clothed security forces violently interrupted the funeral and removed Sahabi's body.

wasn't readily available and they often resented the PBO's refusal to automatically disburse funds (Razavi and Vakil, 1984: 110, Roghani-Zanjani and Ahmadi-Amooee, 2003: 159, Sahabi and Ahmadi-Amooee, 2003: 57). Despite its early role in organizing bureaucratic opposition to the Shah's government, the PBO found itself on the receiving end of accusations of treason from a number of different groups. Communist and Leftist groups like the Soviet-supported Tudeh felt that its policies were too pro-capitalist while Islamist groups denounced it as a creation of the corrupt United States and complained about bare-headed female employees who continued to work without headscarves. While Sahabi conceded the presence of and even decided to fire a handful of monarchists among his employees, he has vigorously defended the majority of PBO employees as being patriotic professionals from whom he learned a great deal and who spent long hours applying their knowledge to the solution of the new government's economic ills (Sahabi and Ahmadi-Amooee, 2003: 55-57).

In early 1980, Banisadr with 75% of the vote became the first elected president of the Islamic Republic and by June, Sahabi left the PBO to serve in parliament (Official Final Results of the Election in Iran, January 29, 1980: 22, Sahabi and Ahmadi-Amooee, 2003). His replacement, Musa Khayyer had much less respect for and confidence in the expertise and loyalties of the PBO staff. His mistrust of PBO experts was intensified by the mood of the country which had darkened as rivalries between formerly allied political parties exploded into violence. Under the ensuing 'reign of terror' Khayyer's response was to be ever more suspicious and watchful of his staff. It was during this time that many PBO employees began packing their bags to leave the country or go underground while those that remained learned to censor their increasingly unwelcome opinions.

Despite multiple purges, Khayyer ultimately decided that the only way to entirely weed out non-loyal elements was to order the doors of the PBO closed and shut it down altogether (Anonymous, September 3, 2006, Mashayekhi and Taheri, February 1, 2009, Najafi and Ahmadi-Amooee, 2003, Roghani-Zanjani and Ahmadi-Amooee, 2003: 147) .

This time period has been referred to as a ‘most bitter experience’ for economists in Iran, many of whom feared that there was no place for members of their profession within the new Islamic Republic (Najafi and Ahmadi-Amooee, 2003: 364). Few economists at that time would have guessed that within ten years, the reconstituted PBO would play a powerful role in convincing regime leaders to halt the disastrous war with Iraq and launch a controversial population control program. Or that economists in the PBO, Ministry of Finance, and Central Bank would work together to launch a World Bank-style reform program comprised of privatization, exchange rate unification, and the repeal of subsidies that would guide the country’s economic policymaking process for the following 16 years.

Before describing the chain of events that led to this unexpected result, the following section considers the new philosophies and motivations underlying the economic policy direction of the Islamic Republic in the early years after its birth.

Islamic Economics

Of the various groups involved in the revolution, the Islamic Republican Party that ultimately consolidated its power was probably the one with the least well-defined ideas regarding how they wished to run the economy after the overthrow of the Shah. Whereas Marxists, Liberals, and other intellectual groups had a rich tradition of

scholarship on questions such as property rights, the role of the state in running the economy, and the optimal approach to planning, the clerics had very little guidance in this regard. What few books were available on the subject of Islamic Economics—including the Qur’an itself—tended to be extremely idealistic about its virtues and laudable outcomes but woefully lacking in details of its implementation (Anonymous, July 14, 2006, Bakhsh, 1990:167-75, Behdad, 1995, Najafi and Ahmadi-Amooee, 2003:358, Razavi and Vakil, 1984: 110-13). Furthermore, while Marxists and Liberals had real-world examples of socialism and capitalism in action that might serve as sources of emulation or learning, Iran’s clerics could avail themselves of no relevant examples of an economy run on Shiite Islamic principles and were, in fact, creating something entirely new from scratch.

Given the paucity of clear guidance regarding the structure of an Islamic economy, the ruling clerics reverted to more basic principles when making decisions about economic policies or choosing economic policymakers. The first of these was a complete and utter rejection of anything associated with the Shah, the West, and the United States which resulted in a general suspicion of the capitalist economic policies they promoted (Najafi and Ahmadi-Amooee, 2003: 366). As Razavi-Zadeh, a later head of the Plan and Budget Organization has described in an interview with journalist Bahman Ahmadi Amooee²⁶, “problems like inequality, poverty, and unemployment

²⁶ Ahmadi Amooee was arrested on June 20, 2009 in the aftermath of the disputed 2009 presidential election and was sentenced by the Revolutionary Courts to five years in prison for ‘propagating against the regime’ and ‘acting against national security’. See: <http://www.iranhumanrights.org/2011/05/campaign-free-amooee/>

[under the Shah] were all seen as stemming from the economic policies that America or those educated under America's influence...instituted in the country" (Roghani-Zanjani and Ahmadi-Amooee, 2003: 142). As such, the cure for these ills was believed to lie in reversal and dismantling of the capitalist system promoted by the U.S. and the Shah. The rejection of anything associated with the previous regime was so strong and automatic that it has been suggested that, had the Shah been a socialist, the new regime would have likely pursued more capitalist policies (Roghani-Zanjani and Ahmadi-Amooee, 2003: 145). This rejection is also what made it extremely difficult for economists and other technocrats working for the previous regime to continue to advise the country's new leaders. As Mas'oud Nili, a PBO employee who worked closely with Roghani-Zanjani said in another interview with Ahmadi-Amooee, "since the spirit of that [immediate post-revolutionary] time was in opposition to a capitalist economic structure, capitalist ideas and people who may have approved of them were perceived as *gheyrekhodi* [not one of us, alien]" (Nili and Ahmadi-Amooee, 2003: 250-51).

The second principle guiding the new regime's clerical leaders was loyalty to Islam, the revolution and its leader Khomeini. Such loyalty was considered to be the primary qualification for any position of authority as it demonstrated a closeness to the divine whose favor and guidance would assure success (Roghani-Zanjani and Ahmadi-Amooee, 2003: 148). Actual experience or education were believed to be of secondary importance. This attitude could be observed early on and preceded even the consolidation of power by the RC. An aide to Prime Minister Bazargan defended his appointment of Hassan Nazih, a former lawyer, judge, and human rights activist to be the chairman and managing director of the National Iranian Oil Company by saying "Every revolution has

to go through the business of the men of trust versus the men of expertise. Nazih may not know a thing about oil, but he is our man” (Ibrahim, March 13, 1979)²⁷. As the clerics around Khomeini began eliminating their rivals and the ruling elite represented an increasingly narrow segment of the population, the required loyalties became more and more refined. Nazih himself, for example, eventually left the NIOC and fled the country under accusations of treason due to his refusal to purge supposedly monarchist elements at the NIOC (Iran Ousts Oil Chief; Hints Treason Trial: Nazih Accused of Blocking Purge against 'Non-Islamic' Figures, September 29, 1979, Stork, 1980). Frustrations about this revolving door of managers who were continually replaced by supposedly more loyal figures was well expressed by economists and former PBO employees Hossein Razavi and Firouz Vakil when they wrote: “Every few months a new groups was formed to design the planning system. By the time that this group could get a feel for the real problems, a change in the political environment would lead to the removal of that group and emergence of a new one. The new group would now be considered to be more Islamic but after a while not Islamic enough” (Razavi and Vakil, 1984: 114). In this manner, it was not long before most of the country’s economic policymaking institutions were headed and staffed by individuals with a great deal of revolutionary zeal but little expertise (Mashayekhi and Taheri, February 1, 2009).

The final principle guiding the clerical elite was competition with and elimination of political support for rival organizations. The most prominent of these rivals were a

²⁷ Nazih himself during the Q & A portion of a November, 1984 conference said that when he was asked by Bazargan to head the NIOC he initially objected due to his lack of experience with oil matters. See: <http://www.youtube.com/watch?v=weJkGXw5rDg>

number of Leftist groups who varied primarily on the extent to which they were associated with or directed by outside Communist parties. All of the groups shared, however, a message about the delivery of material welfare to the poorer classes that resonated strongly among a large portion of the Iranian population. To the extent that it wished to win the support of this portion of the population, therefore, the clerics faced strong incentives to pursue anti-capitalist policies like expropriation, nationalization, and redistribution (Nili and Ahmadi-Amooee, 2003: 244, Nourbakhsh and Ahmadi-Amooee, 2003). The end result was that these incentives combined with concerns about loyalty as well as the rejection of pre-revolutionary policies resulted in an economic policy that was somewhat Leftist-inspired but basically lacking a coherent theoretical framework; and that was implemented by individuals with little expertise or experience but a great deal of faith in the intention and ability of God to ensure the success of his chosen revolution.

The First Development Plan is Defeated

The summer of 1981 was a tumultuous one for the new Islamic republic. In early June, Banisadr was stripped of all power and impeached by parliament (Bani-Sadr Is Dismissed by Khomeini as Chief of Iran Armed Forces, June 11, 1981, Kifner, June 22, 1981). While he and his allies went into hiding or escaped to exile, a wave of violence resulted in the assassination of dozens of IRP leaders. On June 28, a bomb planted in the headquarters of the Islamic Republican Party killed Ayatollah Mohammad Beheshti, the head of the party and Chief Justice, along with some seventy others (Khomeini Appointes New Chief Justice; Bombing Toll Is 72, June 30, 1981). Just a few weeks later in August, the new President and Prime Minister of the country, Mohammad Ali Rajai and

Mohammad Javad Bahonar were killed in yet another explosion (Kihss, August 31, 1981). These convulsions were followed, however, by the ascension of Mir Hussein Musavi²⁸ to the office of the Prime Minister—a position which he held for the next eight years and which marked a new era of stability in which the Islamic Republican Party, having successfully eliminated its chief rivals, began attending to the business of governing.

As the IRP consolidated power, earlier biases against technocrats and expertise seemed to diminish a bit. Given that all nonloyal elements had been purged, what economists and experts remained could be expected to put their knowledge in service of the Islamic Republic. Ayatollah Hossein Ali Montazeri, Khomeini's expected successor went so far as to say publicly that "Important jobs should be entrusted to qualified people who know their job...Saying midnight prayer—despite its importance and value—is not sufficient"(Iran's Leaders Open Campaign against Corruption in Government, November 12, 1984). Mohsen Nourbakhsh, a PhD economist trained at University of California in Davis took over the top position at the Central Bank of Iran. His primary task for the next few years was to help the government deal with its serious lack of funding due to the war, damaged oil production capabilities, and the continued freeze on Iranian assets in the United States (Nourbakhsh and Ahmadi-Amooee, 2003: 77). The Plan and Budget Organization was also reopened in response to a recognized need for a more careful budgeting process and a longer-term guide to expected revenues and expenditures.

²⁸ Best known, since the disputed election of 2009, as the leader of Iran's Green Movement.

Muhammad Taghi Banki, a U.S.-trained engineer was the new PBO chief tasked with re-staffing the organization and preparing another Five-Year Development Plan.

In writing the Development Plan, Banki was aided by Alinaghi Mashayekhi who had a PhD in management from M.I.T. and Mohammad Tabibian, a Duke University trained economist both of whom moved to Tehran from Isfahan where they had been co-workers first at Isfahan University and later, after the universities were closed, at Saderat bank. Mashayekhi and Tabibian's approach was to involve as many people as possible in the planning process. Every government ministry was asked to create a working group of people that would liaison with and inform the PBO's planning efforts. Every province and small town was also asked to create a similar group to inform the PBO of their particular needs, concerns and views regarding the five-year plan. The planners, furthermore, spent a great deal of time in Qom, the center of clerical scholarship, working to understand theological concerns and ensure that the plan did not abrogate Islamic requirements or offend clerical sensitivities. In this way, according to Mashayekhi, over 6,000 people were involved in advising, guiding, and even writing the Five-Year Development Plan that resulted (Mashayekhi and Taheri, February 1, 2009 , Roghani-Zanjani and Ahmadi-Amooee, 2003: 154).

It did not take long, however, for the technocrats and economists to find themselves on the receiving end of criticism from individuals with whom their differences had once been obscured by a common enmity toward Bani-Sadr and other rivals to the IRP. Two distinct groups could soon be observed in opposition to the activities of individuals like Nourbakhsh, Banki, Tabibian, and Mashayekhi. The first group consisted of traditional *leftists* who had little use for a private sector and were

skeptical of any defenders of capitalism or limits on government. This group included Prime Minister Musavi, his Minister of Finance, the Austrian trained PhD economist Hossein Namazi, and Behzad Nabavi, an Iranian-trained engineer who oversaw the country's coupon rationing scheme and later became Musavi's Minister for Heavy Industries²⁹. This group often enjoyed the special affection and protection of Khomeini himself. The second group consisted of *traditionalist* clerics and bazaar merchants who lacked an overarching economic philosophy but were motivated by concerns that the regime's policies be consonant with the mandates of the Qur'an as well as self-interest in protecting their import and resale businesses. This group included individuals such as Commerce Minister Asadollah Asgharowladi, Labor Minister Ahmad Tavvakoli, and the members of the Guardians Council of clerics, the body charged with approving or vetoing all legislation based on its adherence to Islamic law.

Despite their purposefully participatory approach, the plan, planners, and planning process of the PBO soon faced numerous criticisms and obstacles from these two groups. To begin with, many traditionalists argued that a nation guided by God's own hand has no need for a five-year plan and that attempts to prepare one merely reflected a lack of sufficient faith in divine providence (Najafi and Ahmadi-Amooee, 2003: 362, Nili and Ahmadi-Amooee, 2003: 242). Indeed, despite the closing of the PBO and the purging of non-loyal elements, traditionalists continued to view it and the planning process as a basically American entity and enterprise. Another challenge faced by the planners was

²⁹ More recently, many members of this group have evolved into leaders of the Green Movement.

the difficulty of balancing leftist and traditionalist concerns about the private sector. On the one hand, the anti-West spirit of the revolution made it extremely difficult and, indeed, sometimes dangerous to voice pro-capitalist positions. On the other hand, when the plan was finally introduced to the majlis, many complained that if the cover and Islamic references were removed, it would read like a copy of an Eastern-bloc communist plan. (Mashayekhi and Taheri, February 1, 2009).

In August 1983, despite strenuous opposition from a number of cabinet members, the draft plan was accepted by the Musavi government and submitted to the Majlis where after a great deal of debate and criticism it was ultimately rejected (Anonymous, September 3, 2006, Chronology July 16, 1983--October 15, 1983, 1983). In addition to the above-described attacks from the left and right, the plan was criticized for being too optimistic and promising to accomplish too much (Mashayekhi and Taheri, February 1, 2009, Roghani-Zanjani and Ahmadi-Amooee, 2003: 154). Indeed, as the war with Iraq grinded on and oil revenues continued to drop due to production problems as well as a worldwide oil glut, such criticisms were not entirely without merit. Banki, however, had tired of the attacks upon his work, co-workers, and character and resigned from his position with the PBO the following year (Roghani-Zanjani and Ahmadi-Amooee, 2003: 156). He was replaced at the PBO by Mas'oud Roghani-Zanjani a relatively young and inexperienced Iranian-trained economist who had been an advisor to Musavi for the previous year. Given his junior position and dependence upon Musavi's political patronage, Roghani-Zanjani was expected to faithfully and consistently reflect the Prime Minister's Leftist positions on economic policy.

It was not long before Nourbakhsh also left government. His misstep had been to run afoul of the Bank's Islamic Council, an informal committee with counterparts in most government ministries whose self-appointed task was to monitor behavior and activities to ensure accordance with Islam. Nourbakhsh's refusal to reserve managerial positions for individuals belonging to or approved by the Islamic Council resulted in a great deal of friction. Unluckily for Nourbakhsh, one of the leaders of the Bank's Islamic Council, Muhammad Javad Iravani, was in 1985 chosen to be the new Minister of Finance and after a good deal of tension managed to maneuver the ouster of Nourbakhsh in favor of the leftist Majeed Ghassemi (Nili and Ahmadi-Amooee, 2003: 261-63, Nourbakhsh and Ahmadi-Amooee, 2003: 79, 83). Once again, Iran's economists and technocrats seemed to have been sidelined.

Economists, Population Growth, and War

By the mid-80's the war with Iraq was draining the country of resources and morale. Given its diplomatic isolation, Iran had to pay a premium for any and all military equipment. The financial burden of the war was made all the more difficult by the fluctuating price of oil which fell by more than half from \$35.75 a barrel in 1981 to just \$14.44 in 1986 leading to a drop in Iran's oil income from over \$20 billion in 1983 to under \$6 billion in 1986-7 (Bakhash, 1990: 245, Matthews, April 1, 1985, Middleton, June 12, 1984, Povey, June 12, 1984). In keeping with Musavi's Leftist orientation as well as the exigencies of war, the government's hold on the economy had increased over time. In addition to running the vast numbers of companies it had taken over in the aftermath of the revolution, the government was now strictly rationing essential goods

and foreign exchange, and had instituted controls on imports, wages and prices (Amuzegar, 1993: 46).

Given the absence of resources available for public investment, Roghani-Zanjani soon determined that development planning as such was irrelevant to the country's needs. His goal at the PBO, therefore, was to simply keep the 'planning machinery' alive by directing its economists toward the preparation of a number of econometric forecasts and short-term plans for a variety of possible future scenarios; many of these were not even published or distributed outside of the PBO (Roghani-Zanjani and Ahmadi-Amooee, 2003: 160). The PBO was involved, however, in two important public planning efforts during this time. The first was the "Plan for New Conditions" which was developed in late 1986 and was designed to be a two year guide for resource distribution that would ensure adequate funding for the war effort as well as the provision of essential needs to the population. The second "Plan for a Crisis Situation" was a top-secret plan for how the country might be managed should the United States decide to join the war on Iraq's side and attack Iran directly (Anonymous, August 9 and August 16, 2006, Nili and Ahmadi-Amooee, 2003: 254-56, Roghani-Zanjani and Ahmadi-Amooee, 2003:160-61). In addition to these activities, PBO economists sought to exert influence through their responsibility for preparing the agendas for regular meetings of the country's Supreme Economic Council. Mas'oud Nili, the Iranian and English-educated PBO economist tasked with this job has said that his intent at the time was to use his power over the agenda to push the country's leaders to consider longer-term economic goals and the impact that short-term decisions (like additional borrowing from the Central Bank) would have on them. During this time, the PBO also wrote several public reports taking a

position against price and exchange rate controls proposed by the government. These reports were, for the most part, entirely ignored and the PBO, made cautious by years of vitriolic criticism, was not prepared to push its views any further (Nili and Ahmadi-Amooee, 2003:242, 57-59).

Privately, however, Roghani-Zanjani was becoming alarmed by the increasingly dire conditions of the country as revealed to him by the steady stream of PBO reporting. By the end of 1986, Roghani-Zanjani concluded and tried to demonstrate to Prime Minister Musavi that continuing the war could result in the fall the government or even the country. Musavi was not particularly impressed or convinced. An artist and architect by training, Musavi had little faith in the utility of economic analyses as a guide and was known to advise economists that in order to understand the country's situation, they ought to spend less time looking at cold statistics and more time reading the poetry of Rumi and Hafez. As regarded continuation of the war, Musavi felt that the PBO's metrics were incapable of accounting for the determination of the Iranian people to win the war as well as their willingness to suffer losses toward that goal (Roghani-Zanjani and Ahmadi-Amooee, 2003:179-80). As Roghani-Zanjani's tenure at the PBO continued, he became increasingly alienated by this perspective and more closely aligned with the positions of the economists he had been sent to control (Nili and Ahmadi-Amooee, 2003: 265, Roghani-Zanjani and Ahmadi-Amooee, 2003: 164).

Roghani-Zanjani's concerns were intensified by the results of a PBO analysis of population trends. In 1986, the Iranian government conducted a census which revealed that population growth had reached 3.9% and that 45% of Iran's 50 million citizens were under 14 years of age (Hoodfar and Assadpour, 2000: 22). Using this data, the PBO

created a number of different forecasts based upon varying assumptions about future fertility levels, outcomes at the battlefield, oil revenues, public investments, etc (Anonymous, August 9 and August 16, 2006, Nili and Ahmadi-Amooee, 2003: 260, Roghani-Zanjani and Ahmadi-Amooee, 2003: 189). The results of the status quo forecasts were extremely distressing. If funding the war effort continued to preclude serious investments in the country's economic development and health / educational infrastructure, the explosive population growth would soon introduce unmanageable strains. Short of divine intervention, the country and regime could only be saved by an end to the war, a quick reversal of population trends, or, preferably, both.

This time PBO economists managed to capture the attention of government leaders who were already aware that the war effort was not going well. Unable to purchase spare parts, Iran's air force had been grounded and ceded the skies to the Iraqi forces (Mohr, September 22, 1986). Even on land, Iran seemed to have lost the edge its once-abundant but now dwindling martyrs brigades had afforded it as demonstrated by its forced withdrawal from the Fao peninsula (Gowers, April 19, 1988). American attacks on oil platforms in retaliation for damage inflicted on U.S. ships by Iranian mines as well as the USS Vincennes mistaken attack on a civilian Iran Air flight led many to expect a more aggressive American support for the Iraqi side which would make an Iranian victory even less likely (Allen et al., July 4, 1988, Anonymous, August 18, 2006).

Under these dire conditions, Prime Minister Musavi invited Roghani-Zanjani to write a letter to Imam Khomeini outlining his concerns. With the help of Nili, Tabibian, and Mashayekhi, Roghani-Zanjani prepared and presented the PBO's conclusions regarding likely future scenarios. Emphasizing that his duty and capabilities were limited

to providing accurate technical information but that it was up to the religious leadership to determine the proper course of action for the Islamic nation, Roghani-Zanjani argued that there were two paths forward: either follow the path of Imam Hussein and sacrifice everything in the path of a war effort that is unlikely to be successful, or end the war and attempt to address the looming population crisis (Nili and Ahmadi-Amooee, 2003: 280-81, Nourbakhsh and Ahmadi-Amooee, 2003: 92-93, Roghani-Zanjani and Ahmadi-Amooee, 2003: 182). It was not long after receiving Roghani-Zanjani's letter that Imam Khomeini appeared before the nation to tearfully proclaim that he had drunk the 'cup of poison' and agreed to a formal ceasefire (Mortimer, August 16, 1988).

The regime also displayed remarkable flexibility as regards population policies. Until this time, the government had generally pursued pro-natal policies and viewed the birth control programs of the previous regime with suspicion. Some religious leaders went so far as to suggest that birth control was part of a Jewish plot to reduce the numbers of Muslims and that in an Islamic Republic families ought to be encouraged to have as many children as possible so as to thwart this plot and increase the numbers of God's chosen people (Roghani-Zanjani and Ahmadi-Amooee, 2003:188-89). In 1988, with the approval of Prime Minister Musavi and Imam Khomeini, the PBO worked with the Ministry of Health to organize a national conference on the issue that highlighted the way that a rapidly growing population would impact various aspects of the economy and society. Shortly thereafter, Imam Khomeini issued a fatwa that silenced clerical objections by approving all methods of birth control. With the Imam's approval, a national family planning program was designed and launched in December 1989 to encourage women to space their pregnancies, limit family size to no more than three

children, and limit a woman's childbearing years to between 18 and 35 (Aghajanian and Merhyar, 1999, Hoodfar and Assadpour, 2000, Roghani-Zanjani and Ahmadi-Amooee, 2003: 192).

The First Development Plan and a New Team

With the end of the war, the government was in need of a new plan for spending and distributing funds freed from the battlefield. Having all along been engaged in various planning exercises, the PBO was well prepared for the task and managed to submit a first draft of its proposed Five-Year Development Plan within three months of the ceasefire (Anonymous, August 9 and August 16, 2006, Nili and Ahmadi-Amooee, 2003). The PBO plan envisioned a distinctly different post-war era in which the government would cede control over the economy to an enhanced private sector buoyed by trade and foreign investment liberalization and the elimination of price controls or subsidies .

Prime Minister Musavi was dismayed. He accused the planners of basing their work on World-Bank-inspired principles that struck at the heart of the socialist principles he held dear (Nili and Ahmadi-Amooee, 2003: 278-79, Roghani-Zanjani and Ahmadi-Amooee, 2003: 166). In earlier years, such accusations might have been enough to scuttle the plan entirely and send PBO officials, tails hanging, back to their offices or even homes. Times appeared to have changed however as Roghani-Zanjani and his like-minded allies were able to find a new political patron in Ayatollah Akbar Hashemi Rafsanjani who shared their worldview and was powerful enough to promote it.

Rafsanjani, speaker of parliament for the prior eight years and head of the armed services during the final years of the war with Iraq, was a powerful and politically astute politician (Johns, June 8, 1988). As Ayatollah Khomeini, the revolution's spiritual and political leader, took to his sick bed, Rafsanjani and his then-ally Ali Khamene'i were closely involved in the effort to revise the Constitution to eliminate the position of Prime Minister in favor of a strong President (Daneshkhu, May 4, 1989, Fazel, April 20, 1989, Milani, 1993). Although he was careful not to take unpopular public positions, Rafsanjani was, from the early post-revolutionary days, relatively sympathetic to the needs of the private sector, perhaps as a result of his early exposure to it through his family's pistachio business (Daneshkhu, July 29, 1989: 164-5, Roghani-Zanjani and Ahmadi-Amooee, 2003). As men like Roghani-Zanjani and Nourbakhsh began to feel alienated by Musavi's socialist economic vision, they were heartened to find that Rafsanjani shared many of their views particularly as regarded the post-war plan for reconstruction.

Despite his reservations, Musavi, did not block or oppose the plan outright³⁰. PBO planners, intent to ensure the plan's passage through the majles, began reaching out to lawmakers to involve them in the process, address their concerns early on, and engender a sense of ownership in the final product. With Rafsanjani's guidance, a committee of lawmakers was formed to work with the government to review the PBO's proposed draft (Roghani-Zanjani and Ahmadi-Amooee, 2003: 167). PBO planners have noted with some pride that their many meetings with this committee served not only to smooth passage of

³⁰ He and sympathetic members of his cabinet did, however, slow the Plan's progress down so as to ensure that its implementation would not begin until well after their term in office had ended. See: Sahabi, and Ahmadi-Amooee. *Eghtesad-E Siyasi-E Jomhuri-E Islami*.

the five-year plan but also provided an opportunity to educate more of the country's elite as to the fundamentals of market economics (Anonymous, August 9 and August 16, 2006, Nili and Ahmadi-Amooee, 2003:268).

1989 was another watershed year for the Islamic Republic. The revolution's spiritual and political leader Ruhollah Khomeini died in June of a heart attack. Shortly thereafter, Ali Khamene'i, the decidedly uncharismatic president with questionable religious qualifications was named the new Supreme Leader (Mallet, June 5, 1989). Following the dictates of the revised constitution, Musavi left office as Iran's last Prime Minister and Rafsanjani was elected in an expedited election to the newly strengthened presidency with 94.5% of the vote (Gowers, July 31, 1989).

In his inaugural address to the nation, Mr. Rafsanjani publicly declared that rebuilding the economy was his top priority and that some revolutionary ideals might have to be de-emphasized toward this end as "dams cannot be built by slogans" (Tyler, August 18, 1989). He also served notice that hardline Leftists would be expected to drop their opposition to his reform measures given that the landslide results of the election gave him a broad mandate to carry forward with his proposed economic plans. "If the people wanted something other than this, they would not have voted for me" (Tyler, August 18, 1989). Further indications of Rafsanjani's new direction could be seen in his cabinet choices. Dr. Mohsen Nourbakhsh replaced his nemesis at the Ministry of Foreign Affairs where he declared his goals to be the review of Iran's multiple exchange rate system as well as the boosting of Iran's non-oil exports (Daneshkhu and Gowers, August 31, 1989, Nourbakhsh and Ahmadi-Amooee, 2003). Dr. Mohammad Hossein Adeli, who has a double PhD in Economics and Business Administration from the University of

California was chosen to head the Central Bank (Adeli and Ahmadi-Amooee, 2003). With the retention of Roghani-Zanjani at the PBO, all three major organs of economic policymaking were now under the management of economists committed to reducing government controls over the economy, encouraging private and even foreign investment, and supporting employment and export-generating private sector activities.

The next two chapters discuss the successes and failures of this team's reform program over the following sixteen years. Before doing so, however, the following section considers and explores how and why a group of pro-market, Western-oriented economists who had once been viewed with such suspicion were able to convince the leaders of the Islamic Republic to end a war, launch a population control program, and initiate a Five-Year Development Plan designed to reverse many of the economic policy decisions made since the revolution.

Economists in the Islamic Republic: Why the turnaround?

When Musa Khayyer closed down the Plan and Budget Organization and sent its economists and technocrats home, he demonstrated that the Islamic Republic had little value for the type of expertise they might bring to policy matters. Less than a decade later, however, economists were informing and guiding policy decisions on a broad range of matters some of which went beyond their traditional purview. How did this change occur and how does it inform political scientists' understanding of when and where policy experts are likely to have influence?

The most striking and obvious feature of the early post-revolutionary period was the wholesale rejection of any and all things associated with the former regime or with

models of governance perceived to be Western in origin. Whereas the Iran of the 50s, 60s, and 70s had, as might be predicted by scholars of *mimetic isomorphism* (DiMaggio and Powell, 1983), actively sought to model itself on powerful Western nations in which economists and technocrats held prominent policy advising roles, the Islamic Republic, lacking any models of Shiite Islamic governance to follow, was struggling to forge an entirely new approach to governance. Many questions—long resolved in the West—had to be grappled with. To what extent, for example, should imperfect humans attempt to plan for tomorrow (often the economists’ ultimate purpose) in a nation that is supposed to be guided by God himself? To what extent are economists capable of presenting dispassionate ‘truth’ versus a pale version of it colored by ideology, belief, and perhaps ulterior motives? To what extent should economic growth be a goal of policy in the Islamic Republic? The Iranian case highlights an important factor that is not addressed by many studies of mimetic isomorphism. Specifically, the importance of perceived cultural similarity as a mediating variable between the example set by successful states and their emulation by developing countries. The United States’ position as the most economically and militarily successful state in the system was not changed by the Iranian revolution. Instead, Iranian perceptions of the extent to which the U.S. and the West represented a model worthy of emulation had changed. As a result, post-revolutionary Iran’s relationship with its economists changed drastically as well.

Functionalist accounts of technocratic power emphasize the way that uncertainty arising from modernization causes leaders to turn to experts to help them interpret an increasingly complex world. Given the long-term and uni-directional view of such accounts, they are not particularly useful in understanding why Iranian economists would

have lost their positions of power so suddenly only to regain them in a few years time. Closely related *Epistemic Communities* approaches are perhaps more useful. Scholars of epistemic communities examine the way that scientists or experts with shared causal beliefs and normative values work toward common policy goals by informing the interests and beliefs of the state they serve. Such experts are expected to be more likely to gain the attention and/or trust of government leaders when a crisis or other unexpected shock to the system renders them more open to new interpretations of what caused the crisis, what the state's interests are or should be, what policy options are available, and what new institutions might be necessary to carry them forward (Haas, 1992: 14). Political leaders are expected to be particularly amenable to expert influence in those areas for which they have few preconceived ideas or when the advice they receive is a good fit with core beliefs they already hold (Haas, 1992: 29).

The revolution and the war with Iraq drained Iran of both resources and morale. 1987 and 1988 were extremely difficult years in which the gap between revenues and urgent expenditures was often met by printing additional currency resulting in inflation of close to 30% despite government price controls (Amuzegar, 1993: 91-92, Daneshkhu, May 13, 1988: 173, Gowers, July 13, 1988, Roghani-Zanjani and Ahmadi-Amooee, 2003, World Bank Development Indicators, 2012). In interviews and articles a number of economists have suggested that conditions were so bad that government leaders were more open to considering pro-capitalist and pro-market policies that were once stigmatized by their association with the former regime (Anonymous, August 9 and August 16, 2006, Nili and Ahmadi-Amooee, 2003: 273-77, Roghani-Zanjani and Ahmadi-Amooee, 2003: 205). Given Rafsanjani's prior direct experiences in the private

sector, he may have been particularly inclined to blame the Leftist and interventionist policies of the revolution's first decade for the economic difficulties the country was facing. As such, pro-market economists were well-placed to promote new interpretation of the reasons for the economic crisis as well as policy prescriptions for how conditions might be improved.

Indeed, the epistemic community of pro-market economists in Iran was not a passive actor in the contest for new interpretations of the economic crisis. Accounts of these economists and technocrats in interviews and articles highlight their active and concerted efforts to educate and influence their leaders. Economists at the PBO for example gained a reputation for being so persuasive that the economic views of whoever was selected to head the organization were basically irrelevant as the new chief would sooner or later gravitate toward position of the individuals he was sent to manage (Nili and Ahmadi-Amooee, 2003: 265). As described earlier in this chapter, economists also actively sought to influence the dialogue and views of political leaders by, among other things, controlling the agenda of meetings of the Economic Council, and holding countless meetings with majles leaders, clerics from Qom, and other cabinet members.

Political Interest Group analyses highlight the way that experts mobilize political power to influence policy decisions. Such analyses might look, for example, for a strong political party or popular movement to explain the sudden re-emergence or prominence of economists. In the case of post-revolutionary Iran, economists were very closely associated with Rafsanjani's economic plans which may indeed have contributed to his popularity with Iranians desperate for improved conditions. Another example of overt political activity can be found in the case of Dr. Nourbakhsh who after being dismissed

from the Central Bank in 1985, along with a few like-minded friends, run successfully for parliament and sought to influence economic policy-making from its Planning and Economics committees (Nourbakhsh and Ahmadi-Amooee, 2003:89-90).

The need for international resources has been noted to render a country desperate for grants or loans more likely to recruit and promote those economists or experts capable of inspiring the confidence of the often-similarly-educated men and women controlling the purse strings of the international financial and donor institutions. Within this analytic framework, Iran's expulsion of foreign-educated economists from the PBO might be seen as related to its rejection of financial ties to the international community. Whereas the Shah was generally happy to take on additional debt to fund his military or development projects, IRI leaders initially shunned international loans as the gateway to a dependent economy anathema to the self-sufficiency they were striving for. Despite the hardships of the revolution and war, Iran's new leaders were determined to pay off the country's debts as quickly as possible and by 1989 Iran owed only \$500 million worth of long-term debt. During this time period when loans were not desired but despised, economists may have had less to offer.

Rafsanjani, however, clearly made the case that desperately needed investments in oil wells and other aspects of Iran's revenue-generating industry could not be made without foreign investment as domestic sources of funding were lacking. Having obtained parliamentary approval for foreign loans proposed in the successfully passed Development Plan, Rafsanjani assembled a team that could help him achieve his goals. The choice of Dr. Adeli and Dr. Nourbakhsh, both University of California-educated economists, to head the Central Bank and Ministry of Finance might very well have

resulted from calculations regarding their ability to develop relationships with the international investors and financial institutions to which Iran would now turn for funding. Indeed, in discussing the reasons for Adeli's appointment despite his relative inexperience, Nourbakhsh has explicitly noted Adeli's ability to develop and maintain friendly relationships with foreign investors that would help them feel more comfortable about investing in and offering favorable loan terms to Iran (Nourbakhsh and Ahmadi-Amooee, 2003: 105-06). Theories of coercive and mimetic isomorphism seem, therefore, to be relevant to understanding the experiences of Iranian economists and technocrats in both the pre and post –revolutionary periods.

In sum, during this period, a number of variables affected the extent to which economist's views gained influence over economic policy. In the immediate post-revolutionary environment, rejection of the Shah's Western model of governance resulted in a general distrust of economists capabilities and intentions. The severing of financial ties with international investors and financial institutions further reduced valuations of economists' utility. As the Iraq war and economic mismanagement began to bite, however, the country's leaders become more open to re-evaluating the Leftist policies that they had heretofore been following. During this time, economists themselves worked actively to reassert their dominance over the policymaking process by promoting their views with popular politicians and entering politics directly by running for seats in the legislature. The literature on mimetic and coercive isomorphism, functionalism, epistemic communities, and political interest groups are all very useful, therefore in understanding the variable power of economists during this time period.

The following chapter examines the role of economists in the new Rafsanjani administration.

Chapter Six: The Rafsanjani Years (1989-1997)

The ascension of Hashemi Rafsanjani to the presidency marked a new era for the Islamic Republic. The death of Khomeini was expected to moderate the country's ideological zeal and allow for better diplomatic and economic relations with other countries. The end of the Iraq war would free up resources for investment and development. And the constitutional changes that eliminated the post of Prime Minister had removed Mir Hussein Musavi and his Leftist supporters from power. With the breakup of the Soviet Union providing further confirmation of the superiority of free market methods, the way seemed to be clear for the economists and technocrats surrounding Rafsanjani to implement a structural adjustment program that would eliminate distortions in the markets for goods and foreign exchange, increase capital and infrastructure investments, and raise growth rates to improve standards of living and reduce unemployment.

Rafsanjani and his team were in a hurry. In separate interviews, the new cabinet's Minister of Finance Mohsen Nourbakhsh, PBO head Mas'oud Roghani-Zanjani and Central Bank President Hussein Adeli have all spoken of the immense pressure they felt to speedily deliver the peace dividend demanded by a population long weary of the sacrifices required during the war years (Adeli and Ahmadi-Amooee, 2003: 448, Nourbakhsh and Ahmadi-Amooee, 2003: 103, Roghani-Zanjani and Ahmadi-Amooee, 2003: 201-02). These men were painfully aware of how far Iran had fallen behind once-

poorer neighbors³¹³² and were eager to make good on Rafsanjani's campaign promises to rebuild the nation. Rafsanjani further intensified the pressure by pushing to move forward with investments and reforms as speedily as possible. While the five year plan anticipated, for example, that 70% of factory capacity utilization would be achieved in five years, Rafsanjani upon taking office pushed for the goal to be 100% factory capacity utilization within just one year (Nili and Ahmadi-Amooee, 2003: 310)!

The First Five Year Plan

Expected to coordinate their activities in this regard was the new regime's first Five Year Development Plan (Supplement: Translation of the Five Year Development Plan, 1990). Written and approved by the cabinet before Rafsanjani took office, the plan's pro-market orientation had so dismayed Prime Minister Musavi that he delayed its introduction to parliament so as to avoid any responsibility for implementation (Nili and Ahmadi-Amooee, 2003: 277, Roghani-Zanjani and Ahmadi-Amooee, 2003: 166). The overall goal of the plan was to achieve high rates of economic growth through investment in the country's industrial and energy sectors designed to rehabilitate damaged factories,

³¹ Roghani Zanjani has said that "any educated or intellectual Iranian, any businessperson or student that went to one of these countries was saddened and upset by the extent to which they had progressed ahead of Iran. Before the revolutions, the Turks and the Arab's were all behind us [in terms of economic development]" See: Nili, Mas'oud, and interviewed by Bahman Ahmadi-Amooee. (2003) Eghtesad-E Siyasi-E Jomhuri-E Islami. Tehran, Iran: Gam-e No, Nourbakhsh, Mohsen, and interviewed by Bahman Ahmadi-Amooee. (2003) Eghtesad-E Siyasi-E Jomhuri-E Islami. Tehran, Iran: Gam-e No.

³² For an analysis of changes in Iran's pre and post revolutionary GDP per capita as compared with that of comparably-sized economies Korea and Turkey, see Hassan Hakimian and Massoud Karshenas, "Dilemmas and Prospects for Economic Reform and Reconstruction in Iran," in *The Economy of Iran: Dilemmas of an Islamic State* edited by Parvin Alizadeh, I.B. Tauris, 2000.

maximize utilization of existing capacity and increase oil production. The plan represented a significant departure from earlier policies in a number of ways including:

Shift in emphasis away from agriculture and toward industry / manufacturing.

One of the chief criticisms of the Shah's economic policies was that they neglected rural needs and interests and favored large mechanized agro-industrial concerns over those of small and medium-sized farmers. During the first post-revolutionary decade, government officials sought to rectify this by dismantling the large agro-businesses and introducing a variety of programs and subsidies designed to support the activities of the smaller farmers³³. The result was an annual increase in total farm output of 5-6% between 1981 and 1990 and an increase in agricultural value-added of 55% from 1980 to 1988 (Alizadeh, 2000: 3, Amuzegar, 1992: 418-19, WorldBank, 1991: 41, WorldBank, 1991: 7).

The new five year plan represented a reversal of these policies. Priority was placed on investments in industry and manufacturing to repair and restart factories and oil production facilities left idle by war damage and/or lack of parts and materials. As a result of these investments, the Five Year Plan projected annual growth rates of 8.1% for agriculture compared with 15% for Manufacturing and Mining over the 1989-93 period

³³ The costs of fertilizers and agricultural machinery, for example, were greatly subsidized, while guaranteed prices were established for farm crops. Banks were instructed to prioritize agriculture projects for loans. For additional information on government support activities in the 1980s see page 112 in Roghani-Zanjani, Masood, and interviewed by Bahman Ahmadi-Amooee. (2003) *Eghtesad-E Siyasi-E Jomhuri-E Islami*. Tehran, Iran: Gam-e No. And chapter 4 in Amuzegar, Jahangir. (1993) *Iran's Economy under the Islamic Republic*. New York: I.B. Tauris & Co Ltd.

so that the share of agriculture in GDP was expected to decrease while that of manufacturing would increase (Amuzegar, 1993: 130, WorldBank, 1991: 25-26).

Shrinking the government budget and public sector. The first decade after the revolution saw the speedy expansion of government and proliferation of subsidies and price controls that greatly augmented the fiscal burden. The new Five Year Plan aimed to reduce this burden and shrink government. Market distorting subsidies and price controls were slated for elimination and user fees for utilities were to be increased. A new tax system was designed to simplify the tax code, eliminate overly-generous tax exemptions, increase taxes, and improve collection so that revenues would grow from 3.3% of GDP in 1988 to 8.8% in 1993. Some activities and services (education and training, for example) were to be shifted to the private sector. State-owned enterprises were to be made more efficient and the number of government employees was to be reduced. In this manner, budgetary expenditures relative to GDP were projected to fall to 17.3% (Amuzegar, 1993: 130, 35, Nili and Ahmadi-Amooee, 2003: 292 - 93, Supplement: Translation of the Five Year Development Plan, 1990: 11, WorldBank, 1991).

Foreign Investment. Given the Islamic Republic's anti-Western orientation as well as its obsession with maintaining independence, foreign loans and/or investments were so taboo that they were not considered an option even during the most difficult years of war. As a result, Iran was in 1991 found by the World Bank to have "an exceptionally low level of external debt relative to its income and exports" (WorldBank, 1991: Executive Summary). After a great deal of debate and discussion, PBO analysts succeeded in convincing cabinet members and majlis deputies that in the absence of domestic resources, accepting foreign monies was the only way to make desperately

needed growth-generating investments (Nili and Ahmadi-Amooee, 2003: 273).

Ultimately, allowance for foreign financing of up to \$27.4 billion (\$10 billion for joint ventures; \$17 billion for borrowing) was included in the plan (Amuzegar, 1993: 129, Supplement: Translation of the Five Year Development Plan, 1990: page 4).

Beyond the Plan

Despite the Plan's provisions for these and other liberalization measures, when Rafsanjani took office, the general consensus among his economic policy advisors was that it did not go far enough (Anonymous, July 31, 2006)³⁴. The new team set about making revisions and/or promoting new interpretations of the text that would allow for the additional reforms they had in mind. Two significant initiatives in this regard were the privatization of state owned enterprises and the revaluation and unification of the exchange rate.

Privatization.

The post-revolutionary Iranian government was somewhat unique in the extent to which it owned and controlled the country's means of production without explicitly espousing or aligning itself with Communist or even Socialist philosophies. In the aftermath of the revolution, the country's banks, insurance companies, and large

³⁴ Some have claimed that the primary impetus behind the decision to push for additional reforms came from the IMF and World Bank whose conditions for loans included exchange rate reform and divestment of SOE's (Farzin, 1995, Amirahmadi, 1996). Most of the individuals, however, that were actively involved in crafting Iran's economic policy at the time deny that the international financial institutions played much of a role. See: Roghani-Zanjani, 2003, Anonymous high-level PBO economist, 2006, Tabibian, 2008.

manufacturing enterprises were nationalized outright while smaller operations fell into government hands through bankruptcies or abandonment by owners and managers fleeing the country (Alizadeh, 2000, Anonymous, August 3, 2006, Ibrahim, July 6, 1979: 3-4). Most of these companies did not do particularly well under government management and privatization was believed to be a way to increase efficiency and profitability, reduce the drain on the budget, and contribute to Rafsanjani's goals regarding economic growth (Matthews, February 8, 1993, Nili and Ahmadi-Amooee, 2003: 299, Roghani-Zanjani and Ahmadi-Amooee, 2003: 222).

A framework for the process of privatization was developed at the Plan and Budget Organization where a team was assembled to study the relevant experiences of other countries and use them to develop a list of criteria by which the suitability for sale of a given company might be determined. Using these criteria in combination with consultations with relevant ministers, managers, and other stakeholders, a list of state owned companies slated for sale was created. Divestiture was to occur through one of three different approaches. The first and preferred method was the sale of shares through the Tehran Stock Exchange. A large number of companies were not eligible for this method, however, due to the TSE's strict reporting and profitability requirements. For such cases, sale by way of auction or—in the absence of multiple offers—direct negotiation was permitted (Anonymous, August 3, 2006, Nili and Ahmadi-Amooee, 2003: 298-301, Roghani-Zanjani and Ahmadi-Amooee, 2003: 221-24).

Exchange Rate Policy

Shortly after the revolution, exchange rate controls were introduced in the Islamic Republic as part of an effort to stem capital flight associated with the exodus of well-heeled individuals leaving the country. As the government refused to adjust the 70 rial/\$ rate³⁵ to reflect new demand conditions, a black market in currency was swiftly born with rates that rapidly diverged to, by 1988, nearly 20 times below the official rate (IMF, 2008, WorldBank, 1991: iii). During the 80s a variety of additional exchange rates were introduced ostensibly to promote, protect, or provide benefits to various sectors of the economy (exporters, military) and/or population (poor). By the time the Rafsanjani team took over, 7-12 different currency rates were in operation while the bulk of transactions still took place at the official rate of close to 70 rials per dollar (Amuzegar, 1993, IMF, 2008: 164, WorldBank, 1991).

The reasons for government insistence on maintaining an overvalued exchange rate for so long are not entirely clear and have been vigorously debated. Some have argued that resistance to devaluation was spearheaded by powerful bazaar merchants that enjoyed close ties to the ruling elite and reaped handsome profits from their access to preferential exchange rate (Lautenschlager, 1986). Others have countered that the government's policy stemmed primarily from concerns about the potentially deleterious impact of exchange rate unification upon industry (Behdad, 1988). Still others have said

³⁵ For political and symbolic reasons, in 1981, the Iranian government began announcing rial rates relative to the IMF's SDRs rather than dollars. Translated to dollars, however, throughout the 80's, the official exchange rate varied between 70 and 91 rials per dollar.

that the primary reason for this position was the new regime's misguided concerns about and commitment to defending the rial's value as an end in itself (Nili and Ahmadi-Amooee, 2003: 244). Whatever the reasons, Prime Minister Musavi was unwilling to even discuss the possibility of exchange rate devaluation or unification (Nili and Ahmadi-Amooee, 2003: 293). The authors of the plan, therefore, well aware of Rafsanjani's sympathies as well as his practically-guaranteed ascension to the presidency, included language stating that foreign exchange policy would be up to the president and the executive branch to determine. Upon taking office, Rafsanjani instructed the Central bank to draw up plans for implementation of exchange rate adjustment.

Implementing the Plan—Initial Success

In keeping with their sense of urgency, Rafsanjani's team began implementing parts of the First Five Year Plan before it was even formally approved by Parliament and the Council of Guardians in January 1990 (WorldBank, 1991: iii). On the exchange rate, for example, in October 1989 the government took a step toward devaluation by announcing a new 'competitive' rate of 1,000 rials to the dollar (compared to the official rate of 70 rials and a free market rate of 1,150 rials per dollar) at which unrestricted access to dollars would be made available to the public sector (Fazel, October 11, 1989, Fazel, December 5, 1989). By mid-1991, four of the seven available exchange rates were eliminated. The three remaining were the 'official' rate of 70 rials per dollar, the competitive rate now 600 rials per dollar and the floating rate of 1350-1400 rials per dollar. At the same time, over 100 items previously eligible for import at the 'official' rate were shifted to the competitive rate so that only 32 items (including, for example:

basic foods, fertilizers, education supplies, and national development project inputs) remained available for import at the official rate; 247 items (primarily industrial raw materials) were eligible for import at the competitive rate; while all other goods were imported at the floating rate. Exporters, furthermore, were no longer required to exchange foreign currency earnings at the 'official' rate but could retain or exchange whatever portion of earnings they preferred at the floating rate (Adeli and Ahmadi-Amooee, 2003: 482-3, Daneshkhu, January 21, 1991, WorldBank, 1991). In the spring of 1993, the exchange rate was unified, devalued, and made fully convertible at a rate of 1538 rials per dollar (Farzin, 1995, Najafi and Ahmadi-Amooee, 2003: 401, Reuters, April 15, 1993). Additional measures to mitigate price distortions during this time included the elimination of price controls from all but 22 items (as compared with 296 items previously controlled), disbanding of price control courts, simplification and rationalization of government procurement and guaranteed prices for agricultural products, and significant increases in rates charged for public utilities (Field, April 10, 1992, WorldBank, 1991).

Privatization also proceeded speedily. By mid-1991, a total of 700 public companies were being considered for sale, 250 of which had already been approved by the cabinet. By early 1992 at least seventy companies had shares sold on the reinvigorated Tehran Stock Exchange. Proceeds from such sales were used by divesting Ministries to complete projects or invest in other state owned enterprises they managed (Daneshkhu, May 14, 1991, Field, April 10, 1992, Matthews, February 8, 1993, WorldBank, 1991).

Plans to seek foreign financing through loans and investments also moved forward. Domestically, the Rafsanjani team worked with the parliament and Guardians Council to negotiate a series of increases in the ownership stake allowed for foreign joint venture partners (Daneshkhu, May 8, 1992, Daneshkhu, March 7, 1991). Rafsanjani worked to tap into the wealth and skills of Diaspora Iranians and even encourage them to return (Chronology April 16, 1991-July 15, 1991, 1991, Daneshkhu, May 3, 1990, Mallet, November 17, 1989). Through a series of conferences and other international business events, Iranian officials sought to present Iran as an attractive investment opportunity available to all outsiders including those from the United States, and excepting on Israel and apartheid South Africa (Chronology April 16, 1991-July 15, 1991, 1991, Daneshkhu, March 15, 1991, Hargreaves, May 28, 1991). While Iranian officials were perhaps disappointed that a flood of new deals did not ensue, a number of joint projects were initiated, among them an automobile production venture with French car maker Renault, an aluminum smelter project conducted with the International Development Corporation of Dubai, and several energy projects with oil companies Elf Aquitaine, Total, and Agip (Dawkins, November 24, 1990, Field, March 26, 1992, Hargreaves, May 30, 1991). Iranian officials were also successful in negotiating and meeting strict conditions for the first post-revolutionary World Bank loan of 250 million dollars for earthquake relief (Adeli and Ahmadi-Amooee, 2003: 459, Barber, March 16, 1991, Dunne, October 3, 1990).

In addition to these major efforts, the Rafsanjani team designed and implemented a new income and value added tax system, initiated investments in a number of infrastructure and energy projects and simplified and liberalized the country's foreign

trade regulations. Before long the fruits of these combined efforts were reflected in a number of the country's economic indicators. Non-oil exports doubled; growth rates recovered rapidly from -6.3% in 1988 to 6.2% in 1989, and 13.7% in 1990; and inflation dropped from 29% in 1988 to 10% in 1990 (IMF, 2008).

Complementing and supporting these economic reform activities were political trends and events in the domestic and international arenas that strengthened Rafsanjani's hand vis-à-vis his Leftist political opponents and eased Iran's reintegration into the world economy. In the 1990 elections for the powerful Assembly of Experts³⁶, candidate eligibility rules were altered in ways that prevented a number of well-known Leftists and Radicals from participating and resulted in an Assembly much more sympathetic to the economic reform program (Daneshkhu, November 20, 1990, Daneshkhu, October 9, 1990). Rafsanjani opponents were further sidelined after the 1992 Parliamentary election in which the President's allies did extremely well, succeeding in controlling about three-quarters of the body's seats (Barraclough, May 12, 1992, Walker and Fazel, May 11, 1992).

In the international arena, Rafsanjani treaded carefully, hopeful that financial markets would respond favorably to demonstrations of stability and peaceful intent. The Iraqi invasion of Kuwait provided a gift-wrapped opportunity to demonstrate that Iran was also a victim and not the aggressor during its 8-year war with Iraq. Iran's tacit

³⁶ The Assembly of Experts is an 83-man assembly that is elected every eight years. Its two primary functions are to interpret the constitution and select and review the performance of the Supreme Leader. See: WorldBank. (1991) Iran: Reconstruction and Economic Growth Volume Two. edited by Country Department III; Europe Country Operations Division, Middle East and North Africa Region. Washington, DC: The World Bank..

approval of the U.S. led coalition to free Kuwait created further opportunities to improve relations with Gulf countries, the West, and even the United States (Daneshkhu, September 11, 1990, Daneshkhu, May 1, 1991, Daneshkhu, December 27, 1990). Improved diplomatic relations were followed by increased economic activity in the form of credit facilities, trade, and in the case of the United States and France, resolution of outstanding obligations (Amuzegar, 1993: 115, Barraclough, May 12, 1992, Daneshkhu, November 1, 1990). Iran, like other oil exporters, also benefitted from the spike in oil prices resulting from the war which provided much-needed foreign exchange with which to finance planned investment projects.

As the paragraphs above describe, by late 1992 and early 1993, Rafsanjani's team had taken a number of bold steps in implementing an ambitious structural reform program that, it was hoped, would continue to transform the country from a government controlled, import-substituting and oil dependent economy into a quickly growing, market driven export-promoting one. As described in the following section, however, domestic and international political pressures combined with the Rafsanjani team's serious mishandling of aspects of the reforms, resulting in a sharp halt and temporary reversal of the liberalization program.

Iran Stumbles

Given its low levels of debt and stellar credit repayment record even during the difficult post-revolutionary and war years, Iran's economic planners assumed that the only barriers to obtaining long-term low-interest loans would be domestic objections to indebtedness to the West (Matthews, February 8, 1993). This assumption was shared and

reinforced by a 1991 World Bank mission and report that encouraged Iran's return to international credit markets (Nili and Ahmadi-Amooee, 2003, WorldBank, 1991). The reality, however, was that those countries and institutions capable of large, long-term loans were not eager to commit funds to a government they knew little about and had few positive associations with. Hussein Adeli, the Central Bank chief charged with negotiating such loans rapidly realized that a great deal of time would be required to build necessary relationships and educate relevant decision-makers regarding Iran's new reform program and prospects for growth (Adeli and Ahmadi-Amooee, 2003: 460-61, Nili and Ahmadi-Amooee, 2003: 203-4).

Time was not, however, an available luxury. As discussed above, Rafsanjani's team felt a great deal of pressure to get factories and other projects up and running as quickly as possible in order to deliver the benefits of increased growth to an impatient population and president. The president was extremely frustrated by Adeli's inability to obtain the loans that were expected and in the meantime gave tacit approval for ministers and SOE managers to take advantage of newly relaxed financing rules to take on readily available short-term loans or "usance" for their projects (Roghani-Zanjani and Ahmadi-Amooee, 2003:210-12). Eager to prove their abilities and win favor, the ministers responded with great enthusiasm and began an importing spree using such short-term loans to obtain necessary parts and raw materials (Amuzegar, 1993: 353, Najafi and Ahmadi-Amooee, 2003:400, Nili and Ahmadi-Amooee, 2003: 302).

As short-term debts were accumulating in this manner, lower than expected revenues from oil sales were also becoming a problem. Iran had steadily invested significant sums of money to increase oil production from 2.25 million barrels per day in

1988 to 3.59 million barrels per day in 1993 (Iran Country Analysis Brief, 2012). Given weakening oil prices, however (\$16.75 per barrel in 1993), the country was not generating the revenues it had expected from these investments.

As the long-term loans and oil revenues failed to be realized, and as debts were coming due, Iran's economic managers realized with a start that they didn't have a thorough accounting of how much money was owed! As part of its trade liberalization program, the Central Bank had dismantled the old system for tracking future foreign exchange obligations through import registration requirements when it started allowing banks to open unlimited letters of credit for importers. It had neglected, however, to create a new system to take its place³⁷ (Amuzegar, 1993: 113 & 353, Anonymous, August 18, 2006, Roghani-Zanjani and Ahmadi-Amooee, 2003: 213-15). By the time officials managed to compile accurate data, debts had mushroomed to the point that the international financial community had become well aware of the problem and was become extremely wary of any further lending. In February 1993, the Financial Times wrote "...the alarm bells are ringing in all the leading export credit guarantee agencies of the industrialised world. What had been nervousness six months ago has now developed into deep concern and the strong possibility exists that one of the biggest agencies could soon remove cover for Iran" (Matthews, February 8, 1993). By 1993/4, the country's debts peaked at \$23 billion (Amuzegar, 1993: 349, Hakimian and Karshenas, 2000: 50,

³⁷ A minister in the Rafsanjani cabinet shared a story of his embarrassment when prior to a meeting with his counter part in Turkey, the Central Bank indicated that it did not know how much Iran owed Turkey and asked the minister to ask his counterpart for this information instead! Daneshkhu, Scheherazade. October 9, 1990 Rafsanjani Supporters Force out Radical Opponents. Financial Times.

IMF, 1998, Matthews, April 20, 1994). Strictly speaking, this was not an unmanageable amount of debt—Iran was not even to be found among a list of the top twenty highest indebted countries in 1993 (Anonymous, September 3, 2006, Hakimian and Karshenas, 2000: 51). The problem was that 75% of Iran's debt was short-term and the United States was determined to block or slow debt rescheduling that might have given Iran some breathing room (Adeli and Ahmadi-Amooee, 2003: 467, Anonymous, August 9 and August 16, 2006, IMF, 2008, Nili and Ahmadi-Amooee, 2003: 314). Ultimately, the Rafsanjani team was forced to slam the brakes on its investment program and reestablish import controls and austerity measures that undermined liberalization efforts. It also engaged in a flurry of ultimately successful negotiations to reschedule debts which were steadily repaid over the following years (Daneshkhu, October 5, 1994, IMF, 1998).

In addition to disrupting the country's investment program, the debt crisis undermined the effort to unify and devalue the exchange rate. While Rafsanjani and his team were committed to eliminating the price distortions and corruption associated with an overvalued and multiple exchange rate, they were also extremely concerned about the impact of a rapid devaluation on the fortunes of public and private sector businesses that would be forced to import raw materials at higher prices. They were determined, therefore to maintain the rial's value close to the level introduced in the March/April 1993 devaluation. As the extent of the debt crisis became clear, however, speculators and currency traders concluded that the government would soon run out of foreign exchange and be forced to either abandon the exchange rate it was trying to defend or stop selling dollars. As such, they began purchasing as many dollars as possible in an effort to get their share before the window was closed (Adeli and Ahmadi-Amooee, 2003: 490,

Anonymous, August 14, 2006, Hakimian and Karshenas, 2000, Najafi and Ahmadi-Amooee, 2003: 401).

Under speculative attack and needing to preserve its dollars to repay debt, the government—as predicted—began backpedaling. By December 1993, unlimited foreign currency sales were terminated. In May 1994, a multi-tier exchange rate was reintroduced when Adeli announced that state banks would offer dollars for about 2,650 rials for certain imports alongside the official selling rate of 1,750 (Reuters, May 5, 1994). The following year, as the rial continued to slide, the Central Bank imposed a fixed commercial trade rate of 3,000 rials per dollar alongside the official rate and reinstated exports surrender and repatriation requirements (IMF, 1998). Rafsanjani vowed to “crack down on speculators and profiteers who...were collaborating with the US and Israel to undermine the country’s rial currency” and authorities began arresting illegal sidewalk money changers(Anonymous, August 14, 2006) (Amuzegar, 1993, Corzine and Daneshkhu, May 24, 1995, Reuters, May 10, 1995).

The privatization program also foundered. Given the small size of the private sector, finding buyers was a serious challenge. Attempts to encourage foreign investors or potential purchasers within the Iranian Diaspora yielded little interest (Roghani-Zanjani and Ahmadi-Amooee, 2003: 208-9). Many of the companies approved for sale were not eligible to be introduced on the stock market due to the TSE’s accounting and profitability requirements. Given the vague guidelines for privatization, ministers had a great deal of leeway to proceed through other sales methods. Some ministers sought to sell to the company’s managers and /or employees and tried to bring prices down to levels affordable to them (Roghani-Zanjani and Ahmadi-Amooee, 2003: 223). Other

ministers began responding to expressions of interest from successful businesspeople or acquaintances that they felt could guide the companies to profitability. Outsiders and political opponents, however, raised concerns about possibly corrupt sales to friends and acquaintances at sweetheart prices (Anonymous, July 24, 2006, Nili and Ahmadi-Amooee, 2003: 298, Roghani-Zanjani and Ahmadi-Amooee, 2003: 223). Made timid by fears of such accusations as well as possible legal ramifications, ministers stopped trying to sell SOEs altogether and the privatization program came to an abrupt halt (Anonymous, August 3, 2006, Anonymous, August 2, 2006, Daneshkhu and Tett, February 28, 1995, Roghani-Zanjani and Ahmadi-Amooee, 2003).

The Rafsanjani team began to experience sustained political pressure to reverse or repeal many of their reforms. Contrary to expectations, the routing of traditional Leftists in Parliamentary and Experts Assembly elections did not result in a docile legislative and political body. The bazaar merchants who had originally supported Rafsanjani and his pro-private sector policies began objecting when his reforms threatened rents and other privileges of the distorted economy (Adeli and Ahmadi-Amooee, 2003: 492, Anonymous, September 3, 2006, Tabibian and Ahmadi-Amooee, 2007: 82). The Supreme Leader Khamenei, perhaps sensing an opportunity to assert his own authority, encouraged these groups and began criticizing aspects of the reform program in his public speeches (Chronology April 16, 1992-July 15, 1992, 1992, Matthews, February 8, 1993). In June 1993, Rafsanjani was elected to a second term as president with a much lower 63.2 percent of the vote—compared with 94.5 percent in the 1989 election (Reuters, June 14, 1993). In a display of its ire over the reform program, the parliament refused to approve the re-appointment of Mohsen Nourbaskh—one of the chief

architects of the reform program—to the Finance Ministry (Mosteshar, August 17, 1993). It also, over Rafsanjani's objections, decided to delay implementation of the new Second Development Plan for a year in order to evaluate the successes and failures of the First Plan (Amirahmadi, 1996, Amuzegar, 1993: 351, Amuzegar, 2001, Daneshkhu, January 26, 1994, Reuters, August 9, 1994).

The Second Development Plan

All things considered, the First Plan was no small accomplishment. By the end of the plan period, economic growth had improved dramatically as investments in infrastructure and capital began to pay off and the country was well on the path toward recovery from the damages incurred by the revolution and war. Unfortunately, however, major portions of the structural adjustment program intended to mitigate the government's suffocating presence in the economy failed when the exchange rate reform and privatization programs were abandoned. Even worse, the debt crisis and other problems caused some to question the wisdom of the reform program altogether (Amuzegar, 1993: 352, Anonymous, August 9 and August 16, 2006, Najafi and Ahmadi-Amooee, 2003: 400 & 03).

The Second Development Plan was written by Muhammad Tabibian who had been persuaded to return to the PBO after a year-long fellowship at Stanford (Anonymous, September 3, 2006, Tabibian and Ahmadi-Amooee, 2007). The Second Plan was somewhat more modest and realistic in its growth goals (5.1% average annual growth) than the First Plan (8.2%) (IMF, 1998: 49, WorldBank, 1991: 26). Otherwise, however, the intent was to continue the structural reforms initiated during the First Plan

period. Major goals included: unification and convertibility of a managed floating exchange rate system; reduction of the size of government through mergers of overlapping bureaucracies, privatization, and the transfer of services to municipalities or private groups; increases in market efficiency through reduction of price distortions, increased competition and elimination of monopolies; deregulation of trade; decreases in unemployment and inflation; and continued support for family planning programs designed to slow population growth (Amuzegar, 2001:30-31, IMF, 1998: Appendix I, Law for the Second Plan for Economic, Social, and Cultural Development in the Islamic Republic of Iran, 1998).

Much of the enthusiasm for the most dramatic reforms had been lost, however. Having been burned by the backlash he experienced during his first term in office, Rafsanjani decided to focus his efforts on safer activities such as increasing overall investment and GDP growth without regard to structural reforms that would remove market distortions along with associated rents and adjust the relative sizes of the public and private sectors (Anonymous, August 9 and August 16, 2006, Najafi and Ahmadi-Amooee, 2003: 205, Roghani-Zanjani and Ahmadi-Amooee, 2003: 229). Several of his most vocal and controversial pro-reform advisors and ministers were let go including Hussein Adeli, the American-trained economist and architect of the Central Bank's failed exchange rate unification program, and Mohammad Tabibian and Masoud Roghani-Zanjani, both economists at the Plan and Budget Organization (Anonymous, February 22, 2009).

Instead, Rafsanjani turned his attention to building a political coalition that, once strengthened, might be able to implement the types of economic reforms that the country

needed. In January 1996, the formation of a new political group, the Servants of Construction or Kargozaran-e Sazandegi, was announced. Although Rafsanjani was not formally associated with the group, its sixteen founding members included ten cabinet ministers, four vice presidents, the mayor of Tehran Gholamhussein Karbaschi, and the governor of the central bank. The group announced its support for Rafsanjani's policies of reform and reconstruction and was generally seen as a technocratic alternative to extant political parties that were dominated by the clergy (Anonymous, August 19, 2006). In the parliamentary elections held later that year, Kargozaran candidates did surprisingly well, gaining 80 seats out of the 270-seat body including a seat for the president's daughter Faezeh Hashemi to represent Tehran (Allen, April 23, 1996, Allen, March 11, 1996, Fairbanks, 1998).

Rafsanjani also continued his earlier efforts to engage international interest in doing business in Iran. Over the following years, a multitude of trade and economic cooperation agreements were signed with various countries and Iran applied to join the World Trade Organization (Allen, October 31, 1996, IMF, 1998). Free-trade zones were established on Kish Island, Qeshm Island, and the Chahbahar area where foreigners were free to travel without visas and invest without restrictions (Reuters, March 18, 1994). Restrictions on foreign investment were further relaxed to allow more than 50% foreign ownership of joint venture companies and provide additional tax incentives and operating rights (Norman, January 30, 1995). In order to circumvent constitutional and political constraints barring foreign involvement in developing oil projects through traditional production sharing agreements, a 'buy-back' mechanism was developed whereby companies might make a return through exports from the field they have invested in.

Using this formulation, Iran's first major oil deal was brokered with the American oil company Conoco in March 1995 (Salpukas, March 7, 1995).

Rafsanjani's efforts in this regard were, however, often frustrated by Iran's continued diplomatic isolation. The Conoco deal was opposed and ultimately blocked by the Clinton Administration which issued an executive order in May 1995 imposing economic sanctions on Iran and prohibiting U.S. companies from engaging in trade, trade financing, or the provision of loans to Iran (Purdum, May 1, 1995, Reuters, May 10, 1995). The executive order was followed the following year by the Iran Libya Sanctions Act (ILSA) designed to punish non-U.S. companies—like, for example, the French energy company Total who had benefitted from the dissolution of the Conoco-Iran deal—for further investments in Iran (Dunne and Corzine, July 25, 1996). While European countries cried foul over the extra-territorial nature of ILSA, they also resorted to sanctions to register their own displeasure over Iran's refusal to lift the death sentence issued against Salman Rushdie as well as the implication of top Iranian officials in the murder of four Kurdish opposition figures in Berlin (Barber, April 30, 1997, Fossli, February 1, 1995, Studemann and Barber, April 11, 1997).

A serious effort toward structural adjustment and economic reform would not be initiated again until after the election of President Muhammad Khatami. The surprising story of Khatami's conversion from a Leftist politician to a champion of Washington-consensus reforms will be told in the following chapter. In the section below, however, the experience of economists during the Rafsanjani era is considered and analyzed for insights into the conditions under which economists are able to influence the economic policy decisions of the governments that they serve.

Economists and Rafsanjani

The role and experiences of economists under Rafsanjani was clearly improved as compared with that of the first post-revolutionary decade. No longer were economists routinely characterized as treasonous lackeys of the capitalist West or insufficiently devout doubters that lacked sufficient faith in God's will for the nation. Even after a reform program they had encouraged resulted in the debt crisis, the right of economists to a seat at the policymaking table was not challenged. The extent to which economists were able to translate their presence in policymaking circles into actual policy decisions that they favored did, however, fluctuate over the time period under consideration. Economists had a much freer hand in defining the economic agenda during Rafsanjani's first term than in subsequent years.

What factors contributed to the different experiences of economists during Rafsanjani's presidency? What insights can a review of these experiences generate into the role of expert advisers and the conditions under which they are likely to be called to guide the country's economic policy process?

Functionalist and Epistemic Communities approaches generally attribute changes in expert influence to crises and other unexpected shocks that render political leaders more open to new interpretations of the reasons for the crisis, the policy options available, and the institutions necessary to carry them forward. (Haas, 1992) As discussed in the previous chapter, the 80's were an extremely difficult decade in which the euphoria of a successful revolution was slowly worn away by the grind of war and economic hardship. Given the generally Leftist economic policies associated with that decade,

political leaders seem to have become more open to considering pro-capitalist and pro-market policies that were once stigmatized by their association with the Pahlavi regime.

For the first few years of Rafsanjani's first term, therefore, economists were given a great deal of leeway to design and implement the reforms they believed would deliver growth, employment, and other benefits to the population. The balance of payments crisis, however, undermined economists' position as their prescriptions for reform were seen as being responsible for the nation's unmanageable debts and associated austerity program. While Rafsanjani himself does not seem to have lost faith in the reform program, enough of the competing centers of power and population had that the program stalled. While economists were not entirely dismissed from the policymaking process as they had been in the 80s, their ability to promote their favored policies was undermined as competing interpretations of the causes and remedies for Iran's economic stagnation gained ground.

Theories of *mimetic isomorphism* suggest that economists and other experts are promoted to positions of power as part of a government's conscious or unconscious attempt to model itself after especially prominent and/or successful countries. As discussed in the previous chapter, Iran's post-revolutionary identity was based upon outright rejection of the Western political, social, and economic model. To the extent that this model incorporates the guidance of economists and other expert advisors, such individuals, particularly those educated in the United States, were seen as suspect and potentially treasonous. During the Rafsanjani years, such views of economists seem to have been tempered. Continued rejection of the overall Western model, however, meant

that economists, technocrats, and other experts still had to be careful in their policy prescriptions to avoid accusations of a pro-Western agenda from opposition groups.

Political interest group analyses study economists as one of many competing interest groups wrestling for power over the economic policy agenda. Among other things, these analyses consider the way that economists: form or support political parties (Schneider, 1998: 80-82); tacitly endorse nondemocratic governance methods that weaken or eliminate political opponents (O'Donnell, 1973); and are used or allow themselves to be used to promote a given party or politician (Bailey, 2001). In the case of Iran, for example, economists actively promoted both of Rafsanjani's candidacies for president. While economists themselves did not comprise a particularly powerful group, Rafsanjani explicitly used their endorsement as well as their reform program to garner political support. Economists were also willing to look the other way when Rafsanjani and his political allies engaged in activities designed to marginalize Leftist opponents of the reform by disqualifying them for elections to the Experts Assembly and Parliament. Finally, economists and technocrats were involved in the Kargozaran political group which was created explicitly to support Rafsanjani and his economic reform and reconstruction activities.

In some ways, however, economists' explicit association with and political support for Rafsanjani may have hurt them. When competing centers of power began to feel threatened by Rafsanjani's growing political power and began cooperating to clip his wings, the reform program he had sponsored also came under attack (Anonymous, July 31, 2006). Economists had nurtured few ties to other political groups that might have otherwise competed for power without disrupting the reform program.

The need for *international resources* also seems to have played a role in determining the experience of economists in Iran during Rafsanjani's two-term presidency. As discussed above, Rafsanjani was intent upon securing international loans and investments to facilitate desperately needed reconstruction and rehabilitation of Iran's capital infrastructure. He was also quite cognizant of the ability of American and Western-educated economists to ease fears and concerns of representatives from international financial institutions. As such, it was perhaps not surprising that he might seek out and promote such individuals to positions where they would be managing Iran's relations with the international financial world.

The following chapter examines the surprisingly strong role of economists in the administration of President Khatami despite his general lack of engagement with economic issues and close association with Leftist political parties.

Chapter Seven: Khatami (1997-2005)

On May 23, 1997, the dark-horse candidate Muhammad Khatami won Iran's presidential election by a landslide. The new president had campaigned on themes of tolerance, the rule of law, women's rights, and openness to the outside world. Economic issues were rarely discussed or even addressed in the months preceding the election (Anonymous, August 9 and August 16, 2006, Anonymous, August 19, 2006).

Khatami was, however, closely associated with the Leftist group led by individuals such as former speaker of Parliament Mehdi Karrubi and former Prime Minister Mir-Hussein Musavi who had overseen the state's expanding control over the economy during the early post-revolutionary and war years. The Leftists had fiercely opposed Rafsanjani's development plans and had been maneuvered out of power in the 1992 parliamentary elections, in part, to clear the way for implementation of economic reforms. Given this political background, a Khatami win might have reasonably been expected to portend a return to earlier statist policies that favored equality over growth and state control over means of production.

Instead, the Khatami years were characterized by a robust economic reform program that built upon and even exceeded the gains of the Rafsanjani period. Among other things, Khatami oversaw the successful unification of the exchange rate, trade liberalization, creation of an oil stabilization fund, and creation of the institutional and legal frameworks necessary for privatization and foreign investment. This chapter reviews the events and accomplishments of Khatami's two presidential terms in an effort

to understand why and how Khatami came to embrace and intensify an economic program that he and his allies had vehemently rejected just a few years earlier.

The Cabinet

The members comprising Khatami's first economic policy team could not have been more disparate in their conflicting interpretations of and preferred solutions for the country's economic ills (Amuzegar, 2006: 73, Anonymous, February 22, 2009, Anonymous, August 9 and August 16, 2006). University of California-educated economist Dr. Mohsen Nourbakhsh was a holdover from Rafsanjani's administration where he had served as Minister of Finance and, later, Central Bank chief. Nourbakhsh was a strong supporter of the economic adjustment programs delineated in the First and Second Development Plans and favored reforms that would encourage private sector and foreign investment. He was particularly eager to see the country weaned off its multiple exchange rate regime. Dr. Nourbakhsh was also politically active having served for several years as Tehran's representative in parliament and playing an instrumental role in the creation of the Kargozaran political group of technocrats in support of Rafsanjani. Under Khatami, Dr. Nourbakhsh carried on as the Central Bank Governor (Nourbakhsh and Ahmadi-Amooee, 2003).

On the opposite end of the spectrum sat Dr. Hossein Namazi an Austrian-educated economist with a strong commitment to socialist economic policies and government controls designed to promote equity over growth. Dr. Namazi had previously served as Minister of Finance under Prime Minister Mir-Hussein Musavi and was asked to do the same for Khatami (Anonymous, February 22, 2009, Anonymous, August 9 and

August 16, 2006). In his inaugural speech to parliament after his confirmation, Dr. Namazi publicly affirmed his continued support for state intervention in the economy saying, among other things that “our country’s conditions have empirically shown that we cannot leave the exchange rate to be set by the free market and the supply and demand mechanism” (Timmerman, September 8, 1997).

Off the spectrum altogether was Mohammad Ali Najafi. Mr. Najafi was a mathematician who had been in the midst of completing a PhD at M.I.T. when the revolution took place and he abandoned his studies to return to Iran. Najafi had held a number of posts in the new Islamic Republic but never anything related to economics or economic policy. He was, however, a very close and trusted friend of the new president who wished to have a neutral and loyal person heading the Plan and Budget Organization and, perhaps, helping to mediate expected differences between the Central Bank and the Ministry of Finance (Anonymous, February 22, 2009, Najafi and Ahmadi-Amooee, 2003: 412-14).

There are different opinions about Khatami’s reasons for choosing such ideologically conflicting personalities for the country’s most important economic policy posts. Some have said that positions were distributed as spoils to the various political groups and parties³⁸ that supported Khatami’s election (Anonymous, August 19, 2006).

³⁸ While Khatami was the Leftist’s clear choice he also had a political debt to the Kargozaran political group which decided—albeit somewhat late in the game—to support Khatami’s candidacy rather than run its own candidate or support the Supreme Leader’s preferred choice Nateq-Nouri. It has also been rumored that Kargozaran and, more specifically, Rafsanjani himself prevented the hard-line establishment from blocking Khatami from participating in and/or winning the election by disqualifying him or

Others have interpreted the appointments as indicative of Khatami's lack of interest in and understanding of economic policy (Anonymous, August 9 and August 16, 2006). Still others have said Khatami was determined to include and hear from all sides of an issue so that decisions might be made by consensus (Najafi and Ahmadi-Amooee, 2003: 423).

Choosing an economic policy direction

Whatever the reason for Khatami's cabinet choices, they were a perfect recipe for gridlock. The three men and the institutions they led clashed on all the major economic policy issues of the day such as budget deficits, taxation policies, exchange rates, interest rates, etc (Anonymous, February 22, 2009, Anonymous, August 9 and August 16, 2006, Nili and Ahmadi-Amooee, 2003: 324). As Khatami's first year in office went on, the need for a cohesive policy became all the more urgent given the precipitous fall in government revenues resulting from the drop in demand for oil associated with the Asian financial crisis (Anonymous, July 24, 2006, Mead, July 24, 1998). Despite his lack of interest in, understanding of, and prioritization of economic issues, Khatami was forced to engage with them as it became clear that presidential leadership was necessary to clarify the economic policy direction that the CBI, PBO, and Ministry of Finance would be expected to support.

A conference was called at which all interested parties were invited to share their opinions and positions regarding Iran's economic problems and proposed solutions.

committing electoral fraud. Anonymous, Former Minister. (August 18, 2006) Personal Interview. Tehran, Iran..

Prominent pro-marketers included: Dr. Nourbakhsh from the CBI; Dr. Masoud Nili who had written the First Development Plan and had recently been recruited back to the PBO to write the Third Development Plan after having in the meantime completed his PhD in economics at University of Manchester; George Washington University-trained economist Dr. Mohammad Nahavandian who headed Iran's Chamber of Commerce; and Dr. Najafi who had slowly but surely been persuaded of the need to roll back government control and ownership by his staff at the PBO. Arguing against their position were the Leftists, chief among them: Finance Minister Dr. Hossein Namazi; former Prime Minister Mir Hussein Musavi; former minister of heavy industries and architect of the war-time rationing system Behzad Nabavi; and Majeed Ghassemi, the CBI chief under Prime Minister Musavi (Anonymous, March 7, 2009, Anonymous, August 9 and August 16, 2006).

The pro-market side was ready. In preparation for writing the Third Development Plan, Dr. Nili had earlier instructed PBO economists to generate data about and models of expected trends under a range of different conditions. Using this information, Dr. Nili and his allies were able to quickly prepare presentations and a detailed report supporting their views regarding the most important economic problems facing the nation as well as potential solutions. The group's main argument in favor of private and foreign investment was based on population data that indicated a need for 700,000 to 800,000 new jobs to be created annually in order to keep the unemployment situation from further deteriorating. These levels of job creation, furthermore, required at least 6% annual economic growth. Given depressed oil prices, the government was in no position to make the investments necessary to produce these levels of growth. As such, the group argued, the only option

was to free up and encourage investments by the private and foreign sectors.

(Anonymous, August 9 and August 16, 2006, Najafi and Ahmadi-Amooee, 2003: 424).

Perhaps having had less time to prepare for the conference, the Leftists did not have a strong counter argument. They had no alternate data or models to present as a challenge to the PBO's statistical forecasts regarding the numbers of new jobs needed or the investments required to create them. And their preference for continued state control over and ownership of the economy were simply unsustainable given the continuing record-low oil prices and drought that had resulted in a major budget crisis (Nili and Ahmadi-Amooee, 2003: 328). Indeed, several prominent economists who attended the meetings, said later that the budget crisis was extremely helpful in that it "forced rational thinking" among all the participants and highlighted the strengths of the pro-marketer's approach (Anonymous, March 7, 2009, Anonymous, August 9 and August 16, 2006, Nili and Ahmadi-Amooee, 2003: 333-34). Ultimately, the Leftists proposals were basically ignored as the free marketers managed to convince President Khatami—despite his instinctual mistrust of capitalism and previous political attachments—that only a free market approach could deliver the jobs and other benefits desperately needed by the Iranian population (Najafi and Ahmadi-Amooee, 2003: 424).

The Third Development Plan—Preparation and Approval

Having won Khatami's initial approval of their approach, the free marketers, led by Mas'oud Nili and the PBO, turned their energies toward preparing and finalizing the details of the Third Development Plan. Nili, having recently returned from completing his PhD at Manchester University was determined to transform the country's Development

Plans from an exercise in resource allocation into a framework for ushering the country through deep structural reforms (Nili and Ahmadi-Amooee, 2003: 335-8). On the surface, the Third Plan seemed very similar to the First and Second Plans that preceded it (Anonymous, August 19, 2006, IMF, 2000). Other than provisions for creation of an Oil Stabilization Fund in which proceeds from oil boom years might be deposited for use during downswings, the major elements of the Plan—privatization, exchange rate unification, tax reform, trade liberalization, foreign investment, strengthening the private sector—had all been initiated with varying degrees of success during the Rafsanjani years. Overall and sector-specific growth goals were also very similar. The Third Plan called for 6% annual GDP growth based on 7% increase in annual capital investments in order to increase employment by 760,000 jobs per year and reduce unemployment to 11.5 percent by 2005 (Amuzegar, 2005: 46-48, Amuzegar, 1999: 539, IMF, 2000: 51-56).

There was, however, an important difference. During earlier iterations, planners—perhaps wishing to avoid opposition—had been much less explicit about the contents and implications of the policy actions required to achieve the goals of the First and Second Plan. Privatization and exchange rate unification, for example, which were two main pillars of the Rafsanjani reforms were never clearly discussed in the First Development Plan. In contrast, the Third Plan included detailed proposals for how specific objectives of the Plan would be attained.

Perhaps as a result of their more forthcoming approach, Dr. Nili and others at the PBO understood that they would have to work hard to win the support and cooperation of various political groups as well as the bureaucracy and clerical leadership of Supreme Leader Ali Khamene'i (Anonymous, August 9 and August 16, 2006: 335-38,

Anonymous, August 2, 2006, Nili and Ahmadi-Amooee, 2003). Over the next year, as the plan was being written with the help of 1,000 ‘experts’ in 21 different committees, Nili and other PBO economists fanned through the various centers of power explaining and justifying the details of its reform program (Amuzegar, 2005, Anonymous, July 24, 2006: 46). Despite his initial approval, even Khatami’s support was lukewarm and required continual massaging. According to Nili, Khatami simply didn’t understand the basics of economics enough to evaluate the strengths and weaknesses of the Third Plan as compared with the First and Second Plans. He also had trouble understanding and being convinced that the 1993 debt crisis had resulted from avoidable mistakes and continued to express anxiety that the proposed structural reform program would lead to another similar crisis (Nili and Ahmadi-Amooee, 2003:323, 32-33, 53). In a series of 50 cabinet meetings devoted to discussion of the Third Development Plan, Nili and other PBO and CBI officials sought to reassure Khatami as well as skeptical cabinet members that the Plan’s proposed reforms could be implemented in a gradual and careful manner so as to minimize economic disruptions. Some participants have said that these cabinet meetings often had the flavor of an Econ 101 class in which the President and other cabinet ministers were educated on the basics of supply, demand, exchange rate, and interest rate theories (Anonymous, August 14, 2006, Anonymous, August 9 and August 16, 2006, Anonymous, August 19, 2006, Nili and Ahmadi-Amooee, 2003: 346). In the end, and despite last-minute efforts by the Leftists to derail it³⁹, the President and cabinet approved

³⁹ Dr. Nili has related that just a week before the Third Plan bill was to be published, President Khatami

the Third Development Plan without major changes. On September 16, 1999, President Khatami introduced the plan to Parliament calling it “a total restructuring of our economy aimed at guaranteeing Iran’s needs and resources for the future”(Iran President's 5-Year Plan Would Privatize Major Industries, September 16, 1999).

Once the Plan was sent to the Majlis, economists from the PBO and Central Bank began focusing their efforts on members of the parliamentary committees charged with considering and approving development plans. Using the same approach they had used with Khatami and his cabinet, the economists held a series of ‘classes’ to teach basic economic principles and try to explain why proposals included in the Third Plan represented the best way to address Iran’s economic ills (Anonymous, August 14, 2006, Anonymous, August 9 and August 16, 2006). Initially, the economists and free-marketers were somewhat concerned that political rivalries—such as the awkward fact that the powerful Speaker of Parliament, Nateq-Nouri had just lost the presidential election to Khatami—might result in majlis obstructionism. For the most part, however, the Third Plan survived unscathed with a few important exceptions. Legislators rejected proposals to end the tax-exempt status of the revolutionary foundations or *bonyads* that had originally been created to hold and administer assets abandoned by the fleeing Pahlavis but which had since expanded into large and largely unaccountable economic actors in

received a letter from a prominent Leftist associate depicting the Plan as a scheme to achieve growth through the sacrifice of the poor. The letter seemed to rattle Khatami who called for a meeting to discuss it. Ultimately, the President approved the Plan for submission to the majles without any further changes. This and other subsequent actions by the Leftists, however, seemed to lead to frequent presidential crises of confidence that the pro-marketers would have to work hard to assuage. See: Anonymous, Journalist. (August 19, 2006) Personal Interview. Tehran, Iran.

their own right. The majlis—perhaps unwilling to subject constituents to a price shock that might affect upcoming parliamentary elections—also refused to eliminate energy subsidies or allow state-owned enterprises to raise their product prices by more than ten percent (Anonymous, August 9 and August 16, 2006, Iran: Speaker Comments on Recent Developments at News Conference, January 28, 2000). After receiving final approval from the Guardian’s Council (which vets all legislation to ensure conformity with the constitution) the majlis finally ratified the Third Plan bill on April 5th 2000 (Amuzegar, 2005: 47, Iran: New Five-Year Plan Officially Conveyed to Plan and Budget Organization, April 25, 2000, Khajehpour, 2000, Law for the Third Plan for Economic, Social, and Cultural Development in the Islamic Republic of Iran, 2002).

Implementing the Plan

With the approval of the majles, implementation of the Third Development Plan could begin. Over the years 2000-2005, officials worked with varying levels of success to: unify the exchange rate, liberalize trade; liberalize financial markets; re-engage with the international financial community; institute fiscal management reforms; and reduce the size of government and increase efficiency through divestment and privatization of state-owned enterprises. Below, each of these reforms is discussed in greater detail.

Exchange Rate Unification

In contrast to the earlier 1993 attempt under Rafsanjani, the exchange rate unification program of the Third Plan proceeded extremely smoothly and was universally regarded as a great success. The program was managed and implemented by Central

Bank chief Dr. Mohsen Nourbakhsh who as one of the architects of the Rafsanjani reforms had perhaps learned a great deal from the failures of earlier efforts.

The Central Bank began preparing for unification shortly after Khatami's ascension to the presidency. It began in July 1997 by amending export surrender requirements so that instead of being forced to hand over dollar profits at the overvalued 'export' rate of 3,000 rials per dollar, exporters could obtain a certificate entitling the holder to import up to the amount of their dollar profits at any future date. These certificates could then be traded freely on the Tehran Stock Exchange (TSE) where demand was initially controlled by requirements that a valid import license be acquired before purchases could be made. Over the next few years, the numbers of individuals, companies, sectors, and state owned enterprises allowed and then required to obtain foreign exchange on the TSE increased. Simultaneously, the CBI oversaw a step-wise depreciation that brought the TSE rate extremely close to the black market floating exchange rate of around 8,000 rials per dollar.

By the end of 2001, the 'export' rate had been eliminated and only a small list of essential and price controlled items such as fertilizers and basic foodstuffs were still qualified for import at the 'official' rate of 1,750 rials per dollar. On March 21, 2002 the multiple exchange rate was entirely eliminated, a new unified interbank foreign exchange market was created to replace the TSE market, and a managed floating exchange rate regime was initiated in which the Central Bank aimed to smooth fluctuations in the exchange rate while allowing for depreciation resulting from inflation differentials. Significantly, the exchange rate unification had little inflationary impact. It did, however, have a considerable fiscal impact on the 2002/2003 budget which was adjusted to reflect

the true cost of imports and also included some temporary subsidies for, among other things, SOEs that had to make payments for purchases contracted before March. Luckily, by this time oil prices had rebounded strongly and the costs of exchange rate unification could be more comfortably borne (Alizadeh, 2003, Amuzegar, 2005, Amuzegar, 2006, Anonymous, August 14, 2006, Anonymous, August 9 and August 16, 2006, Anonymous, August 19, 2006, Anonymous, August 2, 2006, Dinmore, December 24, 2001, IMF, 2002, Karshenas and Hakimian, 2005: 77, Trade and Foreign Exchange Policies in Iran: Reform Agenda, Economic Implications and Impact on the Poor, 2001).

Trade Liberalization

Another area in which there were significant positive steps taken was trade liberalization. By the mid-1990s import and export regulations combined with the multiple exchange rate regime to create significant non-tariff barriers to trade. Traders were restricted to published lists of goods that were authorized for import or export and for which licenses issued by one or more ministries were usually required. Importers were obligated to apply to the Central Bank for foreign exchange at the applicable rate after which a nonrefundable deposit of varying amount was required before letters of credit could be opened. Exporters were obligated to repatriate and surrender all receipts within 8 months of export at the highly appreciated ‘export’ rate of 3,000 rials per dollar (Amuzegar, 1993, IMF, 2000: 47-48).

As was the case for exchange rate unification, preparations for the Third Plan’s proposed trade reforms got underway well before the Plan was officially commenced. In 1997, the list of allowable exports was expanded and then replaced with a negative list of

prohibited exports. From 1999 to 2001, licensing requirements were gradually eased and eventually abolished for exports other than antiques, subsidized goods, etc. The easing of export surrender requirements as well as creation the TSE market for foreign exchange served to significantly alleviate currency barriers to trade (IMF, 2000, Trade and Foreign Exchange Policies in Iran: Reform Agenda, Economic Implications and Impact on the Poor, 2001).

In 2000, with the commencement of the Third Development Plan, additional trade liberalizing reforms were initiated. Import licensing requirements were eliminated for hundreds of goods and replaced by import taxes to compensate affected domestic producers (thereby converting non-tariff trade barriers to internationally-accepted tariffs). Customs procedures for both imports and exports were simplified and expedited. And the list of allowable imports was eliminated and replaced with a much smaller negative list of imports prohibited for non-economic reasons (IMF, 2002).

Trade liberalizing reforms continued in following years. Unification of the exchange rate in March 2002 significantly reduced the government's role in foreign exchange allocations among various traders. Customs duty rates and other import fees were consolidated into a single 4% rate while exemptions from customs duties were eliminated. All import quotas were eliminated by 2004 and other non-tariff trade barriers continued to be converted to tariffs while the overall average tariff rate dropped from greater than 30% before the commencement of the Third Plan to under 23% in 2005. Underscoring its commitment to further trade liberalization, additional legislation was passed to support Iran's application to join the World Trade Organization and in May 2005, a Working Party was established at the WTO to begin accession negotiations with

Iran (Alizadeh, 2003: 277, Amuzegar, 2005: 52, Anonymous, July 14, 2006, Dinmore and Dombey, May 27, 2005, IMF, 2002: paragraph 13, IMF, 2003: paragraphs 13 and 29, IMF, 2004: paragraph 12, IMF, 2006: paragraph 29, MacKinnon, 2001, Marossi, 2006).

Financial Market Liberalization

Given Islamic injunctions against usury as well as the revolutionaries' socialist leanings, it was perhaps no surprise that banks were among the first businesses to be nationalized in the early days of the 1979 Islamic Revolution. Barred from offering interest to depositors or making interest-based profits from borrowers, the ten state-owned banks found creative ways to do business. Borrowers were charged 'fees' while depositors were given shares of the bank's profits⁴⁰ (Allen, March 26, 1999, Ibrahim, July 6, 1979, IMF, 2000: paragraph 41).

By the late nineties it was clear, however, that the success and strengthening of the private sector required greater access to credit than the state-owned banks were capable of providing. Despite continued sensitivities regarding the capitalist nature of private banking, the pro-market reformers managed to get approval for inclusion in the Third Plan of financial market liberalization that would pave the way for private banks (IMF, 2000: paragraph 41).

Before the Third Plan was passed, however, the Central Bank began by issuing licenses for 'non-bank credit institutions' (NBCI) that would be allowed to engage in all

⁴⁰ Given that all of the state-owned banks were perpetually losing money, even more creative accounting was required to ensure that depositors were partners in the banks' (nonexistent gains but were not harmed by its losses).

banking activities except for check-writing and some other counter services⁴¹. The Central Bank received applications from 200 private sector businesses and groups seeking to launch an NBCI and approved four (Allen, March 26, 1999, IMF, 2000). Once the Third Plan was ratified by parliament, Karafarin Bank—which had already operated for two years as an NBCI—became the first private bank operating in Iran since the revolution. Its managing director Parviz Aghili proudly proclaimed that “the government did not hold even a single share” (Bozorgmehr, January 3, 2002, Dinmore, September 5, 2001). In quick succession three additional private banks as well as two private insurance companies were licensed and Tehran’s commuters were soon being wooed by billboards advertising competing rates of return and other banking services (IMF, 2003: Box 1 and Paragraph 14, IMF, 2004:Paragraph 1). Even foreign banks were soon being licensed and setting up shop in Iran’s free trade zones (McSheehy, July 23, 2004).

With the licensing of private banking, the Central Bank had to prepare for a function that had heretofore been unnecessary—banking supervision. The Bank began with an audit and review of bank accounting and disclosure practices and took measures to bring them in line with international accepted standards. It also reorganized and further developed its own supervisory capacity to be in conformance with IMF-recommended ‘risk-based’ regulatory mechanisms. Bank capitalization requirements were also raised to international accepted levels (IMF, 2004: Box 1, IMF, 2006: paragraph 12, IMF, 2000: paragraphs 61-2).

⁴¹ In doing so, the Central Bank relied upon a 1992 ruling by the Guardians Council that ‘banking’ referred to counter services such as check-writing. All other banking activity (making loans, etc.) was defined as financial services.

Additional financial market reforms included the introduction of ‘participation papers’ issued by the Central Bank as a more market-based approach to decreasing liquidity and influencing interest rates. Direct controls over lending and borrowing rates as well as the sectoral allocation of credit were also eased (IMF, 2003: Boxes 1 and 2). Disappointingly, however, and despite the amendment of Article 44 of the Constitution to allow for it, long-running plans to restructure and privatize state-owned banks were never realized (IMF, 2003: paragraph 31, IMF, 2004: paragraph 13, IMF, 2006: paragraphs 13 and 25). Indeed, by 2004 the financial market liberalization program seemed to have lost a bit of steam with no additional major reforms implemented or private banks licensed during the rest of Khatami’s presidential term.

Reengaging with the International Financial Community

During the Third Plan period, Iran also took a number of steps designed to improve its relations with the international financial community. With the 1993 debt crisis still fresh on their minds, the Third Plan’s authors sought to ensure a cautious approach to international borrowing by placing limits on both debt structure (length of time and rates) and total borrowing. The net present value of the country’s total foreign debt was not to rise above \$25 billion and total payments were not to exceed \$3.6 billion (IMF, 2000: Appendix I, paragraph 15, Law for the Third Plan for Economic, Social, and Cultural Development in the Islamic Republic of Iran, 2002). In 2002, Iran issued two five-year Eurobonds for 625 and 375 million Euros each. The primary purpose of the loan was to establish benchmarks for Iranian corporate borrowing rather than to support the budget or balance of payments. The move was successful in this regard insofar as

Fitch Ratings upgraded Iran's sovereign rating to B+ and the bond issue was oversubscribed (Amuzegar, 2005: 52, IMF, 2002: paragraph 2 including footnote, IMF, 2003, State Borrowing, December 2002).

Planners were more wholeheartedly enthusiastic about encouraging foreign direct investment (FDI). In 2002, an important step in this direction was achieved when the Expediency Council broke the deadlock between the Parliament and the Guardian's Council and pushed through the passage of the Law for Encouragement and Protection of Foreign Investment (LEPFI) which replaced the 1950's law regulating foreign investment. LEPFI and its subsequently approved bylaws clarified the restrictions on and protections for foreign investment while providing some additional incentives to encourage such investments. Among other things, the law: allowed foreign investment in all sectors available to domestic investors; allowed for repatriation of profits; guaranteed fair compensation in case of nationalization; and required investment applications to be processed within a maximum 45 day period (Dinmore, June 5, 2000, Foreign Investment: A Political or Economic Challenge?, April 2002, Iran's Revised Foreign Investment Law, June 2002). Despite these legal and regulatory advances, however, domestic and international political instability as well as continued macroeconomic problems like inflation ultimately put a damper on inward FDI in non-oil sectors which, over the life of the plan has been estimated as having reached no more than \$1 billion (Amuzegar, 2005: 58).

Iran was more successful in its efforts to upgrade its relationships with and gain eligibility for loans and investments from international financial institutions. Overriding U.S. opposition, the World Bank resumed lending to Iran in May 2000 with a \$146

million loan for a sewage project in Tehran and an \$87 million loan for healthcare (Fidler, May 19, 2000, Fidler, May 18, 2000). Additional loans for environmental management, earthquake emergency, water sanitation, urban development, and housing reform projects were approved in following years. By the end of 2005, the World Bank portfolio consisted of nine loans and a total amount of \$1,355 million (IMF, 2006: Appendix II). Iran also sought closer cooperation with the IMF. Having eliminated its multiple exchange rate regime, in 2004 Iran was able to accept the IMF's Article VIII obligations regarding currency restrictions (Amuzegar, 2005: 52, IMF, 2003: paragraphs 28 and 45). In September 2002, the International Financial Corporation took on a 20% share of an Iranian leasing company while lending the company an additional \$3 million (IMF, 2003: Appendix II, World Bank, September 2002). And in December 2003, Iran became a full member of the Multilateral Investment Guarantee Agency which indicated a willingness to provide risk insurance for Iran projects, thereby making FDI terms more attractive (IMF, 2004: Appendix II).

Reforming Fiscal Management

When writing early drafts of the Third Development Plan, Dr. Nili and other economists at the PBO were particularly concerned with finding ways to create or alter Iran's institutions so as to increase and even force fiscal discipline. Although Iran had a fairly strong tradition of fiscal and deficit discretion so as to avoid international debt, the yearly budget was extremely vulnerable to oil price shocks. When oil revenues were strong, the government increased spending. When they were weak, the government slashed budgets and financed remaining deficits by borrowing from the Central Bank

(IMF, 2000: paragraphs 28-30 and Table 3). PBO planners sought a way to de-couple the government budget from fluctuations in international oil markets by reducing expenditures, increasing non-oil revenues, and banking surplus revenues to be used during downturns.

On the expenditure side, the Third Plan's proposal to slash explicit and implicit subsidies was supported by Khatami and the cabinet but was opposed and successfully watered down by the majlis. The prices of goods produced by state-owned enterprises or government agencies were allowed to increase slightly, but by no more than 10% (Amuzegar, 2005: 47, IMF, 2000: Appendix I, paragraph 6). As such, a number of basic goods—including, most importantly, domestic energy—were kept at prices well below those available internationally. The explicit and implicit subsidies required to support such prices constituted a colossal and (as oil prices began to skyrocket) growing drain on the yearly budget. The pro-marketers were able, however, to score somewhat of a victory, in amending budget procedures to increase transparency by explicitly including the costs of subsidies.

On the revenue side, the Third Plan set out an ambitious agenda to reform the tax code and strengthen collection procedures. Historically, taxes had comprised a very small part of government revenues and planners sought to remedy this through a combination of tax cuts, elimination of exemptions, and enforcement of compliance. In 2001, a National Tax Organization (NTO) was established with a specialized taxpayer unit. Over the following years, technical assistance teams from the IMF worked with NTO officials to develop streamlined procedures for collection and push for additional legislative changes to the tax code. In 2002, personal and corporate tax rates were reduced

significantly and made less discretionary. The following year, a number of separate taxes and fees were collapsed into one single sales tax on all goods and services while import taxes and other charges were similarly rationalized into a unified customs duty. The parliament also began deliberations on the introduction of a value-added tax to replace the straight sales tax while the NTO began preparations for its administration (Amuzegar, 2005: 52-3, IMF, 2002: paragraph 13, IMF, 2003: box 1, Taxation Changes Approved, March 2002).

Perhaps the most important initiative to reduce the sensitivity of government budgets to annual oil revenue fluctuations was the creation of the Oil Stabilization Fund (OSF) into which surplus revenues were supposed to be stored for use during times of low oil prices. The concept of some sort of a sovereign wealth fund (SWF) had been around since before the revolution and was inspired by, among others, the examples of Norway's Government Pension Fund and the Kuwait Investment Authority. The Central Bank and PBO planners spent a great deal of time studying and learning about other countries' experiences with SWF's and discussing best practices with the World Bank. Ultimately, the decision was made to house the OSF as an account within the Central Bank⁴² into which all oil revenues over and above a pre-set amount would be deposited. The 60th article of the Third Plan law included a great deal of detailed language designed to specify the extremely strict conditions under which money could be taken out of the

⁴² The alternative—to create a separately administered fund—was opposed strenuously by CBI chief Dr. Nourbakhsh who was convinced that only the strength of the CBI institution as well as his own charisma could protect OSF monies from misuse, mismanagement, or outright theft. Sadly, Nourbakhsh's unexpected early death in 2003 at the age of 55 from a heart attack prevented him from being able to protect said monies for long.

fund to support the budget (Anonymous, August 14, 2006, Anonymous, February 22, 2009, Anonymous, August 19, 2006, Anonymous, August 2, 2006, IMF, 2003, Law for the Third Plan for Economic, Social, and Cultural Development in the Islamic Republic of Iran, 2002).

Unfortunately, and despite the best efforts of the CBI and PBO, fiscal restraint turned out to be extremely difficult to achieve especially during a time when oil revenues began to increase dramatically. The 2000/2001 budget was balanced on the assumption of oil prices of \$14.50 per barrel. As prices shot up to close to \$30 per barrel, money began pouring into the OSF and it did not take long before parliament set to work amending the freshly passed Third Plan's restrictions on OSF usage so that 50% of it would be available for private sector loans (Anonymous, February 22, 2009, Dinmore, October 11, 2000, Surplus Oil Income Law Amended, October 2000). In following years, expenditures continued to grow, tax revenues did not generate as much income as expected (the ratio of taxes to GDP actually declined from 6.7% to 5.8%), government budgets became increasingly dependent upon oil revenues (the treasury's dependence upon oil revenues blew past the restriction of 46% to grow to more than 64%), and the OSF was raided time and again (Amuzegar, 2005). In their yearly consultations with Iranian authorities, IMF staff became increasingly frustrated with their counterparts' unwillingness or inability to adhere to the fiscal best practices they had originally committed to and expressed great concern over potential inflationary and exchange rate consequences (IMF, 2002, IMF, 2003, IMF, 2004). By the end of the Third Plan, a total of \$30.1 billion was estimated to have been deposited in the OSF and \$22.6 billion withdrawn (Amuzegar, 2005, Amuzegar, 2005: 59).

Privatization

Perhaps the part of the plan for which there was the highest hopes and the greatest disappointment was in the area of privatization. Rafsanjani-era attempts in this regard generated meager SOE sales but resulted in a torrent of criticism and charges of corruption that made executives and Ministers hesitant to try again. The pro-marketters were, however, convinced of the urgent need to shrink the public sector in order to increase economic efficiency and eliminate the budgetary pressures caused by loss-making state-owned enterprises⁴³. To this end, Dr. Nili at the PBO and Dr. Nourbakhsh at the CBI assembled a team of experts from within and outside of government and tasked them with investigating earlier privatization efforts, researching international best practices, and defining a program for how to proceed (Anonymous, August 9 and August 16, 2006, Anonymous, August 2, 2006).

Under Rafsanjani, the sale of SOEs had been driven by and conducted according to each individual minister's inclinations regarding the companies under his purview. Given, however, the loss of prestige associated with losing control over the largest companies, the difficulties involved in accurately pricing assets, and the strong possibility that political opponents might capitalize on public skepticism about privatization by leveling reputation-ruining accusations of corruption, ministers faced very few incentives to actually engage in SOE sales. The Third Plan sought to alleviate these problems by creating entirely new institutions tasked with and incentivized to accomplish the

⁴³ By 2001, state companies' share of government budget has been estimated as being as high as 66%! See: Nili, and Ahmadi-Amooee. *Eghtesad-E Siaysi-E Jomhuri-E Islami*.

identification, preparation, and sale of government–owned companies. Fifty-three holding companies (the biggest of which were the National Iranian Industries Organization (NIIO) with 130 subsidiaries and the Industrial Development and Renovation Organization (IDRO) with 140 subsidiaries) were created to consolidate ownership of related companies and restructure them as needed to increase efficiency and prepare for sale. The High Council on Privatization and the Privatization Organization were created to centralize the process for selecting, valuating, and marketing companies slated to be sold through share offerings or direct sales resulting from an open auction⁴⁴. Revenues from sales were to be split with half the proceeds going to the treasury while the other half was to be used to aid in the restructuring and preparation of additional companies for sale. In order to address any disputes or concerns that might arise surrounding the privatization of any given company, a mediation procedure was designed and prepared so complaints could be lodged and investigated (Amuzegar, 2006: 63, Anonymous, August 3, 2006, Anonymous, August 2, 2006, Anonymous, July 24, 2006, Economic Reform and the Approaches to Management and Privatisation in Iran, May 2003, IMF, 2000: page 52, Khajehpour, 2000, Privatisation Plans, September 2001).

The free marketers also worked to alleviate the legal restrictions on private ownership set out in Article 44 of the Iranian constitution which reads: “The state sector is to include all large-scale and mother industries, foreign trade, major minerals, banking, insurance, power generation, dams and large-scale irrigation networks, radio and

⁴⁴ The direct negotiation method of privatization which was susceptible to abuse and had resulted in allegations of corruption was eliminated altogether.

television, post, telegraph and telephone services, aviation, shipping, roads, railroads and the like". They began by tasking a committee to identify which state-owned companies could legally be sold without violating constitutional proscriptions. In April 1999, this committee determined that out of 724 state-owned companies, all but 128 were eligible for sale (Khajehpour, 2000: 581 & 90). The next step was to work with and lobby the Guardians Council (GC) to push for a lenient interpretation of and amendments to Article 44. Surprisingly, the GC was relatively flexible in this regard and legal barriers to privatization of banks, insurance companies, post and telegraph services among other things were soon removed (Alizadeh, 2003: 278, Anonymous, August 9 and August 16, 2006, IMF, 2002: paragraph 13, Prospects for Privatisation in the Third Five-Year Plan, December 1999).

Having created such a robust institutional framework for privatization and having eliminated most of the legal and regulatory barriers to SOE sales, hopes were high that privatization would proceed rapidly. Economist and analyst Dr. Mohammad Behkish expressed the hopes of many when he called the Third Plan's privatization proposals "a revolution!" (Prospects for Privatisation in the Third Five-Year Plan, December 1999). Actual SOE sales to the private sector were, however, extremely disheartening. While foot-dragging among SOE workers, managers, and relevant ministers surely contributed to this disappointing outcome, demand side factors were perhaps more important. The private sector was simply too small and lacked the capacity to absorb large state assets. Prospective purchasers also lacked the confidence that relevant government regulations on things such as labor relations, subsidies, and sales prices would become or remain favorable and stable enough to allow for necessary restructuring and business forecasting.

Even basic property rights could not be assured. As a result, the Privatization Organization (PO) was primarily limited to facilitating two types of sales. First, the sale on the Tehran Stock Exchange of non-majority equity shares in SOEs. And second, sales of SOEs to large semi-public pension funds or charitable organizations, often in lieu of debts already owed by the government to these organizations (Alizadeh, 2003: 278, Amuzegar, 2005: 54, Anonymous, August 3, 2006, Anonymous, August 2, 2006, Economic Reform and the Approaches to Management and Privatisation in Iran, May 2003, IMF, 2003: Paragraph 15). It is perhaps not surprising, therefore, that in their Article IV consultations with Iranian authorities, visiting IMF staff became increasingly frustrated by the lack of progress on privatization (IMF, 2002, IMF, 2003, IMF, 2004).

Economists and Khatami

All in all, and despite some disappointments, President Khatami oversaw a number of important economic reforms especially during his first term in office. Indeed, given his political affiliation with Iran's Leftists, it is somewhat surprising to note the extent and depth of his reforms particularly as compared with those of his more publicly pro-market predecessor Rafsanjani. In unifying the exchange rate, liberalizing trade and financial markets, creating the oil stabilization fund, and even in the area of privatization, Khatami and his economic team went far beyond the reforms that he and his political allies had opposed so vocally in the mid-1990s. How and why did this Leftist president come to embrace an economic reform program he had previously been skeptical of? What can Khatami's shift tell us about the conditions under which economists are likely to gain influence over political leaders and see their economic agendas implemented?

Functionalist and Epistemic Communities approaches to understanding the role of expert advisers point to the role of crises or other salient shocks that shatter political leader's confidence in earlier interpretations of cause and effect relations and render them more open to new counsel (Adler and Haas, 1992, Haas, 1968, Haas, 1992). In the case of Iran under Khatami, it is difficult to argue that an actual crisis occurred. It is true that 1998 was a particularly difficult year with oil prices as low as \$10 per barrel and a drought to boot (Anonymous, July 24, 2006, Corzine, January 29, 1999). But prices recovered relatively quickly and in following years rose to historic highs.

It can be argued, however, that the pro-market economists seeking to influence Khatami's decision-making *manufactured* a crisis⁴⁵. Using what turned out to be grossly pessimistic assumptions for oil-prices, Dr. Nili and his allies generated a number of grim scenarios for Iran's future and argued that deep structural reforms were the only way to avoid catastrophic levels of unemployment and inflation. To be fair, there was no way they could have known that oil prices would quintuple in just a few short years. Nonetheless, it can be argued that the concerted effort by pro-market economists to scare Khatami and other political leaders into signing on to their reform program contradicts Functionalist and epistemic communities depictions of experts as neutral and disinterested providers of information and analysis.

⁴⁵ Some opponents of the reform program accused the pro-marketers of doing exactly this and exaggerating the likelihood of negative outcomes in order to sway political leaders. See page 334 in Economic Reform and the Approaches to Management and Privatisation in Iran. (May 2003) *Iran Focus* 16, Amuzegar, Jahangir. (2005) Iran's Third Development Plan: An Appraisal. *Middle East Policy* 12:46-63.

These efforts were particularly effective insofar as they were extended to all major political groups and centers of power rather than being limited to just the President's office or cabinet. In marked contrast to the approach taken under Rafsanjani, when additional reforms were tacked on to the Second Plan with little or no input from outside the cabinet, this time the reformers sought to build a consensus by spending a great deal of time explaining the details and implications of each major aspect of the Third Plan's reforms to all the competing centers of power including the parliament, the Guardian's Council, and the Supreme Leader's office. The approach seems to have been successful insofar as so much was accomplished despite the deep political divisions and sometimes violent strife between different groups that characterized the Khatami years. The example of Iran's pro-market economists during this time period sheds light on the ways that epistemic communities of experts might seek to influence policymakers by manufacturing a crisis, seeking to educate political elites about it, and then building consensus among opposing political groups about how to address it.

Theories of *mimetic isomorphism* suggest that politicians, lacking perfect information about the optimal structures or practices of economic policy, seek to reduce uncertainty by observing and mimicking other successful models in the international system (Westney, 1987). The Shah, for example, consciously modeled himself on the United States and the West and perhaps solicited the advice and involvement of professional economists because that is what he observed his counterparts doing in those countries.

For the groups and individuals that took power after the 1979 Islamic revolution, however, success was not defined by economic growth or wealth. The United States and

the West were bluntly rejected as being inappropriate models for a country determined to rule itself according to God's will. Slowly, over the following decades, however, this determination diminished and under Khatami an effort was made to repair relations with much of the Western world. Within months of his election, in a historic interview with Christiane Ammanpour, Khatami spoke of his respect for the American people and civilization (Editorial, January 8, 1998). Khatami was the first Iranian president to go on state visits to European countries like Italy, France and Germany. For a time it even appeared as if a rapprochement between Iran and the United States was in the offing as when Secretary of State Madeleine Albright publicly apologized for the American role in the 1953 coup against Mossadegh and called for developing a road map toward normalization of relations between the two countries (Khalaf and Wolffe, March 18, 2000).

It is doubtful that this brief warming of relations resulted in a rush to imitate American or Western economic policies. However, the lessening of tensions plausibly contributed to a greater tolerance for western-education economists and a greater willingness to consider reform programs that in the past might have been rejected outright as part of the Great Satan's master plan for domination, particularly among Khatami's Leftist allies.

Pluralist and political interest group analyses tend to view experts as just another political group actively seeking to influence power. The traditional methods by which experts have been observed pursuing such influence has been through forming or supporting political parties (Schneider, 1998: 80-82), endorsing non-democratic methods that further their reform programs (O'Donnell, 1973), or by allowing or encouraging

parties to use their expertise as a way of selling their brand to the public (Bailey, 2001). Under Rafsanjani, for example, economists and technocrats came together to form the Kargozaran political party, they tacitly support Rafsanjani's nondemocratic moves to eliminate or reduce the influence of Leftists, and they encouraged or at least permitted Rafsanjani to run his campaigns based on the theme of economic reform. During the Khatami years, there is little evidence of economists explicitly participating in the political process. As described in the previous section, however, economists were quite aware of political divisions and sought to prevent them from becoming a source of opposition to the reform program by ensuring that all political groups had a stake in its success.

Theories of coercive isomorphism or resource dependency suggest that economists, particularly western-educated economists, are used primarily as window dressing to signal to international investors and financial institutions that the country's economy is in the capable hands of individuals that share their values and educational backgrounds (Babb, 2001). Therefore, political leaders are most likely to promote and heed the advice of economists when the country's they lead are most in need of *international resources* that depend upon the trust and confidence of the international financial community. When such a need passes, however, economists are likely to become more vulnerable in their positions.

Insofar as Khatami was convinced of the need to access foreign capital markets, he might have recognized that retaining and promoting men such as Dr. Nourbakhsh and Dr. Nili would strengthen his hand. It is also worth noting that the reform movement bogged down just as oil prices started rising and revenues flooding the treasury obviated

the need for recourse to international loans. As discussed above, the most successful of the reforms initiated under Khatami were in fact those that were launched immediately after or even slightly before the Third Plan began when oil prices were still low. By way of contrast, longer-term efforts such as privatization, for example, accomplished little perhaps due to the fact that by the time the necessary legal and regulatory environment had been created, oil prices had already risen and there was much less urgency felt regarding proposed reforms.

In sum, several variables seem to have contributed to the ability of Iranian pro-market economists to influence the preparation and implementation of Iran's economic policy reforms in the early Khatami years. Most importantly, the pro-marketeters consciously and actively promoted their reform program by 'manufacturing' a coming crisis to shake political leaders up and make them more open to new policy prescriptions. Furthermore the thaw in relations with the Western world may have made policymakers more willing to consider 'Western' reforms at the same time that the reforms and the economists promoting them became necessary to facilitate the international loans and investment sought during a time of low revenues.

The end of the reform movement?

As alluded to above, the reform program stalled in the later Khatami years (2003-2005). In 2004, parliamentary elections were held in which a new political group comprising xenophobic, religiously conservative tendencies along with an emphasis on social justice took power. This world view was shared by the previously unknown Mahmoud Ahmadinejad, who ascended to the presidency in 2005. The following chapter

details the experience of economists during this time period when populist politics and revolutionary fervor seemed to turn the clock back to the early days of the Islamic Republic and economists were once again viewed with suspicion and hostility.

Chapter Eight: Ahmadinejad and the Abadgaran (2004-2012)

The 2004 parliamentary elections saw the introduction of a brand new political group, the Abadgaran, to national politics. Relatively young and hailing from the poorer classes, these Iranian-educated doctors and engineers were particularly close to the regime's security services in which many of them had served during the Iran-Iraq war. They were socially and politically conservative, fiercely loyal to the Supreme Leader⁴⁶, and just as fiercely opposed to President Khatami and the Second of Khordad reformist movement surrounding him. Concerned that many of the regime's leaders had abandoned the poor in pursuit of their own gain, Abadgaran candidates emphasized social justice issues and pledged to use their elected offices to renew the regime's commitment to the lower classes. Such messages had already helped them make political gains at the local level where they had come to dominate many of the municipal councils in 2003. Their concern with economic justice seemed to resonate in 2004 as well and Abadgaran did extremely well, gaining some 200 out of 290 parliamentary seats⁴⁷ (Daragahi, February 25, 2004, Dempsey and Smyth, February 24, 2004, EIU, May 2004, Siamdoust, March 5, 2004).

⁴⁶ The unelected Velayat-e-Faqih who has final say on all matters. The first Supreme Leader was Ayatollah Ruhollah Khomeini, the spiritual guide of the revolution. Following his death in 1989, Ali Khamene'i was selected to fill this role.

⁴⁷ They were helped, perhaps, by the fact that the reformists were under siege, had in many cases been barred from running, and had confused their supporters through contradictory messages about boycotting elections

Given their relative youth and inexperience, initial assumptions were that Abadgaran members would follow the lead of lifetime politicians among more traditional and better-known conservative groups. Looking to the academic and professional backgrounds of many Abadgaran members, some analysts predicted that they might even join forces with the pro-market Kargozaran group to strengthen and support economic reform efforts during the final year of Khatami's presidency (Amuzegar, April 2004). Unfortunately for the technocrats and pro-market economists laboring in cabinet ministries and other economic policymaking bodies, such predictions couldn't have been more wrong.

The first opportunity to observe Abadgaran action on economic issues came almost immediately upon their taking office. The Fourth Development Plan had been introduced to and approved by the previous parliament six months earlier and had slowly been winding its way through the additional bodies involved in approving legislation. Based in great part on the Third Plan—including nearly 80 articles replicated verbatim—the Fourth Plan included few major innovations but sought to build on and accelerate reforms initiated under the first three development plans to achieve an average annual GDP growth rate of 8 percent (Amuzegar, 2010, IMF, 2004, *Law of the Fourth Economic, Social and Cultural Development Plan of the Islamic Republic of Iran 2005-2009*, 2005). After its review by the Guardian's and Expediency Councils⁴⁸, the Fourth

⁴⁸ The Guardian's Council is comprised of twelve clerics and lawyers selected by the Supreme Leader and reviews all legislation to ensure adherence with the constitution and Islam. The Expediency Council is a body headed by Rafsanjani which helps to mediate differences between the Guardian's Council and the Majlis.

Plan was kicked back to the new parliament for what was assumed would be a relatively swift final approval with a few small changes required to ensure constitutional compliance (Has the Five-Year Plan Been Fatally Undermined?, September 2004).

Instead, Abadgaran members began levying criticisms and raising fundamental concerns about the Fourth Plan that indicated an entirely different economic vision from the one that had guided policymaking for the past 15 years and around which a relatively robust consensus had grown. The Abadgaran group was, for example, extremely skeptical of the Fourth Plan's proposals to pursue foreign investment, seeing it as a method by which rapacious or hostile foreigners might gain control of the domestic economy. They were also concerned about provisions for accelerating privatization that, they feared, might result in mass layoffs for employees as well as illegitimate riches for the new owners. Abadgaran members opposed the reduction or elimination of price subsidies that their constituents depended upon. And they were suspicious of any attempts to streamline or restructure executive bodies in ways that might make them more independent of parliamentary review. Contrary to most expectations, the Abadgaran turned out to have a distinctly populist, xenophobic, ideological voice that did not shy away from disagreement with even the most established conservatives in pursuit of its efforts to distribute wealth to their constituents and protect them from the job and income losses believed to be inherent in IMF-style reforms like those proposed in the Fourth Plan.

After a great deal of debate and discussion, the Fourth Plan was ultimately passed with only a few changes. The Abadgaran group's arguments that Article 44 of the constitution, for example, precluded privatization on the scale and in the sectors proposed in the plan were ultimately rejected by the Guardians and Expediency Councils (Is Iran's

Privatisation Plan in Jeopardy?, October 2004). Abadgaran's greatest success was perhaps in excising a section of the plan calling for the restructuring of the National Iranian Oil Company's (NIOC) financial relations with the Ministry of Petroleum to create additional incentives for transparency and efficiency. Even this proposal, however was later passed as an attachment to the following year's budget (Mec Approves Crucial Energy Budget Clause, February 2005). Abadgaran's opposition served notice, however, that the new group had an economic vision of their own that they intended to pursue with vigor. It also served as a sober warning to cabinet ministers and bureaucrats that there was no longer clear consensus behind the reform movement and that they ought to proceed with caution.

Abadgaran's early pursuit of its economic policy preferences did not stop with opposition to the Fourth Plan and was not even entirely confined to legislative and constitutional means. One of their most successful efforts was to eliminate foreign participation in areas of the economy they felt were sensitive for reasons of size or security. The most notorious example was, perhaps, the Imam Khomeini Airport which was thirty years and nearly \$350 million (AFP, April 30, 2005) in the making when it finally opened in early May 2004 only to be abruptly shut down by members of Iran's Revolutionary Guard Corp (IRGC) that literally commandeered the airport to prevent its operation by the Turkish and Austrian consortium TAV that had won an international tender to do so (New Imam Khomeini Airport Closed after First Flight, May 2004, New Tehran Airport Shut by Army, May 9, 2004, Tehran's Showpiece Airport to Reopen Saturday after Shutdown, April 30, 2005). The IRGC argued that TAV had dealings with Israel and that its involvement in running Iran's largest international airport constituted

an unacceptable security risk. Given Abadgaran's close association with Iran's security services, it was perhaps no surprise that its members openly lauded the IRGC's extralegal move and launched investigations into the process by which TAV had been selected. In short order, legislation was passed to nullify the TAV contract as well as an additional \$3 billion deal with a Turkish cellphone company to set up Iran's first private mobile phone network. Abadgaran sought, unsuccessfully, to pass additional legislation that would require the government to obtain legislative approval for any contract in which a foreign company would be awarded more than a 49% stake (Asgari and Smyth, September 24, 2004, *Is Iran's Privatisation Plan in Jeopardy?*, October 2004). It was more successful, however, in its drive to impeach Transportation Minister Ahmad Khorram for his role in awarding the airport deal to TAV (Conservative Majlis Deputies Continue to Show Their Teeth: Impeachment Initiatives, September 2004, *Iranian Transportation Minister Impeached in Blow to Khatami*, October 4, 2004).

The end result was that Abadgaran not only scuttled the cellphone and airport deals but also introduced a significant element of instability and insecurity into the Iranian market and economic policymaking circles. Potential investors began to worry about whether contracts would be honored and cabinet ministers, deputies, and other bureaucrats could not be certain that they wouldn't lose their jobs—or even, perhaps, their freedom—for pursuing policies mandated by legislation (Fathi, October 10, 2004, *Macroeconomic Stability Falls Victim to Factionalism*, November 2004). These concerns were only intensified when another little-known Abadgaran member, Mahmoud Ahmadinejad, won his first and only political campaign and ascended to the presidency in June 2005.

President Mahmoud Ahmadinejad cleans house

Mahmoud Ahmadinejad, the Islamic Republic's first non-clerical president, shared many characteristics typical of Abadgaran members. One of a blacksmith's seven children, he rose from humble roots to attain a PhD in civil engineering from Tehran's Science and Technology University. During Iran's eight-year war with Iraq, Ahmadinejad was an active volunteer in the paramilitary Baseej forces and at 48 years old represented a new generation of leadership (Amuzegar, 2007, Dareini, June 25, 2005, Fathi, June 26, 2005, Official Biography of H.E. Dr. Ahmadinejad, Honourable President of Islamic Republic of Iran, Recknagel, June 26, 2005). Religiously conservative and a believer in the Islamic Revolution, Ahmadinejad was troubled by the continued poverty of the lower classes which he attributed to their having been abandoned by corrupted leaders who had sacrificed Islamic principles for material and political gain. His first order of business after taking office, therefore, was to 'clean house,' rid the executive bureaucracy of individuals whose motives he suspected, and replace them with people he knew and trusted.

Ahmadinejad's intent in this regard could be seen in his cabinet appointments. While previous transitions in the Islamic Republic were smoothed by the retention of numerous ministers from preceding administrations, Ahmadinejad only kept the Minister of roads and transportation, Mohammad Rahmati. Remaining positions (with the exception of those which the Supreme Leader himself was involved in filling) were distributed among relatively young, obscure individuals who had little high-level managerial or sector-specific expertise but who had previously worked with and therefore enjoyed the trust of the new president. This unprecedented move greatly offended the

older generation of former ministers that had been recycled in and out of cabinet appointments for years. It also created a good deal of insecurity and even paralysis among second and third-tier deputy ministers who, uncertain of their own job security now had even more trouble than usual making decisions and plans (Amin, August 17, 2005, Anonymous, February 22, 2009, Anonymous, August 18, 2006, Fathi, August 22, 2005, Have Elections Paralyzed the State?, October, 2005, Sepehri, August, 2005, The Vetting of Ahmadinejad's Cabinet and Its Aftermath, September 2005).

Ahmadinejad was particularly intent on rooting out perceived corruption in the Petroleum Ministry and state-owned companies (National Iran Oil Company, National Iran Gas Company, National Iran Petrochemical Company, etc.) under its purview. Much to the consternation of industry insiders, throughout his campaign he had made frequent references to an 'oil mafia' or 'political gang' that he accused of diverting oil revenues into their own pockets leaving the bulk of the population to struggle in poverty (Iranian Oil Ministry Slams Presidential Candidate, June 23, 2005). Having vowed to "cut the hands off the mafias" and "deliver oil to the dinner table of the people" Ahmadinejad sought to install a loyal ally as Minister of Petroleum that could be trusted to implement his anti-corruption campaign (Tait, June 26, 2005). His top choice for the position was Ali Saeedloo, his former deputy in the Tehran mayor's office (Some of Iran's New Top Cabinet Ministers, August 14, 2005).

It was no surprise, perhaps, that Petroleum Ministry insiders and bureaucrats were displeased by Saeedloo's nomination. What was astonishing, however, was the fierce opposition of the Abadgaran-dominated majlis that had been expected to work hand-in-glove with the new president. Citing his lack of experience in the oil industry or in

running a big bureaucracy like the Petroleum Ministry, the majlis rejected Saeedlou as well as, to Ahmadinejad's great embarrassment, the president's two subsequent nominees⁴⁹. Finally in December, nearly six months after Ahmadinejad's ascension to the presidency, a compromise candidate was found in Kazem Vaziri-Hamaneh, a Petroleum Ministry insider who had been caretaker of the Ministry since August (Anonymous, August 18, 2006, Bozorgmehr, August 25, 2005, Bozorgmehr, December 12, 2005, Fathi, December 5, 2005, Iran: Ahmadi-Nejad's Tumultuous Presidency, 2007, Samii, November 23, 2005).

Undaunted, Ahmadinejad looked for other ways to gain more control and oversight over the Petroleum ministry and its associated companies. Within just a few months of his inauguration, investigations had been launched into the activities of the Oriental Oil Kish Company and the Oil Industries Engineering and Construction Company that resulted in the arrest of their top directors (Oriental, Oiec Anti-Corruption Targets, October, 2005). Mehdi Hashemi, son of the Ahmadinejad rival and former president Hashemi Rafsanjani, reportedly preemptively resigned from the Iran Energy Efficiency Organization in order to avoid being targeted by similar investigations (Mehdi Hashemi Resigns as Iseo Md, September, 2005). Ahmadinejad also put a great deal of pressure on Vaziri-Hamaneh to influence his personnel and policy choices in the Petroleum Ministry. Vaziri-Hamaneh pushed back, preferring to promote deputy

⁴⁹ Conjecture as to the reasons for parliament's intransigence in this regard includes rumors that: MPs were angered by Ahmadinejad's refusal to consult with them about his choice, some MPs were hoping to be offered the position themselves, and some might have simply reacted out of jealousy of Ahmadinejad's meteoric rise to power and a desire to 'cut him down to size'.

ministers from within the ministry itself. After a year and a half of bickering, Vaziri-Hamaneh was ousted and replaced by the more compliant Gholam-Hossein Nozari who was more willing to place Ahmadinejad favorites in deputy minister positions⁵⁰ (Bozorgmehr, November 3, 2007, Bozorgmehr, November 15, 2007, Sampson, September 9, 2007).

Ahmadinejad enjoyed more success in his crusade against the Plan and Budget Organization (now called the Management and Planning Organization or MPO). [AN quote on MPO] Ahmadinejad's choice for head of the MPO was Farhad Rahbar, a university professor and economist with little previous government or policy experience (Likely Approaches of Ahmadinejad's New Economic Team, September 2005, Rahbar, 2012). Rahbar had been warned that many MPO economists did not share the president's economic policy vision or concern with rooting out corruption. As such, he commenced to demote or push into retirement many of the organization's mid and high-level economists and bureaucrats⁵¹. Like many heads of this sixty-year-old organization before him, however, Rahbar soon found himself taking positions very similar to those of the individuals he had previously expelled. At its most basic, Rahbar soon learned that the PBO simply did not have the budget available to approve every single project and began

⁵⁰ Among the individuals Ahmadinejad sought a deputy ministership for was Ali Kordan a former official at Iran's state TV IRIB who was in 2010 found to have faked a PhD degree from Oxford University Nili, and Ahmadi-Amooee. Eghtesad-E Siaysi-E Jomhuri-E Islami..

⁵¹ One such economist who chose to stay despite being informed that 'your services are no longer necessary' claimed that unlike most of his colleagues, he was not altogether displeased with the new state of affairs. Given that the MPOs leadership no longer entrusted him with new assignments, he could simply sit in his office all day working on his own papers and projects Fathi, Nazila. October 1, 2008 In Iran, 3 Degrees of Separation from Truth. New York Times..

urging the president to rein in spending and speed up privatization to free up additional funding (Anonymous, March 4, 2009, Secor, February 2, 2009).

Frustrated by perceived MPO obstructionism, Ahmadinejad took bold action. In October 2006, Ahmadinejad took the MPO and other economic policymaking bodies by surprise when he issued instructions for the organization's provincial offices to be removed from MPO supervision and placed under the provincial governors appointed by the Ministry of the Interior. Farhad Rahbar immediately wrote a letter to the president urging him to reconsider the move but was ignored. Within two weeks, Rahbar as well as a number of his deputies and top MPO economists resigned in protest while Majlis deputies threatened to investigate and review the move's constitutionality (Ahmadinejad, October 19, 2006, Mpo Provincial Management Transferred, November, 2006, Samii, October 23, 2006). Undeterred, the president officially dismantled the MPO altogether the following summer when he issued orders that it be split into two separate bodies under the President's office. Economists, members of parliament, and the press howled in protest⁵² at the destruction of this long-time pillar of the country's economic structure whose budgetary watchdog status was implicitly acknowledged by Ahmadinejad's spokesperson who explained that the restructuring was necessary since "In the previous system, a long process was involved for Cabinet members to receive the budget they need"(Ahmadinejad Dismantles Mpo, Reducing Oversight of Government Performance, July 2007, Tait, September 29, 2007).

⁵² One editorial sarcastically suggested that "perhaps the [Management and Planning] organization was dissolved because we don't need management and we don't need planning". See: Anonymous, economist at the Management and Planning Organization. (March 4, 2009) Personal Interview. Tehran, Iran.

Populist Economic Policy Under Ahmadinejad

Eager to begin fulfilling campaign promises, Ahmadinejad launched an energetic and fiscally expansionary drive to distribute windfall oil revenues through various government and social services to his constituents. In an innovation meant to highlight his commitment to rural areas, he began convening cabinet meetings in various provinces where he would also take time to visit with local authorities, listen to their concerns, and often provide immediate funding to address problems they raised (Tisdall, August 19, 2005). Another project undertaken within months of inauguration was the creation of the Imam Reza 'Love' Fund of \$1.3 billion dollars (.8 % of GDP!) which provided low interest loans to young people wishing to marry (IMF, 2006: Paragraph 8 and footnote 2, McDowell, September 1, 2005, Peterson, October 13, 2005). The March 2006 battle over Ahmadinejad's first proposed budget was one of the more controversial and heated in history as the new president fought parliament to secure more funding for his programs. The final bill for the 2006/2007 year authorized over 20% greater government expenditures than the previous year. Expenditures were even further augmented by supplementary budget bills passed several months later to provide additional funding for imports of gasoline, food subsidies, salary raises for teachers, and some rural infrastructure projects (Ahmadinejad Gets Ready to Spend Oil Revenues, January 16, 2006, Budget Squeaks through before Year-End, April, 2006, IMF, 2007:see Table #2 and Paragraph 5).

Funding these programs were massive revenues from spiking oil prices. In theory, all such revenues over a specified price point were to be deposited into the 'rainy-day' Oil Stabilization Fund (OSF) created several years earlier in order to provide a cushion

against future price falls. In fact, however, Ahmadinejad rapidly accelerated a creeping trend that had begun under Khatami of dipping into the OSF or preventing revenues from even reaching it in order to fund current budget expenditures as needed⁵³. Despite some noisy protests against such practices, parliament generally went along with the President's plans in this regard and OSF savings dipped well below the legal minimum of \$5 billion (Amuzegar, 2005, Cbi Report Finds Osf Overcommitted, January 2007, Osf Deposits Nosedive, December, 2005). Nonetheless, by 2008, Ahmadinejad was being accused of bypassing the legislature altogether and withdrawing hundreds of millions of dollars without majlis approval (Ahmadinejad: Accountable? Not Me!, May, 2008). Ahmadinejad's next move was to dissolve the OSF's Board of Trustees and place it under the direct supervision of the government's Economic Commission (IMF, 2008, Oil Surplus Fund, June 2008). By then it had become clear that the OSF concept had failed. Using his position as head of the Expediency Council, Hashemi Rafsanjani proposed and received the Supreme Leader's blessings to create a new National Development Fund (NDF) into which 20% of all oil and gas revenues would be deposited and used for private and public investment projects but not, presumably, for budget support (Bozorgmehr, January 12, 2009, Taghavi, January 27, 2009). Both funds operated in parallel until July 2011, when the NDF formally replaced the OSF (Economy in Brief: National Development Fund Balance, February 2011, National Development Fund Replaces Osf, July 2011).

⁵³ The most blatant way of doing so was by changing assumptions regarding the expected price of oil in the annual budget. If the budget was based on \$60 per barrel of oil, for example, much less money (only that portion over \$60) would go into the OSF than if the budget were based on, say \$30 per barrel of oil.

Another manner in which Ahmadinejad sought to distribute the oil wealth was through the provision of low-interest loans both for consumption (weddings, homes, etc.) but also for the private sector. His strategy was strongly supported and encouraged by members of parliament who agreed with him that increased loans to businesses would increase production thereby reducing inflation (Banking, Finance, Stock Market, April 2006). Ahmadinejad was strongly opposed, however, by his economic team including U.S.-educated Central Bank chief, economist Dr. Ibrahim Sheibani who, unsurprisingly, resented any diminishment of central bank independence and publicly questioned the logic behind such a move stating that “In the economy, what controls bank interest rates is the inflation rate; factors like bank interest rates are like objects on water and the lower the water goes, the lower they fall” (Central Banker Details Challenges Facing Financial Sector, May 17, 2006). Sheibani was ultimately overruled however and interest rates were slashed from 17% to 15% and then to 12% despite estimated inflation rates of 20% (McDowell, June 8, 2007, Tait, May 25, 2007). Sheibani promptly submitted his resignation and was replaced by Tahmasb Mazaheri, a civil engineer, and the former Finance Minister under President Khatami (Bozorgmehr, August 27, 2007, Governor of Iran's Central Bank Resigns, August 27, 2007). Mazaheri, was not initially opposed to low interest rates but became alarmed as inflation continued to increase and as skyrocketing real estate prices began to suggest that the easy credit was being invested into what was perceived as ‘safe’ investments rather than growth or employment generating activities. Mazaheri’s approach was to close the credit window altogether and resist any further presidential decrees to lower inflation (Bozorgmehr and Khalaf, March

5, 2008, Secor, February 2, 2009). Ahmadinejad's response was to fire him (Bozorgmehr, September 21, 2008).

Another way of distributing oil wealth, of course, is through the awarding of government contracts to political allies and supporters. While the construction and engineering wings of the Islamic Revolutionary Guards Corps (IRGC) had branched into non-military industrial projects since the end of the Iran-Iraq war, its role in the economy expanded rapidly after the ascension of Ahmadinejad, perhaps due to his personal relationships with and trust in IRGC leaders. In the summer of 2006, IRGC affiliate Khatam-ol-Anbia Construction Headquarters (KOA) took its first steps into the oil industry when it was awarded two no-bid contracts by the state-owned National Iran Oil Company worth about \$3.4 billion (Ghazi, June 28, 2006, Special Feature, July, 2006). It further increased its capacity in the industry by purchasing or investing in private and publicly held oil industry services companies such as Oriental Kish and Petropars Limited (Lazrak, December 2006, Petropars Shares for Private Sector, May 2009). In Ahmadinejad's second term, this trend continued as the IRGC moved into the telecommunications field with the purchase of majority shares of the Telecommunication Company of Iran, was awarded a \$2.5 billion project to construct a coastal railway, and began construction of two gas pipelines from Hormozgan to Iran Shahr (Bozorgmehr, October 14, 2009, Koa Builds Two Gas Pipelines, October 2010, Revolutionary Guards Control Finance and Repression, March 2012). IRGC-associated individuals have also been promoted into various ministries. Most prominently was the 2011 promotion of Rostam Qasemi, the former commander of KOA to head the Petroleum Ministry (Iran Names Guards Commander Rostam Qasemi Oil Minister, August 3, 2011). The IRGC's

expanded role has been noted by the United States which has expressed concerns that Iran is becoming a military dictatorship and has begun targeting sanctions against the IRGC and its affiliates (Daragahi, February 16, 2010, Koa Withdrawal: Retreat or Strategy?, July, 2010, Wehrey, et al., 2009).

Domestic Outcry

For many analysts, the Abadgaran domination of parliament and Ahmadinejad presidential win signaled a throwback to the early days of the revolution. Like the first group of post-revolutionary managers, this new political group and its IRGC allies were extremely suspicious and contemptuous of the West, valued loyalty and Islamic devotion over expertise, were driven by concern for the ‘poor and downtrodden’ and—as Ahmadinejad’s frequent references to the ‘hidden Imam’ suggested—were devoted to the concept of divine leadership of a morally pure nation.

In an important regard, however, this comparison was inaccurate. Whereas the early 1980s were marked by public solidarity and support for the regime’s economic policies, Ahmadinejad’s policy direction and choices were questioned, vehemently criticized, opposed, and even mocked from the start. Ahmadinejad could not count on support for his policies even from within his own cabinet. His entire economic team (consisting of the CBI head, MPO head and Finance Minister) either quit or was fired over their opposition to various policies. The last to go, Finance Minister and economist Dr. Davood Danesh-Jafari said publicly that the reason for his departure was that “Ahmadinejad and I did not have common views on some issues....I was critical of the policies which caused money-supply growth”. (Iran's Outgoing Economy Minister

Blames Ahmadinejad for Economic Woes, April 23, 2008, Outgoing Minister Raps Ahmadinejad Policies, April 21, 2008).

The majlis was also highly critical. From the beginning there were squabbles over cabinet ministers, budgets, implementation of the Fourth Plan, corruption and some of Ahmadinejad's more bizarre initiatives like abruptly cancelling daylight savings time, changing banking hours, and announcing new work holidays. In January 2007, however, in an unprecedented move, 150 members of parliament wrote an open letter to the president attacking his economic policies which were blamed for continued stagflation of the economy (O'Rourke, January 24, 2007, Tait, January 16, 2007). Prominent MP's publicly and repeatedly denounced the President. The head of the Majlis Research Center, Ahmad Tavvakkoli, for example, said that the government "has taken many bad decisions, notably acceleration in spending oil income....This has caused a rise in imports and the awakening of the inflation monster". (Ahmadinejad's Economic Performance under Fire, October 30, 2007).

Senior politicians and political rivals joined in the chorus. Rafsanjani, Ahmadinejad's opponent in the 2005 presidential race and head of the Expediency Council was, perhaps unsurprisingly, an early and frequent critic of the President's economic policies including his utter disregard for various economic development plans that had been agreed to before his ascension⁵⁴ his constant shuffling of officials and mismanagement that had led to a crisis of inflation and unemployment (Macroeconomic

⁵⁴ In addition to the 4th Development Plan, the 20-year Economic Perspective had been written and committed to with the blessings of the Supreme Leader in early 2005.

Issues: Criticism of Economic Policies, December 2006, Rafsanjani Heaps Criticism on Iran's 'Trial and Error' Government, April 30, 2008, Rivalries: Ahmadinejad Vs. Rafsanjani, July, 2008). Senior clerics from Qom also began grumbling. In a speech in Qom, Grand Ayatollah Nasser Makarem Shirazi said “From different corners of the nation one hears complaints about high prices and inflation” while Senior Ayatollah Mohammad Reza Mahdavi-kani obliquely accused the president of refusing to take responsibility saying “we shift problems and faults onto others and in order to say we are innocent we blame others” (Top Iran Clerics Criticise Ahmadinejad over Economy, April 19, 2008). Even the Supreme Leader himself seemed to have become concerned urging the president to take action to reduce inflation and consumption (Khamenei Acknowledges Problems, April 2008, Khamenei Urges Ahmadinejad to Rein in Soaring Inflation, August 15, 2008, Speech by Iranian Supreme Leader Ali Khamene'i, March 22, 2009).

Perhaps even more interesting than the attacks from Ahmadinejad's political peers, rivals, and superiors was the open criticism from well-known academics and economists. During his first term as president, economists issued three separate open letters expressing concern about specific policies. The first letter, signed by 50 economists and published by local media in June 2006, warned Ahmadinejad that his policies were likely to cause persistent inflation. The economists wrote that “we understand that the economic problems have not been caused overnight but it should be said that if your government's policies continue, they can only worsen the situation and lessen people's trust in the government”(Iranian Economists Lash out at Ahmadinejad's Policies, June 16, 2006). The second letter, written the following year and signed by 57

economists was worded more strongly, accusing Ahmadinejad's government of "ignoring the basics of economics" and "making hasty and unscientific decisions" and that "instead of analyzing the situation, the government just argues that the official statistics are wrong and presents its own questionable figures to say the economy is prospering" (Harrison, June 12, 2007, Interview with Ahmad Maydari, July 2007). The third letter, written in the Autumn of 2008 was signed by 60 economists and pilloried the president not only for his failed economic policies but also for his "tension-creating" foreign policy style that has "scared off foreign investment and inflicted heavy damage" (Daragahi, November 10, 2008). Clearly, and in stark contrast to the early post-revolutionary era, economists were far from timid in voicing their criticism and even derision of the government's economic policies.

All of the complaints and criticisms had electoral consequences as well. In the December 2006 municipal and Experts Assembly elections, mainstream conservatives trounced Abadgaran-associated individuals close to the President (Fathi, December 22, 2006, Smyth and Bozorgmehr, December 17, 2006). In the 2008 parliamentary elections, Ahmadinejad allies retained their majority but the number of MPs associated with the conservative opposition grew (Keath, March 17, 2008). As the world witnessed, the 2009 presidential election was highly contested and, some say, rigged. In the most recent parliamentary election, the majority of MPs were independents not allied with any particular political group (What Can We Expect from the New Majles, May 2012).

IMF-Style Reforms with a Populist Twist?

Another important difference between the early post revolutionary era and Ahmadinejad's presidency was the surprising continuation of IMF-style reforms like privatization and the elimination of subsidies. In a fascinating twist, both reforms moved forward under this populist president although at different rates, with different results, and with varying levels of presidential enthusiasm.

Privatization and Justice Shares

Since the beginning of Rafsanjani's presidency in 1989, the sale of loss-making and bloated state-owned enterprises had been a high-priority item on the country's economic agenda. Progress in this regard was extremely slow, however, given an underdeveloped private sector, fractured political support, and various constitutional and legal obstacles.

When Ahmadinejad ascended to the presidency, he was not expected to champion a privatization program launched and implemented by his political enemies Rafsanjani and Khatami. The president's Abadgaran allies had opposed the Fourth Plan's section on privatization in 2004 and the President himself not only characterized earlier privatizations as having hurt the interests of the poor while enriching friends and relatives of the previous two administrations but even threatened to reverse 'unjust' sales (Amuzegar, 2007, Eqbali, July 3, 2006). By 2006, however, the consensus among political elites in favor of privatizing to raise capital efficiency and reduce the strain on the public purse was so strong that Ahmadinejad was compelled to go along. He was

quite successful, however, in amending the privatization program in a number of ways that made it more consistent with his redistributive inclinations.

Shortly after taking office, Ahmadinejad began exploring ideas for expanding the beneficiaries of privatization to include the poorer classes. What emerged was the ‘justice’ share program whereby up to 40% of all profit-making state enterprises listed on the Tehran Stock Exchange (TSE) would be ceded to eligible individuals at a discounted price which could be paid over a period of a decade or more (Anonymous, August 3, 2006, IMF, 2007). The Justice Share program was given a boost in July 2006 when the Supreme Leader blessed it and issued a proclamation that removed legal barriers to privatization of up to 80% of most state-owned enterprises. The proclamation also included provisions for sales of shares to foreign investors, and articulated an expectation that government should relinquish its ownership role in favor of a regulatory and supervisory role for the domestic economy (Commentary: The Leadership Decree on Privatisation, July 2006, Eqbali, July 3, 2006).

In ensuing years, the privatization program moved forward steadily but rather slowly resulting in additional prodding from the Supreme Leader as well as grumbling from outside observers (Fifield, February 10, 2008, Khamenei Wants Privatisation, June 2007). More troublesome than the slow rate of divestment, however, was the emergence of the quasi-governmental sector as the primary purchaser of TSE-floated (non-Justice Share) shares. A number of studies including one by the Majlis Commission on Privatization and another by the State Inspectorate Organization determined that no more than 13.5 % of such shares had been ceded to the truly private sector (Bozorgmehr, May 30, 2012, Majles Commission on Privatisation, January 2011). Instead, a handful of state-

affiliated organizations such as the Social Security Organization, a variety of charitable foundations, and, of course, organizations associated with the security services were dominating such transactions⁵⁵. Given this trend as well as the fact that Justice Shares were held on behalf of the poor by government-run investment funds⁵⁶, the privatization program did little to shrink the overall size of government or move assets into the presumably more efficient private sector (Amuzegar, 2007, Bozorgmehr, May 30, 2012). It did, however, shift ownership and power within government from the official to the unofficial / quasigovernmental sector.

Subsidy Reform

The first decade after the revolution saw the speedy proliferation of subsidies and price controls aimed at protecting the population from economic sanctions and the war with Iraq. Essential goods including basic food items, medical services, rail and air transportation, and most expensively, energy products were maintained at artificially low prices that constituted an increasing fiscal burden as the country's population grew. Attempts at reducing or eliminating subsidies had met with little success under Rafsanjani and Khatami. By 2008, subsidies had reached staggering levels, eating up an estimated 25% of GDP or \$60-\$100 billion a year (IMF, 2008, Iran's Bold Economic Reform, June 23, 2011, Nikou, 2010). Gasoline subsidies had become particularly

⁵⁵ This trend was not entirely the result of presidential manipulation of sales to favored recipients. In many cases, the true private sector was simply not interested in purchasing what was on offer.

⁵⁶ The creation of the complicated administration and management apparatus for the Justice Shares program has itself added to the size of government.

problematic insofar as public demand had grown well beyond domestic refining capacity, forcing the government to import increasingly expensive fuel for the country's fleet of aging and inefficient vehicles.(IMF, 2008: paragraph 32, IMF, 2012)

Price reform was not initially a priority for Ahmadinejad who was skeptical of structural reforms associated with the IMF and his presidential predecessors. And it is not entirely clear what changed his mind. Cynics argued that Ahmadinejad's true intentions were simply to gain political points among the lower classes that might benefit from subsidy reform and assert control over the vast monies that would be freed up (Ahmadinejad Looks toward 2009, August 2008). Perhaps exhausting budget battles with an obstructionist parliament over the annual and supplemental budgets necessary to cover ballooning gasoline imports helped to inspire a reconsideration of the costly policy (Majles Passes \$2.5 Billion Import Bill, November 2006, Tait, March 7, 2007). Perhaps it was the encouragement of the Supreme Leader who called subsidy reform a "courageous action" (Barzin, July 2, 2007). In introducing the subsidy reform, Ahmadinejad himself highlighted social justice considerations arguing that blanket subsidies unfairly benefitted middle and upper class Iranians that have the means to consume greater amounts of subsidized products (Guillaume et al., 2011: page 17).

Whatever his reasons, having decided on his course of action, Ahmadinejad proceeded boldly. His government first attempted to address the fuel import problem by rationing subsidized gasoline and, eventually, allowing for purchases above the rationed amount at free-market prices. (IMF, 2007, IMF, 2008, Taking Stock: Is the Gasoline Rationing Plan Working?, October 2007). Initiated in June 2007, the rationing program was met with riots and the burning of two gas stations but Ahmadinejad held firm, public

outbursts eventually calmed, and the president continued his push toward comprehensive subsidy reform with a bill submitted to the new majles in 2008 (Fathi, June 28, 2007, Fathi and Mouawad, June 28, 2007). After a great deal of debate, the proposed plan was rejected 132-102 (Iran Mps Hand President Setback on Economic Reform, March 10, 2009). Members of parliament publicly expressed concern about the inflationary consequences of eliminating blanket subsidies and replacing them with cash handouts. Observers suspected, however, that many members were actually more worried about preventing Ahmadinejad from using such handouts to buy votes on the eve of a presidential election (Majles Rejects Subsidy Plan, March 2009).

Given the tumult and controversy following the June 2009 election, it would have come as no surprise if the whole subsidy reform idea were scrapped or at least postponed while the country recovered from the protests and arrests rocking the nation. Undaunted, however, Ahmadinejad immediately submitted a second draft of a reform bill that was approved by both parliament and the Guardians Council the following January (Recknagel, January 14, 2012). The law stipulated that subsidies would be gradually eliminated over a five year period ending in 2015. A new government body, the Subsidies Management Organization, was to be created to manage and administer the resulting savings which were to be distributed in the following proportions: 50% to households in the form of cash handouts, 30% to industries hurt by the removal of subsidies, and 20% directly to the treasury to cover the costs of the new program (Guillaume, et al., 2011). Eager to push through the reforms as speedily as possible, Ahmadinejad frontloaded the subsidy elimination and on December 19, 2010, the price of bread doubled, gasoline quadrupled, and natural gas increased some eight times (Amuzegar, January 2012,

Salehi-Isfahani, 2011). In contrast to the earlier experience with gasoline rationing, however, riots did not ensue. The president was exuberant, saying “I believe that the Imam of Our Time [the 12th Imam whose return the Shi’ite world awaits] has managed this plan and supports it” (Ahmadinejad: The Imam of Our Times Is Managing the Subsidy Reform Program, January 5, 2011, Yong, January 16, 2011).

The two years since the subsidies elimination program began have been a particularly trying time for Iran. Domestic political turbulence has fractured the ruling elite and increased domestic instability and unpredictability while the Arab spring did the same on a regional level. U.S. sanctions have been tightened painfully making it increasingly difficult for Iran to find customers for its oil. In late 2011, the Iranian currency suddenly collapsed, declining 55% against the dollar (Spindle et al., January 17, 2012). Inflation further fueled by subsidy reform and its cash handouts approached 30% (Ordinary Iranians Quietly Hope for Relieve from Sanctions and Isolation, April 21, 2012). Cash handouts themselves became a problem as the government, struggling with budget deficits as well as continual bickering with the parliament, had trouble finding the funding to cover them (Subsidy Reform News, September 2011). In retrospect, subsidy reform could not, perhaps, have come at a worse time. Unflinchingly, however, Ahmadinejad began preparing for the second phase of the subsidy reform to be implemented in March 2012. It was the parliament that balked, refusing to fund the program at the level desired by the government and as of July 2012, the second phase of subsidy reform was on hold (Subsidy Reform Phase Delayed, June 2012).

Ahmadinejad’s subsidy reform program was disparaged even by many economists who agreed in principle with the need for price reform but felt that the

implementation was badly prepared and recklessly executed. The program did win an important admirer, however. In an ironic twist, the neoliberal International Monetary Fund described this populist president's program in glowing terms, crediting it with not only reducing the cost of subsidies by 15% of GDP but also, as a result of the cash handouts, reducing poverty incidence from 12 to 2 percent and "markedly improve[ing] income distribution" (Deghan, June 17, 2011, IMF, 2011, Iran's Bold Economic Reform, June 23, 2011).

Economists and Ahmadinejad

The experience of economists in earlier eras was relatively clear-cut. Either their opinions and presence in policy-making circles was solicited or it was not. Either their preferences drove economic policymaking or it did not. During the years of Abadgaran ascendancy and Ahmadinejad's presidency, however, the picture was and continues to be more complex. On the one hand, economists were informed that their services were no longer needed and the institutions that translated the fruits of their research into policy prescriptions were weakened and/or disbanded altogether. On the other hand, however, some of the most difficult and far-reaching structural reforms encouraged for years by the IMF and World Bank among others were finally initiated during this time period. What factors contributed to this result and what are the implications for our understanding of the conditions under which economists are likely to gain or lose influence of political leaders and the economic policy agenda?

One of the more striking characteristics of the time period under consideration is the oil boom it comprised. When Ahmadinejad was elected president in June 2005, crude

oil was being sold for close to \$60 per barrel. Three years later, prices had zoomed up to over \$140 per barrel. After a brief fall in 2009, prices rose again and have stabilized around \$90 per barrel since 2011. Economists may be more likely to be promoted to positions of power when the country they serve is in need of *international resources* from the financial or donor communities for which similarly-educated individuals signal competence and inspire trust. The experiences of economists under Ahmadinejad suggest that the effect works in reverse and that economists are more vulnerable to being discarded when their unique ability to loosen the purse strings of international investors or financial institutions is no longer deemed necessary. Flush with cash, Ahmadinejad felt no need to cater to the preferences of economists at the IMF or World Bank.

Another important feature of the Abadgaran and Ahmadinejad era has been the renewed and vehement rejection of the Western model. The President and many of his allies personally served in the armed services during the war with Iraq. These men experienced the brutality of war first-hand, losing friends, loved ones, and limbs. Given the common perception that the United States provided Iraq with tactical and material support, they also had a very personal grudge and deep suspicion of the U.S. and the West. Theories of *mimetic isomorphism* point to the way political leaders seek to reduce uncertainty by consciously or unconsciously modeling themselves on particularly successful or salient states in the international system. Developing countries, for example, have been documented to pattern many aspects of their social and governmental organization upon the United States and other successful Western nations. The experience of economists under Ahmadinejad suggest that such mimetic tendencies might be mediated by the extent to which successful states are also perceived to be appropriate

models due to cultural, religious, or ideological similarities. That is, given Ahmadinejad's outright rejection of the United States he also rejected economists perceived as supportive of American-style capitalism.

While theories about the need for international resources and mimetic isomorphism perhaps explain why Ahmadinejad and his Abadgaran allies were initially dismissive of pro-market economists and their prescriptions for economic reform, there are other trends that are puzzling. Why, for example, did Ahmadinejad eventually embrace and implement, however imperfectly, IMF-style reforms like the elimination of subsidies and privatization of state-owned enterprises. And how is it that in marked contrast to the early post-revolutionary period, economists felt safe issuing stinging criticisms of Ahmadinejad's economic mismanagement which were then used by his political enemies in an attempt to further discredit his rule?

Functionalist and Epistemic Communities accounts of expert power emphasize the way that various crises or salient shocks render political leaders more open to expert advice and new interpretations of cause and effect. After close to three decades of Islamic Republican rule with all the shocks and crises it entailed, the first generation of Iranian political elites seems to have become more or less convinced of the utility of economists to help them understand complex trends, identify national interests, and suggest policy options. While economists were rejected by Ahmadinejad, they were embraced by his political opponents from the whole spectrum of conservative to reformist camps and therefore felt free to publicly voice their disagreements with the president.

Ahmadinejad's embrace of IMF-style subsidy reform and privatization is more difficult to interpret without additional information about the president's motivation for

and expectations regarding the outcomes of such policies. Given the opposition of most economists to the timing and manner in which these programs were implemented, it is very possible that Ahmadinejad simply used them as a convenient way to carry on with his distributive policies. On the other hand, perhaps the president concluded that his earlier opposition was misguided and that notwithstanding his skepticism of capitalism, pro-market policies that shrink the public sector could have positive outcomes for the poorer classes as well.

While this and earlier chapters investigated the experiences of economists during concrete time periods, the following chapter examines the entire period from 1953 to the present in order to identify long-term trends and better understand the factors that influence the extent to which professional economists gain or lose power over economic policymaking.

Chapter Nine: Conclusion

Who whispers in the King's ear, for how long, and to what effect? The purpose of this project is to determine the conditions under which economists and allied technocrats, whose policy preferences mirror those of the international financial and donor communities, are more likely to be ceded power over economic policy decisions. The primary hypothesis guiding this investigation has been that economists gain influence when the international resources they can deliver are valued and desired by the country's political leadership; Economists lose influence when those resources are not valued or desired.

In an effort to test this hypothesis as well as four alternate hypotheses, the previous six chapters presented a chronological narrative of the experiences of Iranian economists under a variety of social, political, and economic conditions. The present chapter seeks to investigate the role of specific independent variables more systematically in order to draw conclusions about the five hypotheses under consideration.

Below, the operationalization of the dependent variable—the influence of economists—is reviewed and ten cases are drawn from the narrative in which the dependent variable is changed. This is followed by a review of the various independent variables along with estimates of their values during each of the case periods as drawn from the narrative. The last section summarizes and discusses the results of this analysis as regards the hypotheses and independent variables found to be most significant in promoting or hindering the influence of economists over economic policymaking and proposes further research that might generate additional insights in this regard. The

chapter then closes with consideration of the implications of these findings for scholarship on the role of expert advisors.

The dependent variable: the influence of economists

As discussed in Chapter 1, the influence of liberal economists refers to the extent to which individuals advocating those economic policies preferred by Western nations and international financial institutions are able to attain positions of policymaking power and see their preferences actualized into policy decisions. Below, ten distinct eras or ‘cases’ are identified from the chronological narrative of economists’ experiences in Iran for which the extent of economists’ control over these two policy areas is evaluated. A summary of this evaluation is presented in Table 2.

Table 2: Observed Variation in Policymaking Power of Economists

Case Number	Years Comprised	Power
1	1953-1958	High
2	1959-1962	Low
3	1963-1972	High
4	1973-1976	Low
5	1977-1978	High
6	1979-1987	Low
7	1988-1992	High
8	1993-1997	Low
9	1997-2004	High
10	2004-2009	Low

Case #1: 1953-1958 (Policymaking power increases)

In the time period immediately following the 1953 coup, as described in Chapter 3, Ali Amini and Abol Hassan Ebtehaj heads of the Ministry of Finance and Plan and

Budget Organization (PBO) respectively, gained a great deal of influence of the type described above. Although no major structural reforms were implemented during this time of recovery from the tumultuous Mossadegh years, these two men did have a great deal of power over fiscal affairs. Amini set to work generating revenues through renegotiated oil deals with the multinational oil companies, aid packages from the United States, and implementation of the country's first comprehensive progressive tax structure. At the same time, Ebtehaj waged several successful bureaucratic battles to ensure that large proportions of oil revenues would automatically be allotted to the PBO for use on the big infrastructure projects he deemed necessary to support Iran's economic development.

Case #2: 1959-1962 (Policymaking power decreases)

By 1959, both Ebtehaj and Amini had been maneuvered out of power. In their absence, the policymaking bodies they once headed also lost ground. Power over the PBO was transferred directly to the office of the Prime Minister, thereby eliminating its independence and increasing political influence over decisions about which projects to fund. The PBO's control over development projects was further eroded when responsibility for managing such projects was transferred to the relevant ministries. At the Ministry of Finance, the tax reforms Amini had initiated stagnated and the Ministry itself soon gained a reputation for corruption and dedication to protecting vested interests in the country's taxation and budgeting apparatus.

Case #3: 1963-1972 (Policymaking power increases)

During this time period, the Shah relied heavily upon a growing cadre of foreign educated economists and technocrats to which he deferred on most economic policy issues. The Plan and Budget Organization's independence was restored and it was greatly strengthened with a mandate to streamline the country's budgeting process and combine all development, administrative, and military expenses into one overarching budget under its own control. Interrupted reforms at the Ministry of Finance were also resumed with reforms in the tax code as well as the process of tax collection and administration. The White Revolution which, among other things, restructured property relations among various social classes, was also initiated during this period. And when inflation became a problem in the early 70s, the economic team was empowered to cool the overheated economy through a variety of monetary and fiscal policy interventions.

Case #4: 1973-1976 (Policymaking power decreases)

As the oil boom of the 1970s began, the Shah was famously dismissive of his economic policy team's recommendations regarding the inability of the Iranian economy to absorb the massive capital inflows. The Shah blithely overruled his advisers concerns, disregarded painstakingly prepared budgets, and ushered in what amounted to "a spending spree, a frantic search of how to spend what there was" (Razavi and Vakil, 1984: 80). When boom turned to bust and budget deficits began ballooning, the Shah's first instinct was to begin blaming everyone (except himself) including the very economic advisors that had warned him against this path. In November 1976, an Imperial

Commission was launched to investigate waste, corruption, and the reasons for the Government's inability to meet production schedules.

Case #5: 1977-1978 (Policymaking power increases)

By 1977 the need for drastic policy reversals had become clear. The Shah's long-serving Prime Minister Amir-Abbas Hoveyda was replaced by the technocrat Jamshid Amouzegar who promptly instituted austerity measures designed to slash expenditures, budgets, and deficits and get the country on track for a slower but steadier pace of development. The coming of the Islamic Revolution, however, cut this time period short.

Case #6: 1979-1987 (Policymaking power decreases)

When Islamic revolutionaries took over the country in 1979, they were extremely suspicious of economists who had worked for the Pahlavi regime and whose constant forecasting, budgeting, and planning seemed to indicate a lack of faith in God's favor. At the PBO, for example, despite several rounds of purges to rid the organization of non-loyal elements, the organization was ultimately pronounced unredeemable and shut down altogether. During this period, the new regime's leaders wrestled with fundamental questions about the relative merits of faith vs. reason, economic growth vs. contentment, and loyalty vs. ability generally concluding that economists and other technocrats had little of value to offer.

Case #7: 1988- 1992 (Policymaking power increases)

By 1988, however, the Islamic regime had become more open to economists' policy suggestions and guidance. Among other things, economists helped to convince the

country's leadership to end the war in Iraq and launch a family planning program to slow population growth. Under the presidency of Hashemi Rafsanjani economists initiated a number of World-Bank inspired structural reforms—like privatization and exchange rate unification—designed to reduce the government's ownership of and interference in the economy. The Rafsanjani team also made significant adjustments to fiscal policy including the shifting of spending priorities away from agriculture and toward manufacturing/industry and allowances for foreign investment in domestic projects.

Case #8: 1993-1997 (Policymaking power decreases)

After the debt crisis of 1992, all further economic reforms of substance were put on hold and earlier privatization and exchange rate reform efforts were reversed or halted. Several members of Rafsanjani's original economic team lost their jobs and were hounded by rumors and accusations (sometimes in court) of corruption.

Case #9: 1997-2004 (Policymaking power increases)

Despite Leftist political associations that made many economists nervous, Khatami proved to be surprisingly amenable to the guidance of economists as regarded fiscal policies and structural reforms. During this time, the Oil Stabilization Fund was launched to hold and invest surplus boom-time oil revenues for use during times when oil prices might fall. Reforms initiated but later abandoned during the Rafsanjani era were taken up more successfully. The exchange rate was fully unified by March 2002. Trade liberalizing reforms were instituted to convert quotas and other non-tariff barriers into tariffs and then to lower the overall tariff rate. Additional reforms included financial

market liberalization, reengagement with the international financial community, and privatization.

Case #10: 2004-2009 (Policymaking power decreases)

The rise of the Abadgaran political group to power through the 2004 parliamentary elections and 2005 election of President Ahmadinejad severely curtailed the ability of economists to pursue additional reforms or maintain those that had already been initiated. During the presidential campaign, the new president had openly opposed many of the Rafsanjani and Khatami era reforms and even accused his predecessor's administrations of corruption. Ahmadinejad had little use for the policy advice of even his own economic advisors. Within a year, the head of the PBO had quit over his opposition to the president's plan to dismantle his organization. The following year, the head of the Central Bank quit due to Ahmadinejad's insistence on artificially low interest rates. And the year after that, the head of the Ministry of Finance also quit citing policy differences with the president as the reason for his departure.

As summarized in Table 2, the ten cases together comprise five instances in which economists had a great deal of policymaking power and five instances in which they had very little policymaking power. They also include five instances from the Pahlavi era and five instances from the Islamic era⁵⁷. In the following section, the various variables

⁵⁷ The post-2009 era has not been included in this analysis as less information is available regarding the goals and motivations of Ahmadinejad's economic policies.

potentially mediating the influence of economists on economic policy decisions are considered and the extent of their significance in each of the ten eras is estimated.

The independent variables

In chapter one, the major bodies of literature on the influence of economists on economic policymaking were considered and five variables mediating the extent of this influence were identified. Below, each variable is considered in turn and the extent of its significance in mediating economists' influence is estimated for each of the ten eras or 'cases' identified above.

Independent variable #1: International Resources (Coercive Isomorphism)

The guiding hypothesis of this study is that economists are particularly well-placed to access valued resources from the international financial and donor communities. In a number of Latin American countries, for example, it has been documented that U.S. trained economists came to dominate the policymaking process because of their ability to inspire trust in the similarly educated economists upon whom the country depended to release grant and loan money from international financial institutions or the foreign aid branches of western nations (Babb, 2001, Schneider, 1998). A major limitation of the Latin American studies, however, is the unidirectional nature of change in the dependent and independent variables. For example, during the time under investigation, Mexico's need for international resources from the United States either stayed constant or increased as did the policymaking role of economists. The study of Iranian economists, however, provides a unique opportunity to investigate the extent to

which variation in the country's need for international resources is responsible for variation in economists' influence over policymaking positions and decisions.

Based upon the narrative, the last column of Table 3 presents the extent to which politicians sought or desired international resources during each of the case periods under consideration. The historical record is clear that prior to the 1973 oil boom, the Shah greatly needed and desired international resources in the form of investments, loans, and grants for budgetary support, development projects, and military purchases among other things. While the 1973 oil boom provided a temporary reprieve, the disappointing oil receipts after 1977 combined with over-exuberant spending during the boom years meant that the country was once again in need of international resources that economists were most capable of accessing.

Table 3: Resource Dependence

Case Number	Years Comprised	Need for International Resources	Observed Power of Economists
1	1953-1958	High	High
2	1959-1962	High	Low
3	1963-1972	High	High
4	1973-1976	Low	Low
5	1977-1978	High	High
6	1979-1987	Low	Low
7	1988-1992	Medium	High
8	1993-1997	Low	Low
9	1997-2004	Medium	High
10	2004-2009	Low	Low

For the first decade after the revolution, the country's ideological commitments to self-sufficiency, and Islamic finance meant that Iran's new theocratic leaders spurned the international financial community. This changed under Rafsanjani who understood that his ambitious post-war economic development plans could not be realized with domestic funding alone. While the 1992 debt crisis raised doubts as to the benefits of international finance, Khatami re-energized Rafsanjani's initial efforts to attract investments, loans, and grants. Since the election of Ahmadinejad as well as skyrocketing oil prices, the country's political leadership has had less need for or interest in engaging with the international financial community.

This narrative accounting of the extent to which the country's leaders sought international resources is confirmed by a more quantitative examination of aid inflows, balance of payments pressures, and budget deficits. **Figure 12** presents the net official aid (development and otherwise) received by Iran as a percentage of GDP for the years 1965 to 2009. Although data is not available for the 1953 to 1965 time period, the graph indicates that there were three primary peaks in aid inflows. The first occurs during the 1960s where, as discussed above, the Shah sought international aid and finance for a variety of projects. While aid inflows dropped quickly during the oil boom, they peaked a second time as boom turned to bust before dropping once again after the revolution. The final peak occurred during the Rafsanjani and Khatami periods when these two presidents turned to the international financial and donor community once again.

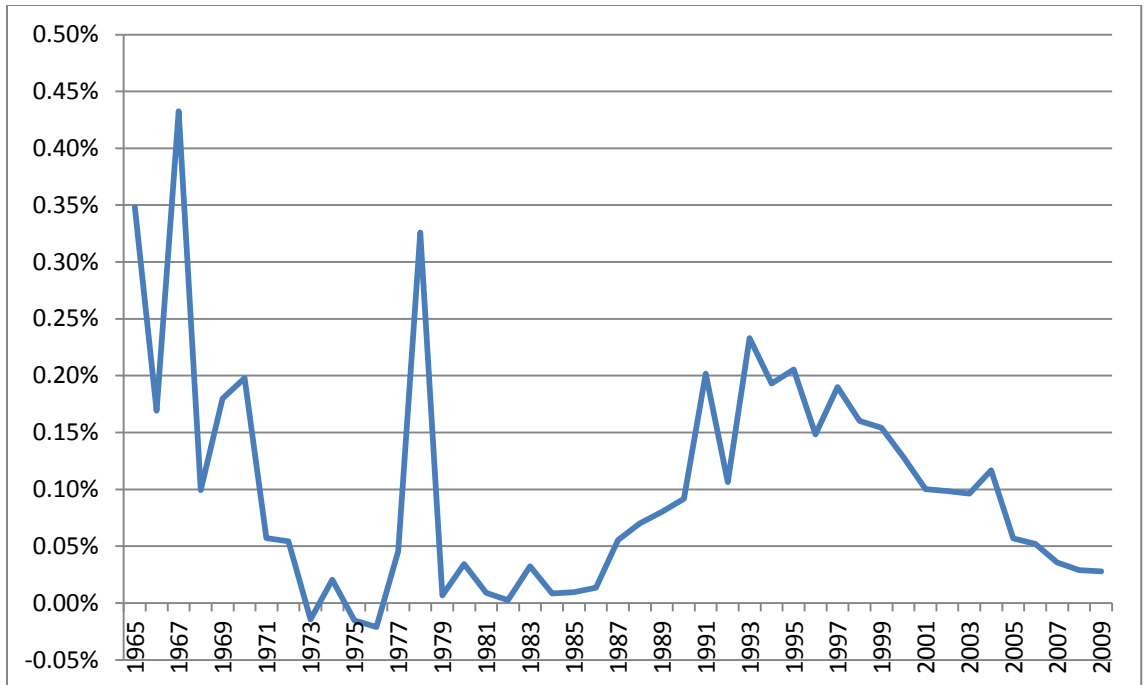


Figure 12: Net official aid received by Iran as a percentage of GDP (World Bank)

Figure 13 presents Iran's Balance of Payments from 1976 to 2000 and Figure 14 presents the budget deficit and surplus as a percentage of GDP. The trends are a bit more difficult to interpret given the fewer number of years for which data are available. As might be expected, the positive balance of payments was diminished from 1976 to 1978 as the oil boom turned to bust. This is a time period during which the need for international resources would have been high. In 1979, the country's balance of payments suddenly improved perhaps as a result of the revolutionaries' early commitment to decreasing 'wasteful' imports and spending that was associated with the monarchy. Despite a short reprieve in 1982, imbalances in the current account were a common feature of the 80's and may have contributed to the embrace of Rafsanjani's economic reform program. The balance of payments situation as well as the budget deficit improved in the early and mid-90's. 1998 was challenging year, however, which may

have helped Khatami's economic team promotes its preferred reform policies. Since then, as a result of the most recent oil boom, the balance of payments has been positive, the budget has been in surplus, and the need for international resources has been low.

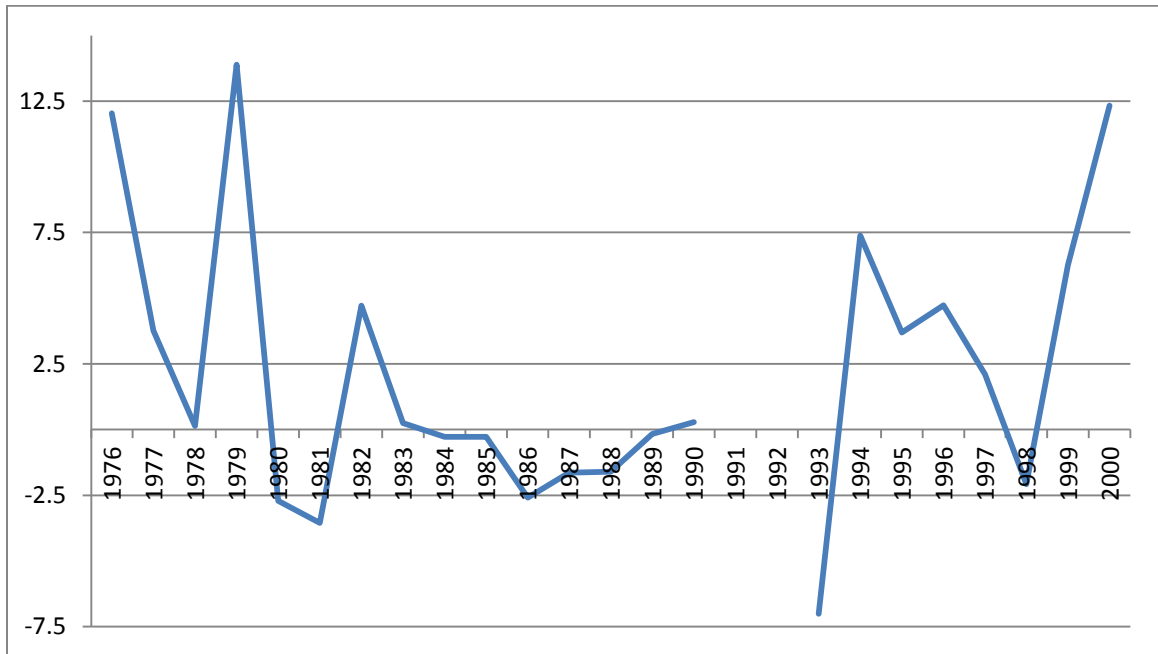


Figure 13: Balance of Payments as percentage of GDP (World Bank)

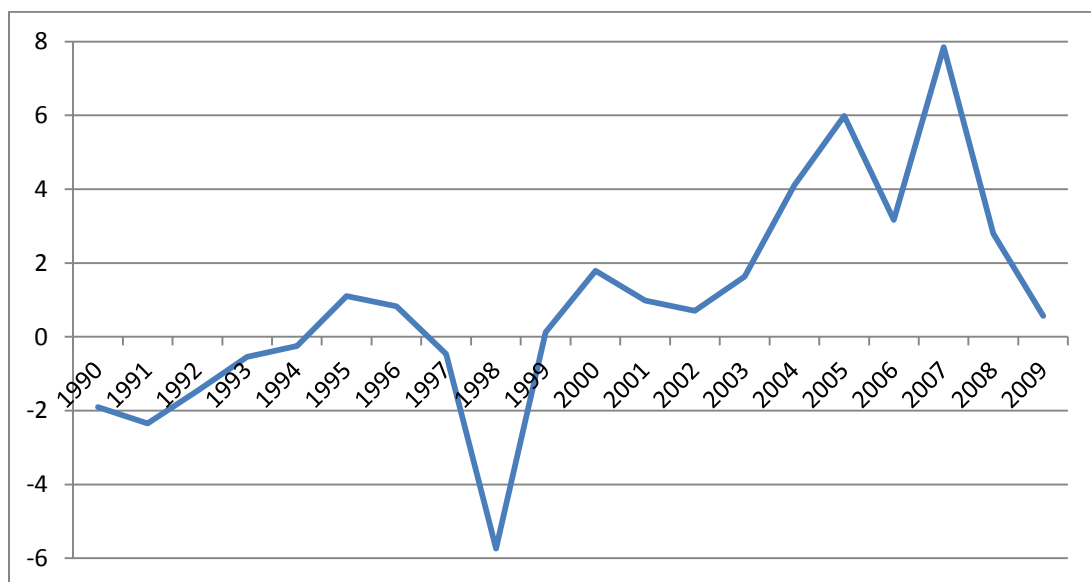


Figure 14: Deficit / Surplus as a percentage of GDP (World Bank)

If the desire for international resources is a significant driver of the empowerment of economists, the data ought to reveal high need for resource in those cases (1, 3, 5, 7, and 9) in which economists were ascendant and decreased need for resource in those cases (2, 4, 6, 8, and 10) in which economists were relatively less powerful (See Table 3). In fact, the data conforms fairly well to these expectations with only a few exceptions. In Case #2, the Shah dismissed important members of his economic policy team despite the fact that his government still depended a great deal upon American aid dollars. There is evidence that indicates, however, that the Shah was simply not aware of the extent to which the continued inflow of such aid dollars depended upon the presence of economists and other technocrats trusted to manage them. When he became aware of American expectations in this regard, however, he quickly promoted his political rival Ali Amini who as Prime Minister managed in short order to secure close to \$70 million from the Americans. This knowledge that economists had been forced upon him perhaps explains why the Shah, as discussed above, often seemed contemptuous and resentful of his economic team. It might also explain why he was so quick to dismiss their opinions and advice when the oil boom of the 1970s freed him (or so he thought) from continued dependence upon the United States.

Cases 7 and 9 are also somewhat problematic. On one hand, it is true that at the beginning of the Rafsanjani and Khatami presidencies, the country had decided that international loans and investments were necessary to facilitate employment generating private sector activities. As such it is plausible that economists were swiftly promoted to serve as the reassuring face of the Islamic Republic in interactions with the international financial community. On the other hand, the pursuit of international resources during the

Islamic era was never as intense as it was under the Shah and it is difficult to believe that the primary driver of economists' ascendance to power during these periods was the desire to please these potential investors.

Independent variable #2: Political power (Pluralist or Interest Group Analysis)

Pluralist or political interest group analyses study economists as one of many competing groups wrestling for policymaking power in return for domestic goods such as votes or dollars. These analyses consider, for example, the way that economists form or support political parties (Schneider, 1998: 80-82) and how they promote nondemocratic governance in order to overcome public opposition to their proposed reforms (O'Donnell, 1973). Such a framework suggests that each time period in which economists were ascendant (Cases 1, 3, 5, 7, and 9) ought to be characterized by their participation in a popular political party that may have even engaged in antidemocratic methods to weaken or eliminate opposing groups.

Table 4: Political Power

Case Number	Years Comprised	Economists Political Power / Participation	Observed Power of Economists
1	1953-1958	Y	High
2	1959-1962	N	Low
3	1963-1972	N	High
4	1973-1976	N	Low
5	1977-1978	N	High
6	1979-1987	N	Low
7	1988-1992	Y	High
8	1993-1997	Y	Low

9	1997-2004	N	High
10	2004-2009	N	Low

Data from the cases do not, however, conform to these expectations (See Table 4).

There are three cases—out of the ten considered here—in which economists wielded or sought to wield some sort of political power. In Case #1, Dr. Amini wielded a certain amount of political power given his political skills, powerful family, and general popularity. Such power ultimately impeded rather than contributed to his ability to hold economic policy positions and realize his policy preferences since the Shah saw him as a political threat and moved to eliminate him. In Case # 7, economists joined forces with Rafsanjani and worked not only to get him elected but also to remove or weaken Leftist politicians in parliament that they feared might seek to slow or block their economic reform program. In Case #8, many of those same economists worked to create the Kargozaran political group that they perhaps hoped would help them build the kind of political following that would facilitate implementation of their preferred economic reforms.

Given that Case #1 cannot in fact be categorized as one in which economists' advisory power stems from their political power, and that in Case #8, the advisory power of economists decreases despite their political activism, it seems that the political power of economists is not a particularly useful predictor of the ability of those economists to realize their policy preferences.

Independent variable #3: Time (Functionalism)

Functionalists explain the growing dependence of politicians and policymakers upon economists as resulting from the increasing complexity of the modern world over time. As economic globalization has resulted in new forms of economic relationships and interdependencies, it has become more difficult for government leaders to identify the policy options most likely to further the nations' interests. Economists' expertise in this regard has, therefore, become an increasingly indispensable guide.

Functionalist explanations of the reasons for economist's influence result in predictions of a unidirectional increase in such influence over time. That is, in contrast to the results of the case analyses, the influence and power of economists in Iran would have been expected to increase in each chronologically ordered era.

While the results of the case analysis clearly do not conform with the expectations of functionalist theorizing, such expectations are better fulfilled by the extent to which professionally trained economists have ascended to formal policymaking positions over time. Table 5 presents the educational backgrounds of the top members of Iran's economic policymaking team (consisting of the head of the planning organization, head of the Central Bank, and the Minister of Finance) from 1955 to the present day. In order to facilitate recognition of trends in this regard, the right-most column presents a quantified summary of the number of economics degrees held by members of the team. While there is a good deal of variation from one year to the next, it is clear that, perhaps surprisingly, in the Islamic Republic, these three positions were much more frequently filled by formally educated economists than was true during the Pahlavi era.

That is, as predicted by functionalist theory, over time Iran's economic policy team seems to have become increasingly dominated by formally trained economists

Table 5: Educational Backgrounds⁵⁸ of Iran's Economic Team

Year	Plan and Budget Organization	Education	Central Bank	Education	Ministry of Finance	Education	Sum
1964	Safi Asfia	0	Mehdi Samii	1	Amir Abbas Hoveyda	0	1
1965	Safi Asfia	0	Mehdi Samii	1	Jamshid Amuzegar	0	1
1966	Safi Asfia	0	Mehdi Samii	1	Jamshid Amuzegar	0	1
1967	Safi Asfia	0	Mehdi Samii	1	Jamshid Amuzegar	0	1
1968	Safi Asfia	0	Mehdi Samii	1	Jamshid Amuzegar	0	1
1969	Mehdi Samii	1	Khodadad Farmanfarmaian	3	Jamshid Amuzegar	0	4
1970	Khodadad Farmanfarmai an	3	Mehdi Samii	1	Jamshid Amuzegar	0	4
1971	Khodadad Farmanfarmai an	3	Abdolali Jahanshahi	3	Jamshid Amuzegar	0	6
1972	Khodadad Farmanfarmai an	3	Abdolali Jahanshahi	3	Jamshid Amuzegar	0	6
1973	Abdol-Majid Majidi	1	Mohammad Ali Yeganeh	2	Jamshid Amuzegar	0	3
1974	Abdol-Majid Majidi	1	Mohammad Ali Yeganeh	2	Hushang Ansary	0	3
1975	Abdol-Majid Majidi	1	Mohammad Ali Yeganeh	2	Hushang Ansary	0	3

⁵⁸ 0 = No economics training; 1 = Some economics training (BS in economics or significant job training); 2 = Formal study of economics to the M.S. level; 3 = Formal study of economics to the PhD level

1976	Abdol-Majid Majidi	1	Hassan Ali Mehran	1	Hushang Ansary	0	2
1977	Abdol-Majid Majidi	1	Hassan Ali Mehran	1	Hushang Ansary	0	2
1978	Mohammad Ali Yeganeh	2	Yousef Khoshkish	--	Mohammad Ali Yeganeh	2	--
1979	Ali Akbar Moinfar	0	Mohammad Ali Mowlavi	--	Ali Ardalan	2	--
1980	Ezzatollah Sahabi	0	Ali Reza Nobari	0	Reza Salimi	--	--
1981	Musa Khayyer	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
1982	Mohammad Taghi Banki	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
1983	Mohammad Taghi Banki	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
1984	Mohammad Taghi Banki	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
1985	Mohammad Taghi Banki	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
1986	Mas'oud Roghani-Zanjani	2	Majeed Ghasemi	3	Mohammad Javad Iravani	2	7
1987	Mas'oud Roghani-Zanjani	2	Majeed Ghasemi	3	Mohammad Javad Iravani	2	7
1988	Mas'oud Roghani-Zanjani	2	Majeed Ghasemi	3	Mohammad Javad Iravani	2	7
1989	Mas'oud Roghani-Zanjani	2	Majeed Ghasemi	3	Mohammad Javad Iravani	2	7
1990	Mas'oud Roghani-Zanjani	2	Hossein Adeli	3	Mohsen Nourbakhsh	3	8
1991	Mas'oud Roghani-Zanjani	2	Hossein Adeli	3	Mohsen Nourbakhsh	3	8
1992	Mas'oud Roghani-Zanjani	2	Hossein Adeli	3	Mohsen Nourbakhsh	3	8
1993	Mas'oud Roghani-Zanjani	2	Hossein Adeli	3	Mohsen Nourbakhsh	3	8

1994	Mas'oud Roghani-Zanjani	2	Hossein Adeli	3	Morteza Mohammadkhan	3	8
1995	Mas'oud Roghani-Zanjani	2	Mohsen Nourbakhsh	3	Morteza Mohammadkhan	3	8
1996	Hamid Mirzadeh	0	Mohsen Nourbakhsh	3	Morteza Mohammadkhan	3	6
1997	Hamid Mirzadeh	0	Mohsen Nourbakhsh	3	Morteza Mohammadkhan	3	6
1998	Mohammad Ali Najafi	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
1999	Mohammad Ali Najafi	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
2000	Mohammad Ali Najafi	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
2001	Mohammad Reza Aref	0	Mohsen Nourbakhsh	3	Hossein Namazi	3	6
2002	Mohammad Sattarifar	3	Mohsen Nourbakhsh	3	Tahmasb Mazaheri	0	6
2003	Mohammad Sattarifar	3	Ibrahim Sheibani	3	Tahmasb Mazaheri	0	6
2004	Mohammad Sattarifar	3	Ibrahim Sheibani	3	Safdar Hosseini	0	6
2005	Mohammad Sattarifar	3	Ibrahim Sheibani	3	Safdar Hosseini	0	6
2006	Farhad Rahbar	3	Ibrahim Sheibani	3	Davoud Danesh-Jafari	3	9
2007	Amir Mansour Borqei	0	Ibrahim Sheibani	3	Davoud Danesh-Jafari	3	6
2008	Ibrahim Azizi	0	Tahmasb Mazaheri	0	Davoud Danesh-Jafari	3	3
2009	Ibrahim Azizi	0	Mahmoud Bahmani	2	Shamseddin Hosseini	3	5
2010	Ibrahim Azizi	0	Mahmoud Bahmani	2	Shamseddin Hosseini	3	5
2011	Ibrahim Azizi	0	Mahmoud Bahmani	2	Shamseddin Hosseini	3	5
2012	Behrouz Moradi	1	Mahmoud Bahmani	2	Shamseddin Hosseini	3	6

The fact that economic policymaking positions have increasingly come to be seen as the domain of formally trained economists, but that these economists are as likely to be ignored as heeded, presents an interesting puzzle. On the one hand, politicians and policymakers in the Islamic Republic seem to have concluded that economists possess expertise particularly well-suited to identifying the economic policy choices that will most benefit the nation. On the other hand, some of these politicians have routinely ignored the advice they are given. And contrary to functionalist predictions, the increasing complexity of economic policy decisions has had little impact on the extent or frequency at which such advice is dismissed.

Independent variable#4: Crises (Epistemic Communities)

Like functionalists, scholars of Epistemic Communities attribute the growing clout of economists to the increasing uncertainty policymakers face in our modern and complex world. Unlike functionalists, however, scholars of epistemic communities do not assume that politicians automatically recognize this growing complexity or their own limitations in interpreting it and identifying the nation's interests within it. Rather, a crisis or other unexpected shock is required to jolt policymakers into such recognition and create 'teachable moments' in which an epistemic community of experts can help them understand what caused the crisis and how to avoid similar crises in the future.

Scholarship on epistemic communities suggests that each instance of an increase in economists' power ought to have been preceded by a shock or crisis of the type described above and ought to have been accompanied by the presence of a strong epistemic community of economists. The major crises occurring during the time period

under consideration [see Appendix I for a timeline of major events] include: 1) The 1953 coup d'état; 2) The 1961 demonstrations over the Shah's interference in parliamentary elections as well as a teacher's pay cut; 3) The 1975 oil bust; 4) The 1979 revolution; 5) The perceived loss of the Iraq war in the late 80s; and 6) the 1992 debt crisis. As displayed in the last column of Table 6, cases 1, 3, and 5 through 8 were preceded by economic or political crises.

The presence of an epistemic community can be determined by the strength of professional and associational ties between individuals sharing a common commitment to developing the country along the lines preferred by the international financial and donor communities. In Iran, such a community did not come into existence until the early 60s. In the earlier Ebtehaj and Amini years, economists were fewer in number and more isolated from one another. Thanks in part to Ebtehaj's efforts to recruit like-minded, young, and Western-educated professionals, by the time of the 'Golden Decade' a strong group of economists were meeting regularly to discuss the country's development needs and future direction. Members of this epistemic community gained and held many of the most important economic policy positions over the following two decades. After the 1979 revolution, however, many of these individuals lost their jobs, homes, and even lives as the new regime placed little value upon economic expertise and was particularly suspicious of individuals that had served the Pahlavi monarchy. Within ten years, however, a new epistemic community of economists was formed. These individuals were deeply religious and committed to the success of the Islamic Revolution. Most of them had studied business or economics in the United States or England and came together in their quest to convince the political leadership that their expertise could be used to serve

and strengthen the Islamic Republic. Over the next twenty years, they labored in government and academia to guide economic reform efforts and train the next generation of Iranian economists. This epistemic community has maintained its efforts and activities even as the ascension of President Ahmadinejad led to their removal from most policymaking positions. As displayed in the fourth column of Table 6, cohesive and strong epistemic communities of economists existed in cases 3 through 5 and cases 7 through 10.

Scholarship on epistemic communities suggests that those time periods following a major crisis in which a strong and active epistemic community exists are the ones in which economists should gain influence. That is, economists' power ought to have increased in cases 3, 5, 7, and 8. While this prediction holds for cases 3, 5, and 7, it does not for case #8. The 1992 debt crisis was a significant event and occurred during a time when an epistemic community of economists not only held positions of policymaking power but were also involved in the creation of the new pro-market Kargozaran political party. This finding highlights the value of investigating the power of economists with cases like Iran in which such power both increases and decreases. As scholarship on epistemic communities has been overwhelmingly dominated by studies of how expert power increases over time, the assumption has been that crises force policymakers to reevaluate the world's complexity and their own ability to understand it in ways that always favor an increased reliance on expert opinion. In fact, however, the opposite can also be true. The 1992 debt crisis resulted in an interpretation that reduced the influence of economists due to their being seen as having promoted the very policies that precipitated the debt crisis in the first place.

Table 6: Crises and Changes in Economists' Power

Case Number	Years Comprised	Epistemic Community of Economists?	Preceded by a crisis?	Observed Power of Economists
1	1953-1958	N	Y	High
2	1959-1962	N	N	Low
3	1963-1972	Y	Y	High
4	1973-1976	Y	N	Low
5	1977-1978	Y	Y	High
6	1979-1987	N	Y	Low
7	1988-1992	Y	Y	High
8	1993-1997	Y	Y	Low
9	1997-2004	Y	N	High
10	2004-2009	Y	N	Low

Scholarship on epistemic communities also suggests the converse proposition—that economists will have less influence during those time periods that are either not preceded by a crisis or not characterized by the presence of an epistemic community. That is, in cases 1, 2, 4, 6, 9, and 10 economists ought to have less influence over economic policymaking. While this prediction is correct for cases 2, 4, 6, and 10, it is not correct for cases 1 or 9.

Case #9 is particularly interesting. It does not seem to have been preceded by a significant crisis. Indeed, at the time that the Khatami team launched the economic reforms associated with the Third Development Plan, the country was in relatively good shape. In a fascinating twist on the epistemic communities literature, however, the

epistemic community of economists in Iran seems to have *manufactured* a crisis. Using what turned out to be grossly pessimistic assumptions for oil prices, economists from the PBO frightened President Khatami and other political leaders with a series of grim scenarios for Iran's future that included catastrophic levels of unemployment and inflation. The active role played by the epistemic community of economists in creating a sense of impending crisis prompted Khatami, despite his Leftist leanings, to embrace Iran's most successful and comprehensive structural reform program to date. The concerted effort by economists to achieve this result also challenges epistemic communities' depictions of experts as neutral and disinterested providers of objective information and analyses.

With these two modifications—economists actively manufacturing crisis and crises resulting in interpretation that may or may not favor economists—the predictions of the epistemic communities approach for increases or decreases in the power of economists are strikingly well aligned with actual outcomes except for Case #1.

In one important way, however, epistemic communities' explanations of economists' power remains unsatisfying. Such descriptions of the reasons for and process by which political leaders seek expert opinion suggest that such leaders are actively seeking and perhaps even glad for the new knowledge and guidance provided. Evidence from the time period under consideration indicates however, that the Shah was often contemptuous of his economic team, resentful of his dependence on them, and anxious to lessen such dependence whenever possible. In contrast, the case material from the Islamic period indicates that political leaders on several occasions did, in fact, learn from and

come to value the expertise that economists provided. Possible reasons for this difference are explored further below.

Independent variable #5: Successful Models (Mimetic Isomorphism)

Mimetic isomorphism describes the way that organizations or states lacking means of identifying optimal goals, structures, or practices can look to the examples of particularly successful models as guides. Observing, for example, the fact that the strongest and most successful state in the international system—the United States—actively solicits and incorporates the advice of economists might inspire developing nations to do the same in the hopes that emulating such methods will achieve similar results. Policymakers might also be more open to the advice of those economists and experts that share their admiration for and desire to emulate the American capitalist system.

Given the fact that the United States has consistently been the most successful state in the international system throughout the seventy-year period investigated for this project, mimetic isomorphism in Iran should result in the power of pro-market economists increasing over time until it reached a level similar to that of the American model being copied. In fact, however, the fluctuating nature of economists' power seems to indicate that mimetic isomorphism is not occurring.

Perhaps, however, theories of mimetic isomorphism might be improved by additional elaboration of the characteristics or markers that identify a given state as an appropriate model for emulation. It seems likely, for example, that ideological or cultural similarity might be an important signal in this regard. That is, a small communist nation

might have sought to emulate the example of the Soviet Union in the 1960s while a developing Asian nation might have sought to imitate the practices of Japan.

Incorporating ideological and cultural considerations results in new predictions about the power of economists in Iran. More specifically, during the Pahlavi era (Cases 1, 2, 3, 4, and 5) when the Shah overtly sought to ‘catch up’ to the West, economists’ power might have been expected to uniformly increase. After the revolution, however, the new regime’s identity was based in large part on rejection of the western model. As a result Iranian economists in more recent years (Cases 6, 7, 8, 9, and 10) would be expected to have a very difficult time ascending to policy positions and/or realizing policy preferences.

Table 7: U.S. is Model for Emulation

Case Number	Years Comprised	U.S. is Model	Observed Power of Economists
1	1953-1958	Y	High
2	1959-1962	Y	Low
3	1963-1972	Y	High
4	1973-1976	Y	Low
5	1977-1978	Y	High
6	1979-1987	N	Low
7	1988-1992	N	High
8	1993-1997	N	Low
9	1997-2004	N	High
10	2004-2009	N	Low

In fact, however, such expectations are not borne out by the actual observed outcomes in the cases (See: Table 7) and it is tempting to dismiss the significance of

mimetic processes altogether. It is possible, however, that the research design of the present study focused, as it is, on swings in economists' power over relatively short periods of time, is simply not capable of capturing long-term processes like mimetic isomorphism. Perhaps over time the position of economists in both the Pahlavi and Islamic eras was in fact trending toward the American example with dips in power being smaller than subsequent increases. Perhaps the Islamic revolution did in fact introduce a one-time absolute lowering of economists' power but did not actually affect the overall trend.

Unfortunately, however, the present study is limited to observing relative changes in economists' power and cannot accurately measure longer term or absolute changes in such power. For the purposes of this study, therefore, mimetic isomorphism is determined to be an insignificant factor in mediating the power of economists to influence policy decisions.

Discussion and proposals for additional research

The primary hypothesis driving this investigation is that politician's need for international resources is the primary driver of their reliance upon economists that are best able to inspire the trust and loosen the purse strings of individuals within the international financial and donor communities. The evidence reviewed above provides a great deal of support for this hypothesis. In almost every case in which the need for international resources was great, economists were able to control the policymaking process. And in almost every case in which the need for international resources was lessened, economists lost influence.

Alternate hypotheses inspired by scholarship on political interest groups, functionalism, and mimetic isomorphism can be rejected on the basis of the evidence provided above. The surprising result, however, is the extent to which epistemic communities of economists were able to take advantage of moments of political or economic crisis to expand their influence. Indeed, a question worth considering is whether the two variables found to be significant are actually the same. That is, since economic crises often result in increased need for international resources, perhaps these two variables ought to be collapsed into one and the resulting impact on economists' power can be analyzed accordingly.

The processes described by scholars of epistemic communities and coercive isomorphism are, however, quite distinct. Scholars of epistemic communities have demonstrated that economic crises result in 'teachable moments' in which politicians and policymakers are open to learning from experts and perhaps changing their own understandings of the best policy course for the nation. In contrast, the need for international resources does not comprise any learning. Political leaders face material consequences that can be quite unpleasant if they refuse to conform to the expectations of the individuals or states upon which they are dependent for aid, loans, or investment.

The two processes also have very different implications for the economists involved. Epistemic communities are valued societies of experts with the ability to teach and persuade the highest political offices. As the Iranian example demonstrated, such communities can even help to precipitate or create teachable moments by exaggerating future economic conditions in a way that manufactures a crisis and captures the attention of policymakers. When economists are hired and promoted primarily for their value in

attracting the respect and dollars of the international financial community, however, they have fewer opportunities to influence the worldview and beliefs of the political leaders they serve.

The available evidence suggests that the need for international resources was the primary driver of economists' power during the Pahlavi era. After the 1953 coup, the Shah was compelled to depend on men like Amini and Ebtehaj whom the Americans trusted to manage the aid dollars they were pouring into the country (Case #1). The first chance he got once the country was stabilized, however, he dismissed these men only to realize the enormity of their role in maintaining American favor and safeguarding his throne (Case #2). Over the following ten years (Case #3), therefore, the Shah cultivated a cadre of young, Western-educated economists and technocrats who were empowered to run the country's economy in a manner that would ensure continued American aid. The Shah's resentment of and contempt toward his team was held in check until the oil boom of the 1970s (Case #4) promised to deliver bounty that would erase his dependence on the U.S. forever. When boom turned to bust (Case #5) however, the Shah once more turned to his economic team.

During the Islamic Republican era, however, the teaching role of epistemic communities seems to have been more prominent. The revolution's success (Case #6) created a temporary sense of divine favor that the exhausting war with Iraq diminished. Economists were able to use this 'teachable moment' (Case #7) to convince the political leadership—particularly those on the 'right'—of the need for economic reforms. While economists lost some credibility as a result of the 1992 debt crisis (Case #8) they were able to regroup and manufacture a crisis that allowed them to influence and change the

worldview of important Leftist leaders like Khatami (Case #9). With a new group in power following the 2005 election (Case #10) economists were once again sidelined. It remains to be seen whether the current political and economic crisis brought about by draconian economic sanctions will create another teachable moment that will allow economists to influence the world view of yet another political group.

Additional research would be needed to determine why leaders of the Islamic Republic were more amenable to changing their worldview than the Shah; and under what circumstances economists can expect to influence not only policy but also the beliefs of the leaders they serve. It would be particularly useful, for example, to identify cases in which economic crisis and resource dependency are de-coupled—an economic crisis that does not increase the need for international resources or increased resource dependence that was not precipitated by economic crisis. One may speculate, however, that in the absence of material incentives to entrust economists with economic policy, leaders would refuse to do so until they were actually convinced of the benefits of such a path. On the other hand, the presence of material incentives may cut short opportunities for reflection or new interpretations given that political leaders may automatically and without much thought quickly revert to those behaviors that will be rewarded by the external power. The fascinating and counterintuitive result for Iran is that economists under the Islamic Republic were far more powerful in their ability to actually change their political leaders' minds than economists serving the Pahlavi regime.

Further research into the process and impact of mimetic isomorphism would also be extremely useful. Such work could be facilitated by a more absolute measure of economists' power (such as the number of economists working in government) that

allows for direct comparisons between the level of such power in the Islamic Republic versus the Pahlavi regime. Evidence that the Islamic Republic were trending toward an American model as regard the role of economists would be especially interesting given its explicit rejection of such a model.

Implications of Findings

This research project was conducted in the hopes of addressing an important gap in the current literature on expert power. While a great deal of theoretical and empirical work has been done to conceptualize and test the conditions under which economists gain policymaking power, very little exploration has been done of the conditions under which economists might lose power. The present study has sought to address this lacuna by investigating the significance of various variables in mediating increases or decreases in economists' power over time in Pahlavi and Islamic Iran. The results indicate that economists are most likely to be promoted to policymaking positions in which their advice is followed when: a) the country they serve is in need of material resources from dominant states that are more willing to deliver said resources to countries whose economies are run by economists; or b) they have invested a great deal of time utilizing 'teachable moments' resulting from economic crises to educate policymakers across the political spectrum as to the utility of the services economists can provide.

Additional research should be done to test the generalizability of these results to other countries and determine the conditions under which resource dependence versus the activities of epistemic communities are likely to be the most important driver of variation in the dependent variable. One expectation that ought to be tested, for example, is that the

influence of economists in highly developed and well-off countries has little to do with their ability to deliver international resources given that such countries have little need of international aid and are already popular destinations for investment. The influence of economists in developed countries is expected to stem instead from the efforts of epistemic communities to educate and convince policymakers and the public.

Appendix: Timeline of major political and economic events

1949

The Plan Organization is established and the first Seven Year Development Plan begins.

1951

Mossadegh is elected prime minister and nationalizes the oil industry. In response, Britain imposes an embargo of Iranian oil.

1953

Mossadegh is removed from power in a CIA supported coup d'état in August. General Zahedi becomes Prime Minister and Ali Amini is appointed Finance Minister. Britain refuses to end the oil embargo until a new agreement is negotiated. Iran, starved of finances after two years without oil revenues, gets by with emergency financial aid from the United States. Vice President Nixon visits the country in December.

1954

Ebtehaj takes over the Plan Organization. An oil agreement is finally concluded in October and Iran resumes international oil sales.

1955

Hossein Ala replaces Zahedi as Prime Minister. Amini becomes Minister of Justice.

1956

The Second Development Plan is launched.

1957

The World Bank approves a \$75 million loan to Iran. Manuchehr Eghbal replaces Hossein Ala as Prime Minister.

1958

The Shah signs the Baghdad Pact thereby overtly abandoning its centuries-long policy of non-alignment. The “Qarani affair” leads to the imprisonment or demotion of a number of Iranian officials – including Ali Amini – on suspicion of treason. The U.S. conducts a formal review of Iran policy with an emphasis on how to induce needed economic reforms.

1959

Ebtehaj loses a power struggle with Prime Minister Eghbal and leaves the Plan Organization.

1960

The country is struggling with inflation, budget deficits, and balance of payments issues. The IMF offers \$55 million in loans with the requirement that the government accept a series of austerity reforms intended to stabilize the economy. The Shah's clumsy attempts to manipulate the parliamentary election backfires. Prime Minister Eghbal is blamed for rigged elections and replaced by Sharif-Emami.

1961

Austerity reforms result in political discontent. On May 4th over 50,000 demonstrators clash with the Iranian army over cuts in teacher pay leading to Sharif-Emami's resignation. Ali Amini becomes Prime Minister and, in the absence of an elected parliament, rules 'by decree'. The U.S. provides additional financial aid to support Amini's premiership.

1962

Amini is unable to raise enough funds to cover both the Shah's military expenditures and a looming budget deficit. In July, Amini is replaced by the Shah's friend and confidant Asadollah Alam.

1963

The Shah launches the White Revolution. After criticizing these reforms, Khomeini is arrested. Municipal gate taxes (the last independent source of money to the provinces) are abolished. The Shah announces his support for a new political group headed by Hassan Ali Mansour and Amir Abbas Hoveyda which sweeps the parliamentary elections in October. The third development plan (a five-year plan) is launched.

1964

The new Mansour government takes office and launches a series of reforms. All government budgetary functions are ceded to the Plan Organization. Status of Forces agreement is signed with the US which gives American military personnel and all dependents immunity from prosecution in Iranian courts. Khomeini leads demonstrations against the agreement which result in his exile.

1965

Mansour is assassinated by a Khomeini loyalist and Hoveyda becomes prime minister (a position he holds for the next 12 years).

1966

Economic reforms are yielding results in high growth and relatively low inflation. In December a new agreement is negotiated between Iran and the oil consortium.

1967

Coronation of Mohammad Reza Shah. Iran is officially declared to have 'graduated' from the American aid program that had delivered \$605 million in budgetary and development aid since 1951.

1968

Fourth Development Plan is launched.

1969

Some of the strains from speedy development are beginning to show up in the form of inflation and a worrisome debt service ratio. Iran's economic team institutes contractionary monetary policies.

1971

Iran and other OPEC nations negotiate a new deal – the 'Tehran Agreement' – with the multinational oil companies that result in an increase in revenues. Celebrations at Persepolis mark the 2500 year anniversary of the Iranian empire.

1972

Another round of OPEC negotiations with the multinationals results in a further increase in oil income. The Fifth Development Plan is unveiled and publicly debated at a conference in Shiraz.

1973

The Arab oil embargo due to the Yom Kippur war is launched and the oil boom begins in earnest. The Shah instructs the Plan Organization to revise the Fifth Plan in light of the additional capital inflows.

1974

At the Ramsar conference, options for a revised Fifth Plan are considered and the Shah, disregarding his advisors, opts for a massive spending increase that not only burns through oil revenues but also uses massive credits available from the international financial community based on expectations of future earnings.

1975

Iran announces plans to invest \$15 billion in the United States over the next five years. Massive spending is running up against physical and human capital bottlenecks including port capacity, transportation, electricity, etc. Inflation is eating away at purchasing power and the government's response is to institute price controls.

1976

With much of the West in recession, demand for oil drops. Without the expected oil revenues, cash is short, various projects are delayed or cancelled, and officials scramble to reschedule short-term debt. The Shah launches an Imperial Commission to investigate waste, corruption, and the reasons for the Government's inability to meet production schedules set out in the Fifth Plan.

1977

Prime Minister Amir Abbas Hoveyda is dismissed and replaced by Jamshid Amuzegar who launches an austerity program to cool the overheated economy. The Shah travels to the U.S. where his meeting with President Carter is interrupted by student protestors.

1978

The country is convulsed by increasingly large demonstrations and clashes with security forces. Martial law is declared and the country is put under military rule.

1979

In January the Shah leaves the country. The following month, Khomeini returns to Iran and the monarchy is abolished. Mehdi Bazargan is appointed prime minister of the provisional government. In a national referendum voters overwhelmingly vote for the creation of an Islamic Republic. Banks, insurance companies and large factories are nationalized. In another referendum the country's new constitution is approved. Students seize the U.S. embassy.

1980

Banisadr becomes the first president of the Islamic Republic. The Islamic Republic's first parliament is elected. Universities are closed as part of the Cultural Revolution to 'Islamicize' the curriculum. The exiled Shah dies of cancer in Egypt. In September the Iraqi army invades Iran at Khuzestan.

1981

American hostages are released. Banisadr is stripped of power and impeached by parliament. He later flees the country. Musa Khayyer closes the Plan and Budget Organization. Several months later, Banki re-opens it. The new president, Rajai is killed in August. Khamene'i is sworn in as president and Mir Hussein Musavi is appointed Prime Minister.

1983

The first post-revolutionary five-year development plan is submitted to parliament where it is ultimately rejected. An Islamic Banking law is unanimously passed.

1984

Universities reopen after a purge of faculty and curriculum. Parliamentary elections are held and Rafsanjani is elected Speaker. The war with Iraq as well as Iran's diplomatic and economic isolation are continuing to drain the country.

1985

In what comes to be known as the Iran-Contra affair, the U.S. attempts to win the release of hostages in Lebanon by offering a secret arms deal. Khamene'i is reelected by a 'decisive majority' and the Majlis reappoints Musavi as Prime Minister.

1986

Price of oil drops to only \$14.44 per barrel and Iran's oil income drops to under \$6 billion. The government is now strictly rationing essential goods and foreign exchange and has instituted controls on imports, wages and prices.

1988

Close to 300 civilians are killed when the USS Vincennes mistakenly shoots down an Iran Air plane. PBO forecasts extrapolating forward from status quo conditions suggest that the combination of population growth with the absence of capital investments will result in unmanageable economic strains. In August, Khomeini agrees to a formal ceasefire with Iraq

1989

Khomeini issues a fatwa for Salman Rushdie's death. Khomeini dies and Khamene'i becomes the new Supreme Leader. Constitutional changes eliminate the post of Prime Minister. Rafsanjani wins presidential election and launches an economic reform program under the auspices of the Islamic Republic's first five year development plan. . A new family planning program is launched to slow population growth.

1990

The IMF visits Tehran for the first full-scale talks since 1978. Iran remains neutral after Iraq's invasion of Kuwait and resumes diplomatic ties with Iraq. Iran requests an emergency loan from the World Bank to help reconstruction efforts after a major earthquake.

1991

Iran receives \$250 million from the World Bank for earthquake relief. The government works toward unification of the exchange rate and by mid-year has eliminated four of seven rates. 700 state-owned enterprises are being considered for sale as part of the privatization drive.

1992

In parliamentary elections, the Guardian's Council heavily vets candidates disqualifying 30 incumbents. Rafsanjani allies gain seats as a result.

1993

Exchange rate officially unified in March and the rial is devalued. But the program is undermined by a significant debt crisis. Rafsanjani is elected to a second term but with a much lower turnout and lower percentage of the vote.

1994

Continued debt crisis results in austerity measures and the reintroduction of multiple exchange rates. Critics blame IMF-style reform program for economic problems.

1995

President Clinton signs executive orders banning U.S. companies from doing business in or with Iran. Second development plan initiated.

1996

Members of a new technocratic political party, the Kargozaran, do very well in Majlis elections. The Iran Libya Sanctions Act is passed by the U.S. Congress threatening sanctions against non-U.S. companies that do business in or with Iran.

1997

Khatami, a little known cleric, wins a landslide with 70% of the vote in the presidential election, beating the conservative establishment's choice. A coalition of 18 organizations and parties form the reformist 2nd of Khordad front.

1998

In an interview with Christiane Ammanpour, Khatami reaches out to Americans and encourages people-to-people relations. Later in the year, Madeleine Albright calls on Iran to join the U.S. in drawing up a road map to normalization of relations. Rafsanjani ally Karbaschi is convicted on corruption charges and sentenced to five years in prison. Various newspapers are launched and re-launched by the 2nd of Khordad group only to be closed down by hardliners. Iranian officials state that the Rushdie matter is closed; Britain responds by restoring diplomatic relations. Political 'chain' murders begin with the stabbing of Dariush Forouhar and his wife.

1999

First municipal elections held in which Khatami allies do very well. Price of oil falls below \$10 per barrel. As part of his charm offensive, Khatami visits a number of Western nations including Italy and France. Government protests begin over the closure of more reformist newspapers and over 1,000 student demonstrators are arrested.

2000

The Third Development Plan is approved and launched. In the 6th parliamentary elections the 2nd of Khordad Front wins 65% of the seats despite heavy vetting by the Guardians Council. Madeleine Albright announces the easing of sanctions on Iran and apologizes for the 1953 coup. Over U.S. objections, the World Bank resumes lending to Iran. Karafarin Bank becomes the first private bank licensed to operate in Iran since the revolution.

2001

Parliament passes laws necessary for compliance with WTO requirements. Khatami wins reelection. After September 11 attacks, Iran cooperates with the U.S. on Afghanistan. The National Tax Organization is established to develop streamlined procedures for tax regulations and collection.

2002

President Bush declares Iran is part of the Axis of Evil. Russian technicians begin construction of Iran's first nuclear reactor. The exchange rate is unified and placed under a managed float by the Central Bank. The "Law for Encouragement and Protection of Foreign Investment" is passed to provide additional protections and incentives for foreign investment.

2003

Second municipal elections in Iran with only 15-25% voter turnout results in a conservative takeover. Shirin Ebadi wins the Nobel peace prize. Iran becomes a full member of MIGA.

2004

Iran accepts the IMF's Article VIII obligations regarding currency restrictions. Seventh majlis elections are held after candidates are heavily vetted by the Guardians Council which disqualifies 3000 people including 80 incumbents and leads the ascendance of the new Abadgaran political group. The new conservative majlis demands significant changes of the Fourth Development Plan.

2005

Ahmadinejad wins the presidential election over Rafsanjani. The Tehran Stock Exchange falls dramatically in response to the election outcome.

2006

The Supreme Leader issues a decree to allow more industries to be privatized. Ahmadinejad pressures Iranian banks to lower interest rates. He also takes a step toward dismantling the PBO by transferring its provincial offices to the Interior Ministry. Iran hosts a controversial conference on the Holocaust.

2007

In January, 150 members of parliament write an open letter to the president attacking his economic policies which were blamed for economic stagflation. Protests erupt after the government imposes a gas rationing scheme.

2008

Inflation tops 26% and a number of economists, politicians and top clerics criticize the president over his handling of the economy. Attempts to impose a 3% value added tax results in a bazaar strike and a repeal of the VAT.

2009

Thirtieth anniversary of the revolution. Ahmadinejad is declared to have won the June presidential election but rival candidates including Mir Hussein Musavi charge vote-rigging. Demonstrations and clashes ensue in which at least 30 people are killed and more than 1000 are arrested.

2010

Parliament and the Guardians Council approve a subsidy reform program that goes into effect in December. The Stuxnet computer virus is detected in computers at the Bushehr nuclear plant.

2011

U.S. sanctions are tightened. Late in the year, the Iranian currency suddenly collapses declining 55% against the dollar.

2012

The U.S. imposes additional sanctions on Iran's central bank. The rial falls to a new record low against the U.S. dollar.

References

- Abrahamian, Ervand. (2008) *A History of Modern Iran*. Cambridge: Cambridge University Press.
- Adeli, Mohammad-Hosseini, and interviewed by Bahman Ahmadi-Amooee. (2003) Eghtesad-E Siyasi-E Jomhuri-E Islami. Tehran, Iran: Gam-e No.
- Adler, Emanuel, and Peter M. Haas. (1992) Conclusion: Epistemic Communities, World Order, and the Creation of a Reflective Research Program. *International Organization* 46:367-90.
- Afkhami, Gholam Reza. (2009) *The Life and Times of the Shah*. Berkeley: University of California Press.
- Aghajanian, Akbar, and Amir Merhyar. (1999) Fertility, Contraceptive Use and Family Planning Program Activity in the Islamic Republic of Iran. *International Family Planning Perspectives* 25:98-102.
- Ahmadinejad's Economic Performance under Fire. October 30, 2007 Agence France Presse.
- Ahmadinejad Dismantles Mpo, Reducing Oversight of Government Performance. (July 2007) *Menas Iran Strategic Focus* 3.
- Ahmadinejad Gets Ready to Spend Oil Revenues. January 16, 2006 Agence France Presse.
- Ahmadinejad Looks toward 2009. (August 2008) *Menas Iran Strategic Focus* 4.
- Ahmadinejad, Mahmoud. (October 19, 2006) First Year 'Achievements' Speech. Tehran, Iran: Channel 1.
- Ahmadinejad: Accountable? Not Me! (May, 2008) *Menas Iran Strategic Focus* 4.

- Ahmadinejad: The Imam of Our Times Is Managing the Subsidy Reform Program.
January 5, 2011 Tabnak.
- Ahvaz Steel Worker's Strike. (1980) *MERIP Reports* 88.
- Akins, James E. (1973) The Oil Crisis: This Time the Wolf Is Here. *Foreign Affairs* 51:462-90.
- Alikhani, Alinaghi. (2001) *Ideology, Politics, and Process in Iran's Economic Development, 1960-1970: An Interview with Alinaghi Alikhani*. Washington, DC: Foundation for Iranian Studies.
- . (1991) *The Shah and I: The Confidential Diary of Iran's Royal Court*. New York: St. Martin's Press.
- Alizadeh, Parvin. (2000) Introduction. In *The Economy of Iran: Dilemmas of an Islamic State*, edited by Parvin Alizadeh. New York: I.B. Tauris.
- . (2003) Iran's Quandry: Economic Reforms and the 'Structural Trap'. *The Brown Journal of World Affairs* 9:267-81.
- Allen, Robin. April 23, 1996 Comment & Analysis: A First Step on the Road to Reforms: Robin Allen on the Prospects for the Iranian Economy after the Country's General Election. *Financial Times*.
- . October 31, 1996 Iran's Secret Bid to Join the Wto. *Financial Times*.
- . March 26, 1999 Iran Banks on Private Sector to Help Credit-Starved Economy. *Financial Times*.
- . March 11, 1996 Poll Boost for Rafsanjani. *Financial Times*.
- Allen, Robin, Stewart Fleming, and Andrew Gowers. July 4, 1988 Us Admits Accidental Shooting Down of Iranian Airliner in Gulf. *Financial Times*.

Amin, Modher. August 17, 2005 Iran New 'Cabinet of Unknowns'? United Press International.

Amini, Ali. (1995) *Khaterate Ali Amini, Nokhos Vazir Iran [Memoirs of Ali Amini: Prime Minister of Iran (1961-62)]*. Iranian Oral History Project. Bethesda, MD: Ibex Publishers.

Amini, Parvin Merat. (2002) A Single Party State in Iran, 1975-78: The Rastakhiz Party: The Final Attempt by the Shah to Consolidate His Political Base. *Middle Eastern Studies* 38:131-68.

Amirahmadi, Hooshang. (1996) Iran's Development: Evaluation and Challenges. *Third World Quarterly* 17:123-47.

Amuzegar, Jahangir. (2007) The Ahmadinejad Era: Preparing for the Apocalypse. *Journal of International Affairs* 60:35-53.

———. (1993) *Iran's Economy under the Islamic Republic*. New York: I.B. Tauris & Co Ltd.

———. (2010) Iran's Fourth Plan: A Partial Assessment. *Middle East Policy* 17:114-30.

———. (2005) Iran's Oil Stabilization Fund: A Misnomer. *Middle East Economic Survey* 48.

———. (2001) Iran's Post-Revolution Planning: The Second Try. *Middle East Policy* 8:25-42.

———. (April 2004) Iran's Prospects under the 7th Majlis. *Middle East Economic Survey* 47.

———. (January 2012) Iran's Subsidies Reform: A Year Later. *Middle East Economic Survey*.

- . (2005) Iran's Third Development Plan: An Appraisal. *Middle East Policy* 12:46-63.
- . (1992) The Iranian Economy before and after the Revolution. *Middle East Journal* 46:413-25.
- . (2007) Islamic Social Justice, Iranian Style. *Middle East Policy* 14:60-78.
- . (2007) Islamic Social Justice, Iranian Style. *Middle East Policy* 14.
- . (2006) Khatami's Legacy: Dashed Hopes. *Middle East Journal* 60:57-74.
- . (1999) Khatami and the Iranian Economy at Mid-Term. *Middle East Journal* 53:534-52.
- . (2001) *Managing the Oil Wealth: Opec's Windfalls and Pitfalls*. New York: St. Martin's Press.
- Amuzegar, Jahangir, and M. Ali Fekrat. (1971) *Iran: Economic Development under Dualistic Conditions*. Chicago: University of Chicago Press.
- Andrews, David. (1994) Capital Mobility and State Autonomy: Toward a Structural Theory of International Monetary Relations. *International Studies Quarterly* 38:193-218.
- Annual Oil Market Chronology. (2008). United States Energy Information Administration: <http://www.eia.gov/emeu/cabs/AOMC/7079.html>.
- Anonymous, Economist at the Central Bank of Iran. (August 14, 2006) Personal Interview. Tehran, Iran.
- Anonymous, economist at the Management and Planning Organization. (March 4, 2009) Personal Interview. Tehran, Iran.

Anonymous, Editor-in-Chief of daily newspaper. (February 22, 2009) Personal Interview.
Tehran, Iran.

Anonymous, Former Minister. (August 18, 2006) Personal Interview. Tehran, Iran.

Anonymous, Formerly a High level Economist at the Central Bank. (March 7, 2009)
Personal Interview. Tehran, Iran.

———. (July 31, 2006) Personal Interview. Tehran, Iran.

Anonymous, Formerly a High level Economist at the Plan and Budget Organization.
(August 9 and August 16, 2006) Personal Interview. Tehran, Iran.

Anonymous, Formerly High level Economist at the Plan and Budget Organization.
(September 3, 2006) Personal Interview. Tehran, Iran.

Anonymous, Iranian Economic Historian. (February 18, 2009) Personal Interview.
Tehran, Iran.

Anonymous, Iranian Economist and Businessman. (July 14, 2006) Personal Interview.
Tehran, Iran.

Anonymous, Journalist. (August 19, 2006) Personal Interview. Tehran, Iran.

Anonymous, Official in Iran's Privatization Organization. (August 3, 2006) Personal
Interview. Tehran, Iran.

Anonymous, official in the Central Bank of Iran. (August 2, 2006) Personal Interview.
Tehran, Iran.

Anonymous, Professor of Economics and former high-level economists at the Central
Bank. (July 24, 2006) Personal Interview. Tehran, Iran.

Asgari, Mohsen, and Garth Smyth. September 24, 2004 Conservatives Flex Muscles in
Iran's New Parliament. Financial Times.

- Askari, Hossein, and John Cummings. (1978) Economists as Ministers in the Middle East. *Middle East Journal* 32:341-50.
- Babb, Sarah. (2001) *Managing Mexico: Economists from Nationalism to Neoliberalism*. Princeton: Princeton University Press.
- Bailey, Michael. (2001) Quiet Influence: The Representation of Diffuse Interests on Trade Policy, 1983-94. *Legislative Studies Quarterly* 26:45-80.
- Bakhash, Shaul. (1990) *Reign of the Ayatollahs: Iran and the Islamic Revolution*. New York: Basic Books, Inc.
- Bani-Sadr Is Dismissed by Khomeini as Chief of Iran Armed Forces. June 11, 1981 New York Times.
- Banking, Finance, Stock Market. (April 2006) *Menas Iran Strategic Focus* 2.
- Barber, Lionel. April 30, 1997 Brussels Fires Shot across Iran's Bows: Ministers Achieve Consensus Balancing Mild Sanctions with Decision to Resume Contacts. Financial Times.
- . March 16, 1991 Loan for Iran. Financial Times.
- Barracough, Colin. May 12, 1992 Elections Speed Tehran's Farewell to the Ghost of Khomeini: Anti-U.S. Slogans Disappearing from the Capital's Walls Indicate a Readiness to Consider Relations. Financial Times.
- Barzin, Saeed. July 2, 2007 Iranian Government Determined to Pursue Petrol Rationing. British Broadcasting Corporation.
- Behdad, Sohrab. (1988) Foreign Exchange Gap, Structural Constraints, and the Political Economy of Exchange Rate Determination in Iran. *International Journal of Middle East Studies* 20:1-21.

- . (1995) Islamization of Economics in Iranian Universities. *International Journal of Middle East Studies* 27:193-217.
- Benjamin, Milton R., and Barry Came. (March 1, 1976) The Shah's Growing Pains. In *Newsweek*.
- Bennett, Robert A. November 22, 1979 Iran Said to Default on Loan: Interest Not Paid on \$500 Million from 11 Banks. *New York Times*.
- Bill, James A. (1970) Modernization and Reform from Above: The Case of Iran. *The Journal of Politics* 32:19-40.
- Boggs, Marion W. (February 5, 1957) Foreign Relations of the United States, 1955–1957 Volume Xii, near East Region; Iran; Iraq, Document 387. edited by United States Department of State: <http://history.state.gov/historicaldocuments/frus1955-57v12/d387>.
- . (April 7, 1960) Foreign Relations of the United States, 1958–1960 Volume Xii, near East Region; Iraq; Iran; Arabian Peninsula, Document 288: Memorandum of Discussion at the 440th Meeting of the National Security Council. <http://history.state.gov/historicaldocuments/frus1958-60v12/d288>.
- Bostock, Frances, and Geoffrey Jones. (1989) *Planning and Power in Iran: Ebtehaj and Economic Development under the Shah*. London: Frank Cass and Company Ltd.
- Bowling, John W. (February 21, 1959) Foreign Service Despatch 583: Political and Economic Aspects of the Fall of Plan Organization Director Ebtehaj.
- Bozorgmehr, Najmeh. November 3, 2007 Ahmadi-Nejad Seeks Tighter Grip on Revenue. *Financial Times*.
- . October 14, 2009 Iran's Thermometer Begins to Overheat. *Financial Times*.

- . September 21, 2008 Iran Fires Central Banker. *Financial Times*.
- . November 15, 2007 Iran Leader Sees Allies in Key Posts. *Financial Times*.
- . August 25, 2005 Iran Parliament Rejects Nominee for Oil Minister. *Financial Times*.
- . January 12, 2009 Iran to Set Aside 20% of Oil Revenues. *Financial Times*.
- . December 12, 2005 Iranian Leaders Fourth Oil Minister Nominee Given Nod. *Financial Times*.
- . January 3, 2002 Licence for First Private Bank in Iran. *Financial Times*.
- . August 27, 2007 Reshuffle Displaces Iran Bank Governor. *Financial Times*.
- . May 30, 2012 'State' Bodies Stymie Iran Privatisations. *Financial Times*.
- . May 30, 2012 'State' Bodies Stymie Iran Privatisations. *Financial Times*.
- Bozorgmehr, Najmeh, and Roula Khalaf. March 5, 2008 Iran Bank Chief Takes Realistic Tack. *Financial Times*.
- Brady, Thomas F. December 19, 1965 Iran Builds Oil Port on Kharg Island. *New York Times*.
- Bray, William. (July 16, 1955) Foreign Service Despatch 23: Proposed Legislation on Iran's Development Program.
- . (June 22, 1955) Press Conference of Mr. A.H.Ebtehaj, June 12, 1955.
- Brecher, Jeremy, and Tim Costello. (2000) *Globalization from Below*. Cambridge, MA: South End Press.
- Brenner, Michael J. (1969) Functional Representation and Interest Group Theory: Some Notes on British Practice. *Comparative Politics* 2:111-34.
- Brewer, Sam Pope. May 4, 1956 Big Program Set to Develop Iran. *New York Times*.

- Brickman, Ronald, Sheila Jasanoff, and Thomas Ilgen. (1985) *Controlling Chemicals: The Politics of Regulation in Europe and the United States*. Ithaca: Cornell University Press.
- Budget Squeaks through before Year-End. (April, 2006) *Menas Iran Strategic Focus* 2.
- Byroade, Henry. (August 25, 1953) Memorandum of Conversation with Harold Beeley. ———. (October 13, 1954) Telegram 729 from the U.S. Department of State to the U.S. Embassy in Tehran.
- Calhoun, Stephen Lance. (1979) *United States Foreign Policy and Land Reform in Iran*. p. 135. Fresno: California State University, Fresno.
- Camp, R. A. (1977) *The Role of Economists in Policy Making: A Comparative Case Study of Mexico and the United States*. Tucson: University of Arizona Press.
- Cassilly, Thomas A. (March 11, 1957) *Foreign Relations of the United States, 1955–1957* Volume Xii, near East Region; Iran; Iraq, Document 393. edited by United States Department of State: <http://history.state.gov/historicaldocuments/frus1955-57v12/d393>.
- Cbi Report Finds Osf Overcommitted. (January 2007) *Menas Iran Strategic Focus* 3.
- Centeno, Miguel A. (1993) *The New Leviathan: The Dynamics and Limits of Technocracy*. *Theory and Society* 22:307-35.
- Central Banker Details Challenges Facing Financial Sector. May 17, 2006 Jomhuri-ye Eslami.
- United States Department of State. 1955. Foreign Relations of the United States, 1955-1957 Volume Xii, near East Region; Iran; Iraq, Document 338. <http://history.state.gov/historicaldocuments/frus1955-57v12/d338>.

United States Department of State. 1955. Foreign Relations of the United States, 1955–1957 Volume Xii, near East Region; Iran; Iraq, Document 339.

<http://history.state.gov/historicaldocuments/frus1955-57v12/d339>.

Chapin, Selden. (May 29, 1958) Foreign Relations of the United States, 1958–1960 Volume Xii, near East Region; Iraq; Iran; Arabian Peninsula, Document 235: Telegram from the Embassy in Iran to the Department of State.

Chronology April 16, 1991-July 15, 1991. (1991) *Middle East Journal* 45:649-73.

Chronology April 16, 1992-July 15, 1992. (1992) *Middle East Journal* 46:655-82.

Chronology July 16, 1983--October 15, 1983. (1983) *Middle East Journal* 38:99-114.

CIA. (June 1979) Analysis of Nfac's Performance on Iran's Domestic Crisis, Mid-1977 - 7 November 1978.

———. (1951) Current Developments in Iran: Special Estimate Se-6, May 22, 1951. Washington, DC.

———. (February, 1973) Intelligence Memorandum: Iran: The Shah's Economic and Military Expansion.

———. (July 15, 1975) Iran: Economic Impact of the Shah's Military Program.

———. (1964) Iran: National Intelligence Estimate Number 34-64, May 20, 1964. Washington, DC.

———. (1953) Iran: Present Situation. Washington, DC.

———. (1967) Iran: U.S. Economic Assistance.

———. (1962) Political Prospects for Iran: Special National Intelligence Estimate 34-62, September 7, 1962. Washington, DC.

- . (1953) Probable Developments in Iran through 1954: National Intelligence Estimate 102, November 16, 1953. Washington, DC.
- . (1954) Probable Developments in Iran through 1955: National Intelligence Estimate Number 34-54, December 7, 1954. Washington, DC.
- Clarity, James F. October 7, 1974 Iran's Flood of Oil Money Aggravates Her Inflation. New York Times.
- . June 3, 1974 Rich but Underdeveloped, Iran Seeks More Power. New York Times.
- Clock, Philip. (November 21, 1956) Embassy Despatch 416: Mounting Political Dispute over Proposed Ibrd Credit to Iran.
- . (January 3, 1957) Foreign Service Despatch 541: Parliamentary Approval of the Ibrd Loan to Iran.
- Coats, A. W. (1981) *Economists in Government: An International Comparative Study*. Durham: Duke University Press.
- Commentary: The Leadership Decree on Privatisation. (July 2006) *Menas Iran Strategic Focus* 2.
- Conservative Majlis Deputies Continue to Show Their Teeth: Impeachment Initiatives. (September 2004) *Iran Focus* 17:12.
- Corzine, Robert. January 29, 1999 Prospects for Firmer Prices Uncertain: Oil. Financial Times.
- Corzine, Robert, and Scheherazade Daneshkhu. May 24, 1995 Iran Struggles to Keep Rial on Stable Course: The Latest Bout of Instability Was Exacerbated by the Us Decision to Tighten Unilateral Sanctions. Financial Times.

- Cowan, Edward. December 17, 1979 Iranian Economy Shrank by 12% This Year, Central Bank Estimates. New York Times.
- Cutler, Walter L. (October 28, 1967) Department of State Airgram a-229: End of Tour Reflections.
- Dadkhah, Kamran. (1985) The Inflationary Process of the Iranian Economy, 1970-1980. *International Journal of Middle East Studies* 17:365-81.
- Daneshkhu, Scheherazade. September 11, 1990 Crisis in the Gulf; International Pariah Begins to Edge out from the Cold. Financial Times.
- . October 5, 1994 Iran's Leaders Try to Stay a Step Ahead of Critics: Inflation and Debt Overshadow Economic Reform Advances. Financial Times.
- . May 1, 1991 Iran-U.S. Relations Ease Despite Hardliners' Anger. Financial Times.
- . March 15, 1991 Iran Attempts to Attract Foreign Investment. Financial Times.
- . May 8, 1992 Iran Removes Limit on Foreign Investment. Financial Times.
- . January 21, 1991 Iran to Remove Restrictions on Currency Deals. Financial Times.
- . May 14, 1991 Iran to Sell State Company Shares. Financial Times.
- . May 3, 1990 Iranian Exiles Returning to the Economic Fold. Financial Times.
- . July 29, 1989 Leader Who Stresses Importance of Modernisation for Tehran. Financial Times.
- . November 20, 1990 The Middle East; Iran's Milder Ends Force Adoption of Tougher Means. Financial Times.
- . December 27, 1990 The Middle East; Tehran Presses Claims as Gulf 'Protector'. Financial Times.

- . March 7, 1991 Neutral Iran Beckons the Foreign Investors. *Financial Times*.
- . May 13, 1988 Radical Factions Ascendant as Iranians Vote. *Financial Times*.
- . May 4, 1989 Rafsanjani Stays Afloat While All around Sink. *Financial Times*.
- . October 9, 1990 Rafsanjani Supporters Force out Radical Opponents. *Financial Times*.
- . January 26, 1994 Stop Promising Heaven, Rafsanjani Told: Domestic Criticism of Economic Policies Is Mounting as Iran Suffers from Weak Oil Prices. *Financial Times*.
- . November 1, 1990 Uk-Iran Trade Links Set to Grow. *Financial Times*.
- Daneshkhu, Scheherazade, and Andrew Gowers. August 31, 1989 Iran Must Bridge Gap between Moslem and Economic Fundamentalism. *Financial times*.
- Daneshkhu, Scheherazade, and Gillian Tett. February 28, 1995 No Cause for Celebration: Iran's Economic Problems Are Worsening. *Financial Times*.
- Daragahi, Borzou. November 10, 2008 Iran Economists Denounce Ahmadinejad's Policies. *Los Angeles Times*.
- . February 16, 2010 Iran Moving toward Military Dictatorship. *Los Angeles Times*.
- . February 25, 2004 Will Iran's New Parliament Live up to Promises? *The Daily Star*.
- Dareini, Ali Akbar. June 25, 2005 Ahmadinejad's Rise in Iran Spans Two Years. *Associated Press*.
- Dawkins, William. November 24, 1990 Renault and Iran Agree Joint Car Venture. *Financial Times*.

- Decision up to President About U.S. Help for Iran. August 24, 1953 New York Times.
- Deghan, Saeed Kamali. June 17, 2011 Imf Report on Iran's Economic Success Draws Scepticism. The Guardian.
- Dempsey, Judy, and Garth Smyth. February 24, 2004 Conservatives Triumphant as Reformists Cry Foul. Financial Times.
- Dezalay, Yves, and Bryant G. Garth. (2002) *The Internationalization of Palace Wars: Lawyers, Economists, and the Contest to Transform Latine American States*. Chicago: University of Chicago Press.
- DiMaggio, Paul J., and Walter W. Powell. (1983) The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review* 48.
- Dinmore, Guy. June 5, 2000 Iran Finally Passes Law on Outside Investment. Financial Times.
- . October 11, 2000 Iran Oil Surplus to Fund Projects. Financial Times.
- . December 24, 2001 Iran Shifts to Single Rial Exchange Rate. Financial Times.
- . September 5, 2001 Private Iran Bank Gains Licence. Financial Times.
- Dinmore, Guy, and Daniel Dombey. May 27, 2005 Us Agrees to Iran Wto Membership Talks. Financial Times.
- Doty, Robert. September 20, 1953 Iran's Strongman: After One Month. New York Times.
- . September 15, 1953 Iran Fights Waste, Graft and Evasion. New York Times.
- Dr. Amini's Defeat. (1962) In *The Economist*, pp. 220-21.
- Drezner, Daniel. (2001) Globalization and Policy Convergence. *International Studies Review* 3.

Dulles, John Foster. (1955) Foreign Relations of the United States, 1955-1957 Volume Xii, near East Region; Iran; Iraq, Document 332. edited by United States

Department of State. Washington, DC:

<http://history.state.gov/historicaldocuments/frus1955-57v12/d332>.

———. (February 28, 1958) Foreign Relations of the United States, 1958-1960 Volume

Xii, near East Region; Iraq; Iran; Arabian Peninsula, Document 229. edited by

United States Department of State:

<http://history.state.gov/historicaldocuments/frus1958-60v12/d229>.

Dunn, L.M. (November 18, 1963) Department of State Airgram a-288: Bi-Weekly

Economic Review, November 2-15, 1963.

Dunne, Nancy. October 3, 1990 World Bank Mission for Iran. Financial Times.

Dunne, Nancy, and Robert Corzine. July 25, 1996 Politics Sets Tone for Trade Barriers:

Nancy Dunne and Robert Corzine on Moves to Punish Iran and Libya. Financial Times.

Economic Reform and the Approaches to Management and Privatisation in Iran. (May 2003) *Iran Focus* 16.

Economy in Brief: National Development Fund Balance. (February 2011) *Menas Iran*

Strategic Focus 7.

Editorial. January 8, 1998 President Khatami Addresses America. New York Times.

EIA. (2012) Country Analysis Briefs: Iran. Washington, DC: Energy Information

Administration.

EIU. (May 2004) Iran at a Glance 2004-05. *Economist Intelligence Unit Country Report:*

Iran.

- Eliot, Theodore. (September 8, 1964) Department of State Airgram a-115: Bi-Weekly Economic Review, August 22-September 4, 1964.
- . (October 5, 1964) Department of State Airgram a-161: Bi-Weekly Economic Review, September 19-October 2, 1964.
- . (December 14, 1964) Department of State Airgram a-310: Bi-Weekly Economic Review, November 28-December 11, 1964.
- . (January 27, 1964) Department of State Airgram a-405: Bi-Weekly Economic Review, January 11-24, 1964.
- . (February 8, 1965) Department of State Airgram a-415: Bi-Weekly Economic Review, January 23-February 5, 1965.
- . (March 9, 1964) Department of State Airgram a-479: Bi-Weekly Economic Review, February 22-March 6, 1964.
- . (February 12, 1963) Department of State Airgram a-510: Bi-Weekly Economic Review, January 26-February 8, 1963.
- . (May 16, 1966) Department of State Airgram a-764: Bi-Weekly Economic Review, April 30-May 13, 1966.
- . (March 23, 1964) Department of State Airgram: Bi-Weekly Economic Review, March 7-20, 1964.
- . (August 12, 1963) United States Department of State Airgram a-94: Bi-Weekly Economic Review, July 27-August 9, 1963.
- . (March 5, 1963) United States Department of State Airgram a-546: Central Bank's Control of Government Accounts Weakened: Some Repercussions.

- . (May 20, 1963) United States Department of State Airgram a-674: Bi-Weekly Economic Review, May 4 - 17, 1963.
- Eliot, Theodore, and L.M. Dunn. (July 13, 1964) United States Department of State Airgram a-141 Bi-Weekly Economic Review, June 27-July 10, 1964.
- Eqbali, Aresu. July 3, 2006 Iran Unveils Major Privatisation Plan Agence France Presse.
- Fairbanks, Stephen. (1998) Theocracy Versus Democracy: Iran Considers Political Parties. *Middle East Journal* 52:17-31.
- Farland, Joseph. (November 11, 1972) United States Department of State Airgram a-179: Shahanshah's Address Relating to Fifth Five-Year Plan.
- . (January 10, 1973) United States Department of State Telegram 203: Fifth Development Plan (1973-78).
- Farmanfarmaian, Khodadad in an interview recorded by Habib Ladjevardi. (November 10, 1982). Cambridge, MA, Iranian Oral History Collection, Harvard University Online <<http://www.fas.harvard.edu/~iohp/farmanfarmaian.html>>.
- Farmanfarmaian, Manucher. (1997) *Blood and Oil: Memoirs of a Persian Prince*. New York: Random House.
- Farzin, Y.H. (1995) Foreign Exchange Reform in Iran: Badly Designed, Badly Managed. *World Development* 23:987-1001.
- Fathi, Nazila. June 28, 2007 2 Iranian Gas Stations Burned over Rationing. New York Times.
- . June 26, 2005 Blacksmith's Son Emphasized His Modest Roots. New York Times.

- . October 10, 2004 Conservative in Iran Battle the Spread of Foreign Investment. New York Times.
- . December 5, 2005 Iran's President Gives Parliament Fourth Nominee for Oil Minister. New York Times.
- . August 22, 2005 Iranian Conservatives Criticize Cabinet Nominees. New York Times.
- . December 22, 2006 Results of Elections Reflect Poorly on Ahmadinejad. New York Times.
- Fathi, Nazila, and Jad Mouawad. June 28, 2007 Unrest Grows Amid Gas Rationing in Iran. New York Times.
- Fazel, Kamran. October 11, 1989 Iran Moves to Adjust Complex System of Exchange Rates. Financial Times.
- . April 20, 1989 Iranian Left Clips the Pragmatists' Wings. Financial Times.
- . December 5, 1989 Tehran Eases Rules on Foreign Exchange. Financial Times.
- Ferraresi, Franco, and Giuseppe Ferrari. (1981) Italy: Economists in a Weak Political System. In *Economists in Government: An International Comparative Study*, edited by A. W. Coats. Durham: Duke University Press.
- Fidler, Stephen. May 19, 2000 World Bank Agrees Loans to Iran. Financial Times.
- . May 18, 2000 World Bank Ready to Back Loans for Tehran. Financial Times.
- Field, Michael. April 10, 1992 From Revolution to Recovery: Radical Zeal Is Ebbing as Iran Goes to the Polls. Financial Times.
- . March 26, 1992 Iranian Smelter Plan to Go Ahead--a 220,000 Tonnes-a-Year Aluminium Project. Financial Times.

Fifield, Anna. February 10, 2008 Tehran Makes Slow Progress in Assets Sale. *Financial Times*.

Foreign Investment: A Political or Economic Challenge? (April 2002) *Iran Focus* 15.

Foreign Relations of the United States, 1958–1960, Volume Xii, near East Region; Iraq; Iran; Arabian Peninsula, Document 257: National Security Council Report.

(November 15, 1958): <http://history.state.gov/historicaldocuments/frus1958-60v12/d257>.

Foreign Relations of the United States, 1961–1963 Volume Xvii, near East, 1961–1962, Document 41. (May 4, 1961), edited by United States Department of State:

<http://history.state.gov/historicaldocuments/frus1961-63v17/d41>.

Foreign Relations of the United States, 1961–1963 Volume Xvii, near East, 1961–1962,

Document 51: Record of Action No. 2427 Taken at the 484th Meeting of the National Security Council. (May 19, 1961):

<http://history.state.gov/historicaldocuments/frus1961-63v17/d51>.

Fossli, Karen. February 1, 1995 Norway-Iran Relations Worsen. *Financial Times*.

Furnas, Howard. (January 21, 1963) Foreign Relations of the United States, 1961–1963,

Volume Xviii, near East, 1962–1963, Document 136: Memorandum from the Department of State Executive Secretary (Brubeck) to the President's Special Assistant for National Security Affairs (Bundy).

<http://history.state.gov/historicaldocuments/frus1961-63v18/d136>.

Garrett, Geoffrey. (1998) Global Markets and National Politics: Collision Course or Virtuous Circle?". *International Organization* 52.

- . (1998) Shrinking States? Globalization and National Autonomy in the Oecd. *Oxford Development Studies* 26.
- Gasiorowski, Mark J. (1993) The Qarani Affair and Iranian Politics. *International Journal of Middle East Studies* 25:625-44.
- Gasiorowski, Mark J., and Malcolm Byrne. (2004) Mohammad Mosaddeq and the 1953 Coup in Iran. Syracuse, NY: Syracuse University Press.
- Ghazi, Siavosh. June 28, 2006 Revolutionary Guards Have Won Contract to Develop Gas Field. Agence France Presse.
- Giles, B. D. (1979) Economists in Government: The Case of Malawi. *Journal of Development Studies* 15:216-32.
- Gill, Stephen, and David Law. (1989) Global Hegemony and the Structural Power of Capital. *International Studies Quarterly* 33.
- Governor of Iran's Central Bank Resigns. August 27, 2007 New York Times.
- Gowers, Andrew. April 19, 1988 Change of Fortunes for Iran. Finance Times.
- . July 13, 1988 Cracks in the Ayatollah's Edifice. Financial Times.
- . July 31, 1989 Rafsanjani Elected on Lower Turnout. Financial Times.
- Graham, Robert. (1980) *Iran: The Illusion of Power*. New York: St. Martin's Press.
- Gudarzi, Manuchehr. (1999) Manuchehr Gudarzi. In *Ideology, Process and Politics in Iran's Development Planning*, edited by Gholam R. Afkhami. Bethesda, MD: Foundation for Iranian Studies.
- Guillaume, Dominique, Roman Zyteck, and Mohammad Reza Farzin. (2011) Imf Working Paper 11/167: Iran--the Chronicles of the Subsidy Reform. Washington DC: International Monetary Fund.

- Guillen, Mauro. (2001) *The Limits of Convergence: Globalization and Organizational Change in Argentina, South Korea, and Spain*. Princeton: Princeton University Press.
- Haas, Ernst B. (1968) *The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957*. Stanford, CA: Stanford University Press.
- Haas, Peter M. (1992) Epistemic Communities and International Policy Coordination. *International Organization* 46:1-35.
- Hakimian, Hassan, and Massoud Karshenas. (2000) Dilemmas and Prospects for Economic Reform and Reconstruction in Iran. In *The Economy of Iran: Dilemmas of an Islamic State*, edited by Parvin Alizadeh. New York: I.B. Tauris.
- Halliday, Fred. (1979) *Iran: Dictatorship and Development*. New York: Penguin Books.
- Hangen, Welles. August 2, 1954 Iran Payment Set to End Oil Dispute. New York Times.
- Hangens, Welles. November 27, 1955 Soviet Warns Iran on Pact; Calls Baghdad Tie a Threat. New York Times.
- Hare, Raymond A. (October 25, 1966) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 179: Briefing Memorandum from the Assistant Secretary of State for near Eastern and South Asian Affairs (Hare) to Acting Secretary of State Ball.
<http://history.state.gov/historicaldocuments/frus1964-68v22/d179>.
- Hargreaves, Deborah. May 30, 1991 Iran 'near Accords with Western Groups on Oil Investment'. Financial Times.
- . May 28, 1991 Iran Calls for Technical Help with Oil Industry. Financial Times.

- Harrison, Frances. June 12, 2007 Economists Attack Iran Policies. British Broadcasting Corporation News.
- Has the Five-Year Plan Been Fatally Undermined? (September 2004) *Iran Focus* 17.
- Have Elections Paralysed the State? (October, 2005) *Menas Iran Strategic Focus* 1.
- Helms, Richard. (November 11, 1974) United States Department of State Airgram a-154: Economic Trends Report.
- . (February 28, 1974) United States Department of State Airgram a-38: Fifth Development Plan Document.
- . (May 29, 1973) United States Department of State Airgram a-095: Fifth Development Plan.
- . (November 7, 1973) United States Department of State Airgram a-166: Inflation in Iran.
- . (November 24, 1975) United States Department of State Airgram a-236: Economic Trends Report.
- . (November 26, 1975) United States Department of State Airgram a-241: Iran's Balance of Payments.
- Henderson, Loy. (September 3, 1953) Telegram 582 from U.S. Embassy in Tehran to U.S. Secretary of State.
- . (September 10, 1953) Telegram 635 from the U.S. Embassy in Tehran to the U.S. Secretary of State.
- . (September 11, 1953) Telegram 639 from U.S. Embassy in Tehran to U.S. Secretary of State.

- . (October 7, 1954) Telegram 825 from the U.S. Embassy in Tehran to the U.S. Secretary of State.
- . (August 21, 1953) Telegram Number 438 from U.S. Embassy in Tehran to Secretary of State. Accessed at National Archives in College Park, MD.
- . (August 28, 1953) Telegram Number 511 from U.S. Embassy in Tehran to U.S. Secretary of State.
- Herter, Christian. (July 1, 1960) Foreign Relations of the United States, 1958–1960 Volume Xii, near East Region; Iraq; Iran; Arabian Peninsula, Document 292. edited by United States Department of State:
<http://history.state.gov/historicaldocuments/frus1958-60v12/d292#fn2>.
- Hertog, Steffen. (2010) Defying the Resource Curse: Explaining Successful State-Owned Enterprises in Rentier States. *World Politics* 62.
- Hira, Anil. (2007) Should Economists Rule the World? Trends and Implications of Leadership Patterns in the Developing World, 1960-2005. *International Political Science Review* 28:325-60.
- Holmes, Julius. (May 15, 1963) United States Department of State Telegram Number 996.
- Hoodfar, Homa, and Samad Assadpour. (2000) The Politics of Population Policy in the Islamic Republic of Iran. *Studies in Family Planning* 31:19-34.
- Howison, John M. (January 21, 1965) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 66: Memorandum from the Deputy Director of the Office of Greek, Turkish, and Iranian Affairs (Howison) to the Assistant

Secretary of State for near Eastern and South Asian Affairs (Talbot).

<http://history.state.gov/historicaldocuments/frus1964-68v22/d66>.

Hughes, Thomas L. (January 28, 1965) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 67: Memorandum from the Director of the Bureau of Intelligence and Research (Hughes) to Secretary of State Rusk.

<http://history.state.gov/historicaldocuments/frus1964-68v22/d67>.

Hvidt, Martin. (2011) Economic and Institutional Reforms in the Arab Gulf Countries.

The Middle East Journal 65.

Ibrahim, Youssef. February 4, 1979 Behind Iran's Revolution: Too Much Spending, Too Soon. New York Times.

———. February 4, 1979 Behind Iran's Revolution: Too Much Spending, Too Soon. New York Times.

———. February 14, 1979 Iran's New Premier Names 7 to Cabinet; Khomeini Asks Calm. New York Times.

———. March 13, 1979 Iran Oil Chief's Job: Pacify the Workers. New York Times.

———. July 6, 1979 Iran Taking over More Industries. New York Times.

IMF. (2002) Imf Country Report No. 02/211 Islamic Republic of Iran: 2002 Article Iv

Consultation. Washington DC: International Monetary Fund.

———. (2003) Imf Country Report No. 03/279 Islamic Republic of Iran: 2003 Article Iv

Consultation. Washington, DC: International Monetary Fund.

———. (2004) Imf Country Report No. 04/306 Islamic Republic of Iran: 2004 Article Iv

Consultation. Washington, DC: International Monetary Fund.

- . (2006) Imf Country Report No. 06/154 Islamic Republic of Iran: 2005 Article Iv Consultation. Washington, DC: International Monetary Fund.
- . (2007) Imf Country Report No. 07/100 Islamic Republic of Iran: 2006 Article Iv Consultation. Washington, DC: International Monetary Fund.
- . (2008) Imf Country Report No. 08/284 Islamic Republic of Iran: 2008 Article Iv Consultation. Washington, DC: International Monetary Fund.
- . (2008) Imf Country Report No. 08/285 Islamic Republic of Iran: Selected Issues. Washington DC: International Monetary Fund.
- . (2012) Imf Country Report No. 10/76 Islamic Republic of Iran: Selected Issues Paper. Washington, DC: International Monetary Fund.
- . (2011) Imf Country Report No. 11/241 Islamic Republic of Iran: 2011 Article Iv Consultation. Washington, DC: International Monetary Fund.
- . (1998) Imf Staff Country Report No. 98/27 Islamic Republic of Iran: Recent Economic Developments. Washington, DC: International Monetary Fund.
- . (2000) International Monetary Fund Staff Country Report No. 00/120 for the Islamic Republic of Iran: Recent Economic Developments. Washington, DC: International Monetary Fund.
- Interview with Ahmad Maydari. (July 2007) *Menas Iran Strategic Focus* 3.
- Iran's Bold Economic Reform. (June 23, 2011) In *The Economist*.
- Iran's Exports: Hard to Limit. November 19, 1979 New York Times.
- Iran's Finance Minister Succeeds Slain Premier. January 28, 1965 New York Times.
- Iran's Leaders Open Campaign against Corruption in Government. November 12, 1984 New York Times.

Iran's Outgoing Economy Minister Blames Ahmadinejad for Economic Woes. April 23, 2008 Associated Press.

Iran's Peasants to Get More Land. January 11, 1962 New York Times.

Iran's Revised Foreign Investment Law. (June 2002) *Iran Focus* 15.

Iran Begins Land Transfer. March 4, 1962 New York Times.

Iran Country Analysis Brief. (2012): United States Energy Information Administration.

Iran Gets \$5,300,000 of New Aid from U.S. September 10, 1953 New York Times.

Iran Gives Post to Banker. September 3, 1954 New York Times.

Iran Mps Hand President Setback on Economic Reform. March 10, 2009 Reuters.

Iran Names Guards Commander Rostam Qasemi Oil Minister. August 3, 2011 British Broadcasting Corporation.

Iran Ousts Oil Chief; Hints Treason Trial: Nazih Accused of Blocking Purge against 'Non-Islamic' Figures. September 29, 1979 New York Times.

Iran President's 5-Year Plan Would Privatize Major Industries. September 16, 1999 New York Times.

Iran Slashes Budget Level. July 16, 1979 New York Times.

Iran Takes over Insurers. June 26, 1979 New York Times.

Iran to Halve Its Oil Output. March 9, 1979 New York Times.

Iran to Seize Some Industries. June 21, 1979 New York Times.

Iran Warning Voiced: Country near Fiscal Collapse, Premier-Designate Says. May 8, 1961 New York Times.

, International Crisis Group. 2007. [Iran: Ahmadi-Nejad's Tumultuous Presidency](#).

Iran: New Five-Year Plan Officially Conveyed to Plan and Budget Organization. April 25, 2000 BBC Monitoring Middle East.

Iran: Speaker Comments on Recent Developments at News Conference. January 28, 2000 BBC Monitoring Middle East.

Iranian Economists Lash out at Ahmadinejad's Policies. June 16, 2006 Agence France Presse.

Iranian Minister Named Envoy to Washington. November 21, 1955 New York Times.

Iranian Oil Ministry Slams Presidential Candidate. June 23, 2005 Agence France Presse.

Iranian Reformer: Hassan Ali Mansour. January 22, 1965 New York Times.

Iranian Transportation Minister Impeached in Blow to Khatami. October 4, 2004 Reuters.

Iranians Are Told Oil Dispute's Cost. September 30, 1953 New York Times.

Is Iran's Privatisation Plan in Jeopardy? (October 2004) *Iran Focus* 17.

Jacobsen, John Kurt. (1995) Review: Much Ado About Ideas: The Cognitive Factor in Economic Policy. *World Politics* 47283-310.

Jamshid Amouzegar Is Named to Head Iran's Government. August 8, 1977 New York Times.

Jernegan, John. (March 2, 1964) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 6: Memorandum from the Acting Assistant Secretary of State for near Eastern and South Asian Affairs (Jernegan) to the Special Group (Counter Insurgency).

<http://history.state.gov/historicaldocuments/frus1964-68v22/d6>.

Johns, Richard. June 8, 1988 Rafsanjani Keeps Role of Speaker. Financial Times

- Karl, Terry Lynn. (1997) *The Paradox of Plenty: Oil Booms and Petro-States*. Studies in International Political Economy. Berkeley: University of California Press.
- . (1999) The Perils of the Petro-State: Reflections on the Paradox of Plenty. *Journal of International Affairs* 53:31-48.
- Karshenas, Massoud. (1990) *Oil, State and Industrialization in Iran*. Cambridge: Cambridge University Press.
- Karshenas, Massoud, and Hassan Hakimian. (2005) Oil, Economic Diversification and the Democratic Process in Iran. *Iranian Studies* 38:67-90.
- Katouzian, Homa. (1981) *The Political Economy of Modern Iran: Despotism and Pseudo-Modernism, 1926-1979*. New York: New York University Press.
- Keath, Lee. March 17, 2008 Parliament Vote Shows Ahmadinejad's Vulnerability in Next Presidential Election. Associated Press.
- Kerr, Peyton. (February 29, 1956) Despatch 738: Semi-Annual Economic and Financial Review--Iran, July - December, 1955.
- . (October 15, 1956) Foreign Service Despatch 301: The Prospect for Implementation of the Plan Organization's Economic Development Program (Memo of Conversation).
- . (April 18, 1956) Foreign Service Despatch 887: Iran's Second Seven-Year Development Plan.
- . (May 23, 1957) Foreign Service Despatch 1090: Economic Notes from Iran.
- Khajepour, Bijan. (2000) Domestic Political Reforms and Private Sector Activity in Iran. *Social Research* 67:577-98.

Khalaf, Roula, and Richard Wolffe. March 18, 2000 Us Seeks to Bolster Links with Iran.
Financial Times.

Khamenei Acknowledges Problems. (April 2008) *Menas Iran Strategic Focus* 4.

Khamenei Urges Ahmadinejad to Rein in Soaring Inflation. August 15, 2008 Agence
France Presse.

Khamenei Wants Privatisation. (June 2007) *Menas Iran Strategic Focus* 3.

Khomeini Appointes New Chief Justice; Bombing Toll Is 72. June 30, 1981 New York
Times.

Kifner, John. June 22, 1981 Bani-Sadr and the Perils of Politics in Iran. New York Times.

———. March 22, 1979 For Iran, a Pause before Dealing with Economic Disaster. New
York Times.

Kihss, Peter. August 31, 1981 Mohammed Ali Rajai, 47, Hard-Line President of Iran.
New York Times.

Kilborn, Peter T. February 5, 1976 Iran Is Said to Press West to Step up Oil Purchases.
New York Times.

Kinzer, Stephen. (2007) *All the Shah's Men: An American Coup and the Roots of Middle
East Terror*. Hoboken, NJ: John Wiley & Sons, Inc.

Kissinger, Henry. (October 22, 1970) Foreign Relations of the United States, 1969–1976,
Volume E–4, Documents on Iran and Iraq, 1969–1972, Document 91:

Memorandum from the President's Assistant for National Security Affairs

(Kissinger) to President Nixon, Washington, October 22, 1970.

<http://history.state.gov/historicaldocuments/frus1969-76ve04/d91>.

- Kleiman, Ephraim. (1981) Israel: Economists in a New State. In *Economists in Government: An International Comparative Study*, edited by A. W. Coats. Durham, NC: Duke University Press.
- Knorr-Cetina, Karin D., and Michale Mulkay. (1983) *Science Observed: Perspectives on the Social Study of Science*. Beverly Hills: SAGE Publications.
- Koa Builds Two Gas Pipelines. (October 2010) *Menas Iran Strategic Focus* 6.
- Koa Withdrawal: Retreat or Strategy? (July, 2010) *Menas Iran Strategic Focus* 6.
- Kogan, Maurice. (2005) Modes of Knowledge and Patterns of Power. *Higher Education* 49:9-30.
- Komer, Robert. (July 19, 1962) Foreign Relations of the United States, 1961–1963 Volume XVIII, near East, 1962–1963, Document 8: Memorandum from Robert W. Komer of the National Security Council Staff to the President's Special Assistant for National Security Affairs (Bundy).
<http://history.state.gov/historicaldocuments/frus1961-63v18/d8>.
- . (April 15, 1965) Foreign Relations of the United States, 1964–1968, Volume XXII, Iran, Document 77: Memorandum from Robert W. Komer of the National Security Council Staff to President Johnson.
<http://history.state.gov/historicaldocuments/frus1964-68v22/d77>.
- Laird, Frank N. (1993) Participatory Analysis, Democracy, and Technological Decision Making. *Science, Technology, & Human Values* 18:341-61.
- Lambert, Craig. (2008) Trails of Tears, and Hope. In *Harvard Magazine*.
harvardmagazine.com.

- Lambton, Ann K.S. (1969) *The Persian Land Reform: 1962-1966*. London: Oxford University Press.
- Lautenschlager, Wolfgang. (1986) The Effects of an Overvalued Exchange Rate on the Iranian Economy, 1979-84. *International Journal of Middle East Studies* 18:31-52.
- Law for the Second Plan for Economic, Social, and Cultural Development in the Islamic Republic of Iran. (1998). Tehran, Iran: Plan and Budget Organization.
- Law for the Third Plan for Economic, Social, and Cultural Development in the Islamic Republic of Iran. (2002). Tehran, Iran: Plan and Budget Organization.
- Law of the Fourth Economic, Social and Cultural Development Plan of the Islamic Republic of Iran 2005-2009*. (2005). Tehran, Iran.
- Lazrak, Jehan. December 2006 The Padaran's Private Empires. *Le Monde diplomatique*.
- Lee, John M. November 18, 1970 Iran Moves to Assume Major Role in the Persian Gulf. *New York Times*.
- Lewis, Peter. (2007) *Growing Apart: Oil, Politics, and Economic Change in Indonesia and Nigeria*. Ann Arbor: University of Michigan Press.
- Likely Approaches of Ahmadinejad's New Economic Team. (September 2005) *Iran Focus* 18.
- Love, Kennett. November 1, 1954 Iran's Oil Moving to World Market. *New York Times*.
- . October 15, 1954 Iran Buying Spree on Credit Halted. *New York Times*.
- . October 26, 1954 New Help to Iran Put at \$120,000,000. *New York Times*.
- MacArthur, Douglas II. (March 19, 1970) *Foreign Relations of the United States, 1969–1976 Volume E–4, Documents on Iran and Iraq, 1969–1972, Document 55*:

- Telegram 1019 from the Embassy in Iran to the Department of State, March 19, 1970, 0900z. <http://history.state.gov/historicaldocuments/frus1969-76ve04/d55>.
- . (December 5, 1969) United States Department of State Airgram a-471: Economic Prospects and Problems: Observations of Two Key Iranian Officials.
- . (December 30, 1970) United States Department of State Telegram 5582: Shah Projects Military Establishment Held to Minimum Consistent with National Security.
- MacKinnon, Colin. (2001) Iran Moves Hesitantly toward Liberalization. *Washington Report on Middle East Affairs* 20.
- Macroeconomic Issues: Criticism of Economic Policies. (December 2006) *Menas Iran Strategic Focus* 2.
- Macroeconomic Stability Falls Victim to Factionalism. (November 2004) *Iran Focus* 17.
- Majd, Mohammad. (1987) Land Reform Policies in Iran. *American Journal of Agricultural Economics* 69:843-48.
- Majidi, Abdolmajid. (1999) Abdolmajid Majidi. In *Ideology, Process and Politics in Iran's Development Planning*, edited by Gholam R. Afkhami. Bethesda, MD: Foundation for Iranian Studies.
- Majles Commission on Privatisation. (January 2011) *Menas Iran Strategic Focus* 7.
- Majles Passes \$2.5 Billion Import Bill. (November 2006) *Menas Iran Strategic Focus* 2.
- Majles Rejects Subsidy Plan. (March 2009) *Menas Iran Strategic Focus* 5.
- Mallet, Victor. November 17, 1989 The Harder Tasks of Building the Peace. *Financial Times*.
- . June 5, 1989 Tehran Appoints Khomeini Successor. *Financial Times*.

- Markoff, John, and Veronica Montecinos. (1993) The Ubiquitous Rise of Economists. *Journal of Public Policy* 13:37-68.
- Marossi, Ali Z. (2006) Iran Is Knocking at the World Trade Organization Door: Iran's Economy and the World Economy--Challenges and Opportunities. *Journal of World Trade (Law-Economics-Public Policy)* 40.
- Marshall, G. B. (July 13, 1975) United States Department of State Airgram a-11: Conditions at Iranian Ports.
- Mashayekhi, Alinaghi, and interviewed by Mohammad Taheri. (February 1, 2009) Dialogue with Alinaghi Mashayekhi. <http://neveshtehayeman.blogfa.com/post-316.aspx>.
- Matthews, Roger. April 20, 1994 A Debtor's Calculated Gamble: Iran, Accused of Planning to Arm the Ira, Is Using Its Economic Weakness as a Weapon. *Financial Times*.
- . February 8, 1993 Survey of Iran. *Financial Times*.
- . April 1, 1985 Two Views of a Nation's Rebirth. *Financial Times*.
- McDowell, Angus. September 1, 2005 Iran Pours Oil Fund Billions into Wooing Disaffected Youth. *The Independent*.
- . (June 8, 2007) Iran Rate Cut Threat Causes Alarm. *Middle East Economic Digest* 51.
- McSheehy, Will. July 23, 2004 Bank Wins Foothold on Iranian Island. *Financial Times*.
- Mead, Gary. July 24, 1998 Oil Lower Despite Fall in Iran Exports. *Financial Times*.
- Mec Approves Crucial Energy Budget Clause. (February 2005) *Iran Focus* 18.
- Mehdi Hashemi Resigns as Ieeo Md. (September, 2005) *Iran Focus* 18.

- Memorandum of Conversation: "Staffing of the Economic Bureau of the Seven-Year Plan Organization". (March 13, 1958).
- Meyer, Armin. (March 13, 1969) Department of State Airgram a-113: Analysis of Iranian Economy for Annual Review.
- . (April 1, 1967) Department of State Airgram a-525: Shah's Impatience for Accelerated Progress.
- . (March 15, 1968) Department of State Incoming Telegram 3769: Annual Economic Review.
- . (May 3, 1967) Department of State Incoming Telegram 4341: Annual Economic Review.
- . (August 11, 1960) Foreign Relations of the United States, 1961–1963, Volume Xvii, near East, 1961–1962, Document 97: Memorandum from the Department of State Executive Secretary (Battle) to the President's Special Assistant for National Security Affairs (Bundy). <http://history.state.gov/historicaldocuments/frus1961-63v17/d97>.
- . (October 22, 1966) Foreign Relations of the United States, 1964–1968 Volume Xxii, Iran, Document 178: Letter from the Ambassador to Iran (Meyer) to the Assistant Secretary of State for near Eastern and South Asian Affairs (Hare). <http://history.state.gov/historicaldocuments/frus1964-68v22/d178>.
- . (January 24, 1967) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 185: Telegram from the Embassy in Iran to the Department of State. <http://history.state.gov/historicaldocuments/frus1964-68v22/d185>.

- . (November 21, 1967) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 247: Telegram from the Embassy in Iran to the Department of State. <http://history.state.gov/historicaldocuments/frus1964-68v22/d247>.
- . (March 14, 1968) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 268: Telegram from the Embassy in Iran to the Department of State. <http://history.state.gov/historicaldocuments/frus1964-68v22/d268>.
- . (April 30, 1969) United States Department of State Airgram a-212: 1348: Year of the Pragmatists.
- . (May 22, 1967) United States Department of State Airgram a-630: Summary of the Shah's Reform Program and Its Results.
- Middleton, Drew. June 12, 1984 On 'Final' Assault: Dissension in Iran? New York Times.
- Miklos, Jack C. (June 11, 1975) United States Department of State Airgram a-127: Iran's Gold and Foreign Exchange Holdings; Iran's Balance of Payments.
- Milani, Abbas. (2008) *Eminent Persians: The Men and Women Who Made Modern Iran, 1941--1979*. Syracuse: Syracuse University.
- . (2001) *The Persian Sphinx: Amir Abbas Hoveyda and the Riddle of the Iranian Revolution*. Washington, DC: Mage Publishers.
- . (2011) *The Shah*. New York: Palgrave Macmillan.
- Milani, Mohsen. (1993) The Evolution of the Iranian Presidency: From Bani Sadr to Rafsanjani. *British Journal of Middle Eastern Studies* 20:83-97.

- Mishra, Ramesh. (1999) *Globalization and the Welfare State*. Northampton, MA: Edward Elgar Publishing.
- Mitrany, David. (1968) The Prospect of Integration: Federal or Functional? In *International Regionalism*, edited by Joseph S. Nye. Boston: Little, Brown and Company.
- Moghaddam, Reza. (1972) Land Reform and Rural Development in Iran. *Land Economics* 48:160-68.
- Mohr, Charles. September 22, 1986 After 6 Years, Iran-Iraq War Is Deadlocked as Tactics Shift. *New York Times*.
- Mortimer, Edward. August 16, 1988 A Nation Too Hurt to Rejoice. *Financial Times*.
- Mosteshar, Parichehre. August 17, 1993 Iranian Mps Crack Whip at Rafsanjani. *Financial Times*.
- Mpo Provincial Management Transferred. (November, 2006) *Menas Iran Strategic Focus* 2.
- Najafi, Mohammad Ali, and interviewed by Bahmad Ahmadi-Amooee. (2003) *Eghtesad-E Siyasi-E Jomhuri-E Islami*. Tehran, Iran: Gam-e No.
- National Development Fund Replaces Osf. (July 2011) *Menas Iran Strategic Focus* 7.
- Nelkin, Dorothy. (1975) The Political Impact of Technical Expertise. *Social Studies of Science* 5:35-43.
- Neumann, R.E. (September 30, 1975) United States Department of State Airgram a-16: Price Control in the Provinces: The View from Tabriz.
- New Imam Khomeini Airport Closed after First Flight. (May 2004) *Iran Focus* 17:9.
- New Tehran Airport Shut by Army. May 9, 2004 British Broadcasting Corporation.

- New, York Times. October 27, 1965 Allied Chemical in Iran Venture: Pact Calls for a \$100 Million Petrochemical Facility. New York Times.
- Newberry, Daniel, and J. Patrick Mulligan. (August 15, 1967) Foreign Relations of the United States, 1964–1968 Volume Xxii, Iran, Document 221:Background Paper Prepared in the Department of State.
- <http://history.state.gov/historicaldocuments/frus1964-68v22/d221>.
- Nikou, Semira. (2010) The Subsidies Conundrum. In *The Iran Primer: Power, Politics, and U.S. Policy*, edited by Robin Wright. Washington, DC: United States Institute of Peace Press.
- Nili, Mas'oud, and interviewed by Bahman Ahmadi-Amooee. (2003) Eghtesad-E Siaysi-E Jomhuri-E Islami. Tehran, Iran: Gam-e No.
- Nixon Cites Goal to Keep Iran Free. December 10, 1953 New York Times.
- Norman, Peter. January 30, 1995 World Economic Forum: Iran to Welcome Foreign Investors. Financial Times.
- Nourbakhsh, Mohsen, and interviewed by Bahman Ahmadi-Amooee. (2003) Eghtesad-E Siyasi-E Jomhuri-E Islami. Tehran, Iran: Gam-e No.
- O'Donnell, Guillermo. (1973) *Modernization and Bureaucratic-Authoritarianism*. Berkeley: University of California.
- O'Rourke, Breffni. January 24, 2007 Signs Political Elite Moving to Restrain President. Radio Free Europe / Radio Liberty.
- Official Biography of H.E. Dr. Ahmadinejad, Honourable President of Islamic Republic of Iran.
- Official Final Results of the Election in Iran. January 29, 1980 New York Times.

Oil Negotiator Is Named Justice Minister of Iran. May 24, 1955, 1955 New York Times.

Oil Surplus Fund. (June 2008) *Menas Iran Strategic Focus* 4.

Olson, Mancur. (1965) *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press.

OPEC. (2012) Organization of the Petroleum Exporting Countries Annual Statistical Bulletin 2012. edited by Alvino-Mario Fantini. Vienna, Austria: Organization of the Petroleum Exporting Countries.

Ordinary Iranians Quietly Hope for Relieve from Sanctions and Isolation. (April 21, 2012) In *The Economist*.

Oriental, Oiec Anti-Corruption Targets. (October, 2005) *Menas Iran Strategic Focus* 1.

Osf Deposits Nosedive. (December, 2005) *Menas Iran Strategic Focus* 1.

Outgoing Minister Raps Ahmadinejad Policies. April 21, 2008 Agence France Presse.

Pace, Eric. October 1, 1976 Iran-Grumman Conflict Sharpening. New York Times.

———. June 11, 1976 Iran Cuts Price for Crude Oil Further. New York Times.

———. August 15, 1975 Iran, Despite Her Oil Wealth, Is Borrowing on a Grand Scale. New York Times.

———. February 16, 1976 Iran, with Oil Income Slipping, Shelves Some Ambitious Projects and Delays Others. New York Times

———. May 10, 1976 Zarb Says 3 U.S. Companies and Iran Conduct Multibillion Oil-Barter Talks. New York Times.

Pahlavi, Mohammed Reza Shah. (1961) *Mission for My Country*. New York: McGraw-Hill.

———. (1967) *The White Revolution of Iran*. Tehran: Imperial Pahlavi Library.

- Panos, J.C. (July 11, 1966) Department of State Airgram a-017: Bi-Weekly Economic Review, June 25-July 8, 1966.
- . (January 11, 1965) United States Department of State Airgram a-365: Bi-Weekly Economic Review, December 26, 1964-January 8, 1965.
- Parvin, Manoucher, and Amir Zamani. (1979) Political Economy of Growth and Destruction: A Statistical Interpretation of the Iranian Case. *Iranian Studies* 12:43-78.
- Pechman, Joseph A. (1989) *The Role of the Economist in Government: An International Perspective*. New York: New York University Press.
- Peterson, Scott. October 13, 2005 Iranians Wait for Change from Ahmadinejad. *Christian Science Monitor*.
- Petropars Shares for Private Sector. (May 2009) *Menas Iran Strategic Focus* 5.
- Povey, Terry. June 12, 1984 Tehran Cuts Imports as Oil Revenues Are Hit by Gulf War. *Financial Times*.
- Prince, E.P. (February 16, 1970) United States Department of State Airgram a-71: Analysis of Iranian Economy for 1970 Annual Review.
- . (March 13, 1969) United States Department of State Airgram a-113: Analysis of Iranian Economy for Annual Review.
- . (June 24, 1969) United States Department of State Airgram a-302: Reorganization of the Plan Organization.
- . (July 30, 1969) United States Department of State Airgram a-347: Inflation in Iran.

- . (October 2, 1969) United States Department of State Airgram a-418: Economic Trends Report.
- Prince, Edward. (December 11, 1967) Department of State Airgram a-318: Biweekly Economic Review, November 25-December 8, 1967.
- . (October 17, 1967) Memorandum of Conversation Enclosed with Department of State Airgram a-211: Fourth Development Plan as Finally Approved.
- Privatisation Plans. (September 2001) *Iran Focus* 14.
- Prospects for Privatisation in the Third Five-Year Plan. (December 1999) *Iran Focus* 12.
- Pryor, Leslie. (1978) Arms and the Shah. *Foreign Policy* 31:55-71.
- Purdum, Todd. May 1, 1995 Clinton to Order a Trade Embargo against Teheran. The New York Times.
- Rafsanjani Heaps Criticism on Iran's 'Trial and Error' Government. April 30, 2008 Agence France Presse.
- Rahbar, Farhad. (2012) C.V. For Farhad Rahbar. University of Tehran Website, <http://dbfm.ut.ac.ir/faculty/cv/fullcv?professorId=14601>.
- Razavi, Hossein, and Firouz Vakil. (1984) *The Political Environment of Economic Planning in Iran, 1971--1983: From Monarchy to Islamic Republic*. Boulder: Westview Press.
- Recknagel, Charles. January 14, 2012 Iran Moves to Cut Popular Economic Subsidies Despite Political Risk. Radio Free Europe / Radio Liberty.
- . June 26, 2005 New President Represents Second Generation of Islamic Revolutionaries. Radio Free Europe / Radio Liberty.

Reuters. August 9, 1994 Iran's Mps Block Cuts in Food and Drug Subsidies. *Financial Times*.

———. April 15, 1993 Iran Devalues 6.7% against the Dollar. *Financial Times*.

———. March 18, 1994 Iran Scraps Visas for Free Zones. *Financial Times*.

———. May 5, 1994 Iran Sharply Devalues Rial. *Financial Times*.

———. May 10, 1995 Iranian Leader Targets Profiteers. *Financial Times*

———. June 14, 1993 Reduced Support for Iran President. *Financial Times*.

Revolutionary Guards Control Finance and Repression. March 2012 *Le Monde Diplomatique*.

Rhoads, Steven. (1978) Economists and Policy Analysis. *Public Administration Review* 38:112.

Richards, Helmut. (1975) Land Reform and Agribusiness in Iran. *MERIP Reports* 43:3-18, 24.

Rivalries: Ahmadinejad Vs. Rafsanjani. (July, 2008) *Menas Iran Strategic Focus* 4.

Rockwell, Stuart. (June 24, 1963) Foreign Relations of the United States, 1961–1963, Volume XVIII, near East, 1962–1963, Document 279: Telegram from the Embassy in Iran to the Department of State.

<http://history.state.gov/historicaldocuments/frus1961-63v18/d279>.

———. (October 14, 1964) Foreign Relations of the United States, 1964–1968, Volume XXii, Iran, Document 52: Telegram from the Embassy in Iran to the Department of State. <http://history.state.gov/historicaldocuments/frus1964-68v22/d52>.

- Rockwell, Stuart in an interview recorded by Habib Ladjevardi. (May 20, 1987).
Cambridge, MA: Iranian Oral History Collection, Harvard University. Online:
<http://www.fas.harvard.edu/~iohp/rockwell.html>.
- Roghani-Zanjani, Masood, and interviewed by Bahman Ahmadi-Amooee. (2003)
Eghtesad-E Siyasi-E Jomhuri-E Islami. Tehran, Iran: Gam-e No.
- Rosamond, Ben. (2000) *Theories of European Integration*. New York: St. Martin's Press.
- Ross, Albion. September 12, 1952 Mossadegh Begins Talks with British on West's Oil
Plan. New York Times.
- Rountree, William L. (1955) Foreign Relations of the United States, 1955-1957 Volume
Xii, near East Region; Iran; Iraq, Document 302. edited by United States
Department of State. Washington, DC:
<http://history.state.gov/historicaldocuments/frus1955-57v12/d302>.
- . (1955) Foreign Relations of the United States, 1955-1957 Volume Xii, near East
Region; Iran; Iraq, Document 304. edited by United States Department of State.
Washington, DC: <http://history.state.gov/historicaldocuments/frus1955-57v12/d304>.
- Ruggie, John Gerard. (1975) International Responses to Technology: Concepts and
Trends. *International Organization* 29:557-83.
- Rusk, Dean. (July 2, 1964) Foreign Relations of the United States, 1964–1968, Volume
Xxii, Iran, Document 47: Telegram from the Department of State to the Embassy
in Iran. <http://history.state.gov/historicaldocuments/frus1964-68v22/d47>.
- Sahabi, Ezzatollah, and interviewed by Bahman Ahmadi-Amooee. (2003) Eghtesad-E
Siyasi-E Jomhuri-E Islami. Tehran, Iran: Gam-e No.

- Salehi-Isfahani, Djavad. (2011) Iran: Subsidy Reform Amid Regional Turmoil. *Brookings Institution*.
- Salpukas, Agis. March 7, 1995 Conoco Gets Contract with Iran to Develop Offshore Oilfield in Gulf. *New York Times*.
- Samii, Bill. (October 23, 2006) Executive Branch Seeks to Extend Control as Local Elections Near. *Radio Free Europe / Radio Liberty* 9.
- . November 23, 2005 Ministerial Rejection Belies Emergence of New Elite. *Radio Free Europe / Radio Liberty*.
- Sampson, Paul. September 9, 2007 All the President's Men. Energy Intelligence Group, Inc.
- Saunders, Harold H. (June 13, 1968) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 298: Memorandum of Conversation. <http://history.state.gov/historicaldocuments/frus1964-68v22/d298>.
- Schmidt, Dana Adams. January 27, 1965 Assassin's Bullets Fatal to the Premier of Iran. *New York Times*.
- . December 9, 1968 Iran's Prosperity Thrives Like Bubbling Oasis. *New York Times*.
- Schneider, Ben Ross. (1998) The Material Bases of Technocracy: Investor Confidence and Neoliberalism in Latin America. In *The Politics of Expertise in Latin America*, edited by Miguel A. Centeno and Patricio Silva. New York: St. Martin's Press.
- Scruggs, Lyle, and Peter Lange. (2002) Where Have All the Members Gone: Globalization, Institutions, and Union Density. *The Journal of Politics* 64.

Secor, Laura. (February 2, 2009) Letter from Tehran: The Rationalist. *The New Yorker*.

Semi-Annual Economic and Financial Review, Iran, January-June, 1955. (August 22, 1955): United States Embassy in Tehran.

Sepehri, Vahid. (August, 2005) Politicians Skeptical of President's Obscure Cabinet Choices. *Radio Free Europe / Radio Liberty*.

Shafer, D. Michael. (1994) *Winners and Losers: How Sectors Shape the Developmental Prospects of States*. Cornell Studies in Political Economy. Ithaca and London: Cornell University Press.

Shah Says His Nation Has \$4-Billion Deficit. July 27, 1975 New York Times.

Shah Signs Bill for Iran Reform: Landless Peasants Will Get Portions of Big Estates. January 16, 1962 New York Times.

Shambayati, Hootan. (1994) The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran. *Comparative Politics* 26:307-31.

Siamdoust, Nahid. (March 5, 2004) Neo-Cons Take Tehran. *Time Magazine*.

Simmons, Beth A., and Zachary Elkins. (2004) The Globalization of Liberalization: Policy Diffusion in the International Political Economy. *American Political Science Review* 98.

Smyth, Garth, and Najmeh Bozorgmehr. December 17, 2006 Ahmadi-Nejad Suffers Vote Setback in Iran. *Financial Times*.

Solomon, Anthony M. (December 11, 1967) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 252: Action Memorandum from the Assistant Secretary of State for Economic Affairs (Solomon) to the under

Secretary of State for Political Affairs (Rostow).

<http://history.state.gov/historicaldocuments/frus1964-68v22/d252>.

Some of Iran's New Top Cabinet Ministers. August 14, 2005 Associated Press.

Soviet Tells Iran Mid-East Linkage Threatens Peace: Protests Teheran's Decision to Join Turk-Iraqi Treaty. October 13, 1955 The New York Times.

Special Feature. (July, 2006) *Menas Iran Strategic Focus* 2.

Speech by Iranian Supreme Leader Ali Khamene'i. March 22, 2009 Vision of the Islamic Republic of Iran, Network 1.

Spindle, Bill, Benoit Faucon, and Farnaz Fassihi. January 17, 2012 Iran Cracks Down on Dollar Trades. Wall Street Journal.

State Borrowing. (December 2002) *Iran Focus* 15.

Stave, T.C. (May 4, 1964) Department of State Airgram a-604: Bi-Weekly Economic Review, April 18-May 1, 1964.

———. (January 27, 1964) United States Department of State Airgram a-405: Bi-Weekly Economic Review, January 11-24, 1964.

———. (March 11, 1963) United States Department of State Airgram a-560: Biweekly Economic Review--February 23-March 8, 1963.

———. (March 26, 1963) United States Department of State Airgram a-597: Biweekly Economic Review--March 9 - March 22, 1963.

Stephens, Mark. (2003) Globalisation and Housing Finance Systems in Advanced and Transition Economies. *Urban Studies* 40.

Stork, Joe. (1980) Iran's Oil Workers: Ominous Silence. *MERIP Reports* 88.

Strange, Susan. (1996) *The Retreat of the State: The Diffusion of Power in the World Economy*. Cambridge: Cambridge University Press.

Studemann, Frederick, and Lionel Barber. April 11, 1997 Death Case Ruling Leads to Tougher Eu Stance over Iran. *Financial Times*.

Subsidy Reform News. (September 2011) *Menas Iran Strategic Focus* 7.

Subsidy Reform Phase Delayed. (June 2012) *Menas Iran Strategic Focus* 8.

Sullivan, Walter. October 16, 1951 U.N. Body Hears Mossadegh Assail British 'Intimidation'. *New York Times*.

Sullivan, William H. (1981) *Mission to Iran*. New York: W.W. Norton & Co.

Supplement: Translation of the Five Year Development Plan. (1990) *Iran Focus* March 1990:1-12.

Surplus Oil Income Law Amended. (October 2000) *Iran Focus* 13.

Swihart, James. (July 30, 1963) Department of State Airgram a-64: Recent Actions--and Growing Awareness in Goi of Need for Action--to Get Iranian Economy Moving.

———. (November 18, 1964) Department of State Airgram a-254: Mansur Government's Economic Policies Face Major Test in Next Few Months.

———. (February 10, 1964) Department of State Airgram a-437: Bi-Weekly Economic Review, January25-February 7, 1964.

———. (April 11, 1964) Department of State Airgram a-548: Status of Third Plan.

———. (March 19, 1963) United States Department of State Airgram a-587: Land Reform without Arsanjani.

———. (May 27, 1963) United States Department of State Airgram a-691: Quarterly Economic Summary for the First Quarter 1963.

- Tabibian, Mohammad, and interviewed by Bahman Ahmadi-Amooee. (2007) *Mardan-E Jomhoori-E Islami Chegoone Technocrat Shodand?* Tehran, Iran: Gam-e No.
- Taghavi, Roshanak. January 27, 2009 *Iran Sets up New Fund to Reign in Govt Spending*. Dow Jones Newswires.
- Tait, Robert. March 7, 2007 *Ahmadinejad Challenged for Control of Iran's Economy*. The Guardian.
- . May 25, 2007 *Iran Interest Rate Cut Sparks Panic Selling*. The Guardian.
- . January 16, 2007 *President's Future in Doubt as Mps Rebel and Economic Crisis Grows*. The Guardian.
- . June 26, 2005 *Shock as Iran Elects Hardline President*. The Observer.
- . September 29, 2007 *Tyranny in Tehran*. The Observer.
- Taking Stock: Is the Gasoline Rationing Plan Working? (October 2007) *Menas Iran Strategic Focus* 3.
- Talks with Western Companies Set to Open Tomorrow. March 2, 1976 *New York Times*.
- Taxation Changes Approved. (March 2002) *Iran Focus* 15.
- Taylor, Maurice. (July 9, 1958) *Despatch 24: Quarterly Economic Summary for the Period Ending June 30, 1958*.
- . (September 21, 1957) *Despatch 311: Weekly Economic Review*.
- . (August 10, 1959) *Foreign Service Despatch 94: Assessment of Second Seven Year Development Program*.
- . (August 15, 1959) *Foreign Service Despatch 112: Transmittal of Economic Assessment for Iran*.

———. (October 1, 1959) Foreign Service Despatch 215: New Government Bill on Plan Organization.

———. (March 17, 1959) Foreign Service Despatch 671: The Plan Organization and Its Future.

———. (April 26, 1958) Foreign Service Despatch 876: The Second Seven Year Development Program.

———. (April 26, 1958) Foreign Service Despatch 876: The Second Seven Year Development Program.

Tehran's Showpiece Airport to Reopen Saturday after Shutdown. April 30, 2005 Agence France Presse.

Telegram Number 784 from the U.S. Embassy in Tehran to the Department of State. (March 19, 1963).

Tenacious Iranian Negotiator: Jamshid Amouzegar. February 15, 1971 New York Times.

Text of President Nixon's Address to Nation on U.S. Policy in the War in Vietnam. November 4, 1969 New York Time.

Timmerman, Kenneth. (September 8, 1997) Khatami's Cabinet: In Their Own Words. *The Iran Brief*.

Tisdall, Simon. August 19, 2005 Ahmadinejad Roadshow Seduces an Adoring Public. The Guardian.

Top Iran Clerics Criticise Ahmadinejad over Economy. April 19, 2008 Agence France Presse.

Trade and Foreign Exchange Policies in Iran: Reform Agenda, Economic Implications and Impact on the Poor. (2001). Washington, DC: The World Bank.

Tyler, Patrick E. August 18, 1989 Rafsanjani Takes Oath to Lead Iran. *The Washington Post*.

U.S. Aid Total Criticized. September 11, 1953 *New York Times*.

U.S. And Iran Celebrate the End of Aid Program. November 30, 1967 *New York Times*.

UNCTAD. (2012) Unctad Stat Database. p. <http://unctad.org/en/Pages/Statistics.aspx>.

Unhappy Alliance. (January 27, 1962) In *The Economist*.

United States Department of State Airgram a-508: The Iranian Revolution - Some Thoughts and Speculation. (February 11, 1963).

United States Department of State Airgram a-518: Land Reform in Iran. (February 18, 1963).

The Vetting of Ahmadinejad's Cabinet and Its Aftermath. (September 2005) *Iran Focus* 18.

Wailes, Edward. (August 4, 1960) *Foreign Relations of the United States, 1958–1960* Volume Xii, near East Region; Iraq; Iran; Arabian Peninsula, Document 296. <http://history.state.gov/historicaldocuments/frus1958-60v12/d296>.

———. (May 10, 1961) *Foreign Relations of the United States, 1961–1963* Volume Xvii, near East, 1961–1962, Document 46. edited by U.S. Department of State: <http://history.state.gov/historicaldocuments/frus1961-63v17/d46>.

Walker, Tony, and Kamran Fazel. May 11, 1992 Victory for Rafsanjani. *Financial Times*.

Wall, *Street Journal*. June 6, 1967 Belgian Concern Will Build Three Sugar Mills in Iran. *Wall Street Journal*.

———. February 15, 1966 Indiana Standard Unit, Goodrich Approve Joint Venture with Iran. *Wall Street Journal*.

- Walz, Jay. March 1, 1959 Iran's Plan Put under Premier. New York Times.
- . September 12, 1960 Iran Raises Levy to Curb Imports. New York Times.
- . April 7, 1964 New Premier Gives Iranians Fresh Confidence. New York Times.
- . September 14, 1962 Teheran Curbing Economic Plans: Budget Crisis Behind Move to Decentralize Projects. New York Times.
- Wehrey, Frederic, Jerrold D. Green, Brian Nichiporuk, Alireza Nader, Lydia Hansell, Rasool Nafisi, and S.R. Bohandy. (2009) *The Rise of the Pasdaran: Assessing the Domestic Roles of Iran's Islamic Revolutionary Guards Corps*. Washington, DC: RAND Corporation.
- Welles, Benjamin. October 2, 1955 U.S. Speed Urged on Baghdad Pact. New York Times.
- Westney, D. Eleanor. (1987) *Imitation and Innovation: The Transfer of Western Organizational Patterns to Meiji Japan*. Cambridge, MA: Harvard University Press.
- What Can We Expect from the New Majles. (May 2012) *Menas Iran Strategic Focus* 8.
- Witkin, Richard. December 16, 1977 Grumman Is Settling Claims Made by Iran on F-14 Commission: Company to Deliver without Charge \$24 Million of Spare Parts and Equipment over 3 Years. New York Times.
- Woolgar, Steve. (1988) *Science: The Very Idea*. Key Ideas. New York: Tavistock Publications.
- World Bank. (September 2002) *Iran Focus* 15.
- World Bank Development Indicators. (2012): World Bank.

World Nominal Oil Price Chronology: 1970-2007. (2008). United States Energy Information Administration:

<http://www.eia.gov/emeu/cabs/AOMC/Overview.html>.

The World: Reform in Iran. January 28, 1963 New York Times.

WorldBank. (1991) Iran: Reconstruction and Economic Growth Volume One. edited by Country Department III; Europe Country Operations Division, Middle East and North Africa Region. Washington, DC: The World Bank.

———. (1991) Iran: Reconstruction and Economic Growth Volume Two. edited by Country Department III; Europe Country Operations Division, Middle East and North Africa Region. Washington, DC: The World Bank.

Wriggins, Howard. (May 23, 1966) Foreign Relations of the United States, 1964–1968, Volume Xxii, Iran, Document 144: Memorandum for the Record.

<http://history.state.gov/historicaldocuments/frus1964-68v22/d144>.

Wright, Robin. (2010) The Challenge of Iran. In *The Iran Primer: Power, Politics, and U.S. Policy*, edited by Robin Wright. Washington, DC: United States Institute of Peace.

Yeganeh, Cyrus. (1985) The Agrarian Structure of Iran: From Land Reform to Revolution. *State, Culture, and Society* 1:67-84.

Yergin, Daniel. (1991) *The Prize: The Epic Quest for Oil Money, and Power*. New York: Free Press.

Yong, William. January 16, 2011 Politically Confident, Iran Cuts Subsidies on Prices. New York Times.

Zonis, Marvin. (1971) *The Political Elite of Iran*. Princeton Studies on the near East.
Princeton: Princeton University Press.