1 The puzzle of the Tehran Bazaar under the Pahlavi monarchy and the Islamic Republic

> *We have a saying, ''There is one Iran and one Tehran and only one* Sara-ye Amin (*Amin Caravanserai)*,''[1] *meaning that anything that happens in Iran can be captured right here in the Tehran Bazaar.*
>
> Fabric wholesaler in the Amin Caravanserai, Tehran Bazaar

A year after his fall from power, Mohammad Reza Pahlavi, the last Shah of Iran, recalled, ''I could not stop building supermarkets. I wanted a modern country. Moving against the bazaars was typical of the political and social risks I had to take in my drive for modernization.''[2] Meanwhile, three years after the establishment of the Islamic Republic, Ayatollah Ruhollah Khomeini stressed that ''We [the Islamic Republic] must preserve the bazaar with all our might; in return the bazaar must preserve the government.''[3] Given this drastic change in the state's outlook toward the bazaar, it is not surprising that the Tehran Bazaar had radically different experiences under these regimes. What is startling, however, is that the transformation is not as we would expect – the Bazaar survived and remained autonomous under the modernizing Pahlavi regime (in fact so much so that it was one of the leading actors in the Revolution), while it was radically restructured and weakened under the unabashedly ''traditionalist'' Islamic Republic.

By comparing how the last Shah of Iran sought to ''move against the bazaar'' and how the founder of the Islamic Republic ''preserve[d] the bazaar,'' it will be the burden of this book to depict these outcomes and to examine why they followed these counterintuitive trajectories. The Pahlavi regime's policies during the 1960s and 1970s did not dismantle the Tehran Bazaar's economic institutions; the modernization scheme formed an autonomous setting for members of the Bazaar, or *bazaari*s, to regulate their economic lives and prosper. Conversely, while many individual merchants may have prospered, the Islamic Republic's policies radically

[1] The Amin Sara is one of the main caravanserais in the Tehran Bazaar.
[2] Mohammad Reza Pahlavi, *Answer to History* (New York: Stein and Day, 1980), p. 156.
[3] *Asnaf* no. 22 (Ordibehesht 1373 [May 1992]), 47. This statement was made in 1982.

altered relations within the Bazaar, altered its institutions (i.e. laws and policies), and reduced its capacity to mobilize against the state. The irony is that while the overthrow of the monarchy was in large part a response to the exclusionary and clientilistic practices that alienated groups such as the Bazaar (along with the working class, the middle class, the clergy, and the urban poor), large segments of the very same social classes that it professed to champion are currently discontent and politically dislocated.

This is why today if you talk to *bazaari*s, you hear statements such as the one made by Hajj Akbar, a carpet wholesaler in the Tehran Bazaar. When I told him that I had come to Iran to analyze the Tehran Bazaar, Hajj Akbar, probably in his sixties and not one to mince words, responded, ''You mean this Bazaar? This Bazaar doesn't need any analysis. It doesn't even exist any more; it's dead!'' During the course of my research I discovered that when *bazaari*s mention that the Bazaar has ''died'' or ''changed'' or ''is not like the past,'' they are referring to its restructuring and political marginalization.

Transformation and change are essential both to politics and to the study of politics. Political activists and normative thinkers have imagined and acted on their impulse to better the world around them by transforming the minds of the people who inhabit it and the rules that govern it. Within the social sciences, change forces observers to critically appraise the relationships between various factors comprising complex societies and polities in order to identify the forces behind this transformation. Once change is detected, observers are invited to question how and why it transpired. Scholars must move beyond labeling and categorizing objects in order to contemplate what leads to abrupt reconfigurations or gradual evolutions away from particular constellations and social forms. Consequently, the reconfiguration of Iran's state and the refiguring of the Bazaar, as sensed by Hajj Akbar, are the wellspring of this book. Thus, I ask: How and why has the Tehran Bazaar had such disparate and counterintuitive experiences under these two regimes? More precisely, why was the Pahlavi monarchy, a regime that was openly hostile toward bazaars as a group and an institution, unable to restructure the Bazaar? Conversely, why was it that since the establishment of the Islamic Republic, a regime that came to power with the support of *bazaari*s and with the specific mandate to preserve ''indigenous and Islamic'' institutions, state policies have unwittingly reconfigured the organization of the Bazaar's value chains (i.e. commercial networks tying together import–exporters, wholesalers, and retailers) and their position in the political economy? And finally, what political impact did these transformations have on the Bazaar's capacity to make claims against the state? Since Tehran's central marketplace is

an economically powerful and potentially politically potent group, the experience of this social microcosm under these two regimes reflects the larger dynamics of state–society relations and forces of social change and continuity over the past four decades.

To foreshadow the arguments of the book, I contend that the two regimes, varying in terms of their development policies and their normative agendas, led to different incorporation strategies, which reshaped the institutional setting and physical location of the networks that constitute the organization of the Tehran Bazaar and engender its commonly noted capacity to mobilize. In the case of the Pahlavi monarchy, the regime followed high modernism that tended to downgrade the state's incorporation of the Bazaar.[4] This approach fostered the Bazaar's autonomy and a concentration of commercial value chains within the physical confines of the marketplace. Under the Islamic Republic's populist transformative agenda, the state was caught within a complex matrix of objectives and agendas, which resulted in the incorporation of *bazaari*s as individuals and the cooptation, regulation, and reterritorialization of commercial value chains physically dispersed beyond the Bazaar. In the former case relations in the Bazaar constituted a series of cooperative hierarchies (long-term, multifaceted, and cross-cutting ties) fostering a great sense of group solidarity despite differences in economic power, social status, and political proclivities. In the latter period this mode of coordinating actions and distributing resources and authority, or what I term "form of governance," was transformed into coercive hierarchies (more short-term, single-faceted, and fragmented vertical relations) with a diminished sense of collective solidarity. Finally, this shift from cooperative to coercive hierarchies limited the Tehran Bazaar's capacity to mobilize against the state and explains its relative quietism since the Revolution. This study reminds us that state policies and institutions shape social cleavages, empower and constrain political organizations, and restructure socioeconomic relations; however, they often do so in indirect and unforeseen ways. In fact, these outcomes may go so far as to undermine the political agendas of those rulers and policymakers who initiated these programs in the first place.

[4] By "state incorporation," I am referring to the Colliers' concept of the legal and bureaucratic mobilization and control of a social group (in their case labor, and in mine the bazaar) with the goal of repressing and depoliticizing that group. Ruth Barins Collier and David Collier, *Shaping the Political Arena: Critical Junctures, Labor Movement, and Regime Dynamics in Latin America* (Princeton: Princeton University Press, 1991). On political incorporation of economic elites see David Waldner, *State Building and Late Development* (Ithaca: Cornell University Press, 1999).

Continuity, revolution, and state–society relations

The Pahlavi monarchy and the Islamic Republic differ on many fronts: foreign policy, social agendas, ideological sources to legitimate their rule, and state relations with the religious establishment, to name just the most obvious. However, they share important similarities in method of rule, socioeconomic trends, and position in the world economy. In the words of one scholar:

> [L]ike the Shah the ruling Muslim fundamentalists are trying to preserve their dictatorial regime by resorting to the suppression, imprisonment, and execution of their political opponents and are quite prepared to rule by terror. Just as the Shah tried to foster the idea that loyalty to the monarchy and national patriotism were the same, Khumayni has been adamant about the view that loyalty to the Velayat-i-Fagih and Islam are identical. Any opposition to Khumayni as the Fagih (just jurist) or his regime is regarded as anti-Islamic in the same way that opposition to the Shah used to be treated by the old regime as unpatriotic and treasonous. The state-owned propaganda networks have been used by the Islamic regime to develop and sustain the ''cult of personality'' and charismatic leadership around Khumayni in much the same way as was done for the Shah under the monarchy. Dictatorship, either in the form of the Shah's patrimonial system or Khumayni's government of theologians, when combined with oil wealth, is most likely to create and perpetuate the system of dependent capitalism which possesses all the evils and very few of the alleged benefits of a competitive market economy.[5]

Furthermore, both regimes have highly transformative programs. The Shah was an arch-proponent of developmental planning, what David Harvey refers to as ''high modernism.''[6] He set out to transform Iran into a ''modern'' industrial power by implementing a stylized and linear developmental model of Western industrialization and social modernization. In part as a response to what many viewed as the blind imitation and idealization of the Western model by the *ancien régime*, the Islamic Republic has sought to establish an independent and economically self-sufficient society – a society, moreover, that abides by the principles and laws of Islam. This Islamic model, however, was strongly aligned with a populism that combined the radical language of anti-imperialism and egalitarianism borrowed from secular and religious Leftism.[7] These two projects have radically different objectives, yet they

[5] M. H. Pesaran, ''The System of Dependent Capitalism in Pre- and Post-Revolutionary Iran,'' *International Journal of Middle East Studies* 14 (1982), 518–19.
[6] David Harvey, *The Conditions of Post-Modernity: An Enquiry into the Origin of Social Change* (Oxford: Basil Blackwell, 1989).
[7] Ervand Abrahamian, *Khomeinism: Essays on the Islamic Republic* (London: I. B. Tauris & Co., 1993); and Val Moghadam, ''Islamic Populism, Class and Gender in

share the belief that the state is a force that can, and indeed should, engineer a new society – a ''modern'' and ''Islamic'' society respectively. As referred to in the quote above, the two regimes also share the quality of being oil exporters, which bestows on both the imperial and the revolutionary state a high level of autonomy from social forces. With oil revenues flowing directly to the state, this factor allowed these regimes to remain financially independent from domestic social groups.[8] Therefore, the Tehran Bazaar, as one of the foremost economic institutions in Iran, was susceptible to the transformative demands of these state agendas.

In addition, as in most developing countries, in the past half-century, Iran's demographic and socioeconomic variables have gone through dramatic changes. The level of urbanization and rates of literacy have increased and the relative share of the agricultural sector and the pervasiveness of ascribed identities (e.g. tribal, kinship, and ethnic identities) have waned. Yet these changes began in the first half of the twentieth century and have generally exhibited the same fundamental trends and pace during the past seventy years. Representing various indicators of urbanization, literacy, industrialization, and modern banking and education, Figures 1.1, 1.2, 1.3, 1.4, and 1.5 show that these trends began decades before the 1970s and that there is no dramatic escalation or shift in these indexes after 1979. Thus, the socioeconomic transformations in and of themselves cannot explain changes in the structure of the Bazaar across these two regimes or the particular timing of this rupture after the Islamic Revolution.

Therefore, this project investigates the transformative agendas of states by focusing on the variations between the Pahlavi monarchy and the Islamic Republic and their relationship to a particular physical space, economic form, and social class – the Tehran Bazaar. The analysis, therefore, will move back and forth between the caravanserais of the Bazaar and the ministries of the government, to emphasize the interaction between state and Bazaar. And, in a larger sense, I shed light on state–society relations under the two regimes.

Marketplaces are important institutions in Middle Eastern and North African societies for a number of reasons. Bazaars and *suq*s are an economic focal point where both retail and wholesale commerce takes place and large sums of credit circulate among members of the private

Postrevolutionary Iran,'' in *A Century of Revolution: Social Movements in Iran*, ed. John Foran (Minneapolis: University of Minnesota Press, 1994).

[8] Hootan Shambayati, ''The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran,'' *Comparative Politics* 26 (April 1994), 307–31.

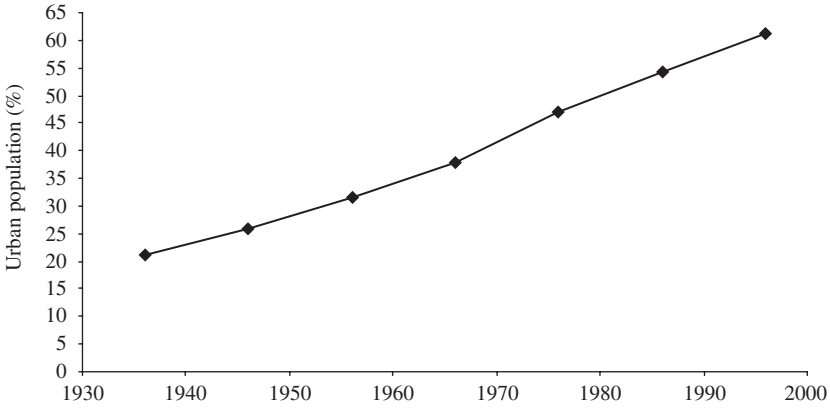

Figure 1.1 Urbanization: percentage of total population living in urban areas, 1936–1996
Sources: Julian Bharier, *Economic Development in Iran 1900–1970* (London: Oxford University Press, 1971), p. 27; Statistical Centre of Iran, *Iran Statistical Year Book* (various years).

sector. Large and internationally oriented marketplaces, like Tehran's central bazaar, house many import–export trade houses. Also, as states in the region have rolled back their distributive and redistributive roles, private and informal sectors have played increasingly important roles in providing jobs and credit and distributing goods and services.

In the case of the Tehran Bazaar, despite the Shah's hostility, it played a very significant and central role in Iran's prerevolutionary economy. At the time of the Revolution it was estimated that the Bazaar controlled two-thirds of national domestic wholesale trade, at least 30 percent of all imports, and an even larger portion of consumer goods.[9] In terms of credit, in 1963 the bazaars in Iran loaned as much as all the commercial banks put together,[10] while in 1975 the Tehran Bazaar was believed to control 20 percent of the official market volume, or $3 billion in foreign exchange and $2.1 billion in loans outstanding.[11] Also, sources suggest that there were 20,000–30,000 commercial units and 40,000–50,000

[9] Robert Graham, *Iran: The Illusion of Power*, rev. edn. (New York: St. Martins Press, 1980), p. 221.
[10] Richard Elliot Benedick, *Industrial Finance in Iran: A Study of Financial Practice in an Underdeveloped Economy* (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1964), p. 52.
[11] Alan D. Urbach and Jürgen Pumpluen, "Currency Trading in the Bazaar: Iran's Amazing Parallel Market," *Euromoney* (June 1978), 116.

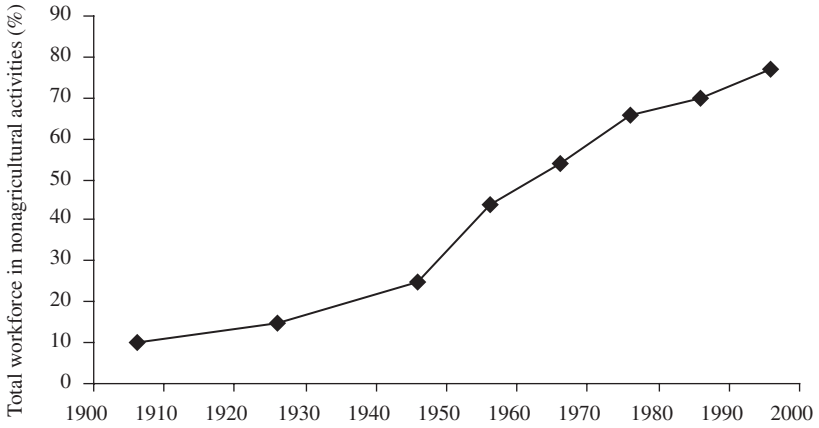

Figure 1.2 Industrialization: percentage of total workforce active in nonagricultural sectors, 1906–1996
Sources: Julian Bharier, *Economic Development in Iran 1900–1970* (London: Oxford University Press, 1971), pp. 34–5; Statistical Centre of Iran, *Iran Statistical Year Books* (various years).

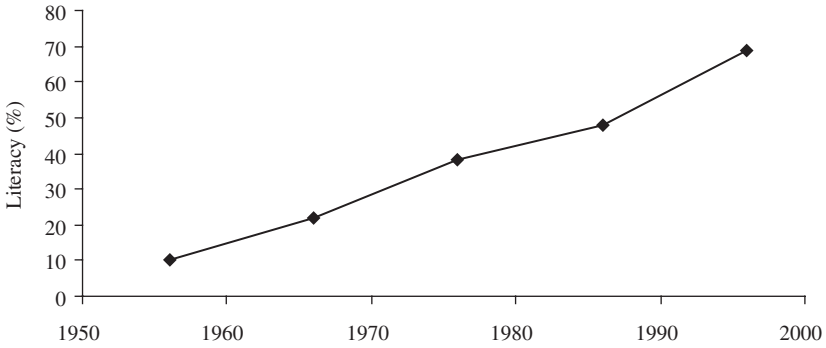

Figure 1.3 Literacy: percentage of total population that is literate, 1956–1996
Source: Statistical Centre of Iran, *Iran Statistical Year Book* (various years).

employees within the Bazaar and the immediately surrounding streets during the 1970s.[12] The Tehran Bazaar functioned as the national commercial emporium for the import of almost all consumer goods and

[12] *Asar* nos. 2, 3, 4 (1359 [1980]), 22 and 25; and Misagh Parsa, *Social Origins of the Iranian Revolution* (New Brunswick, NJ: Rutgers University Press, 1989), p. 92.

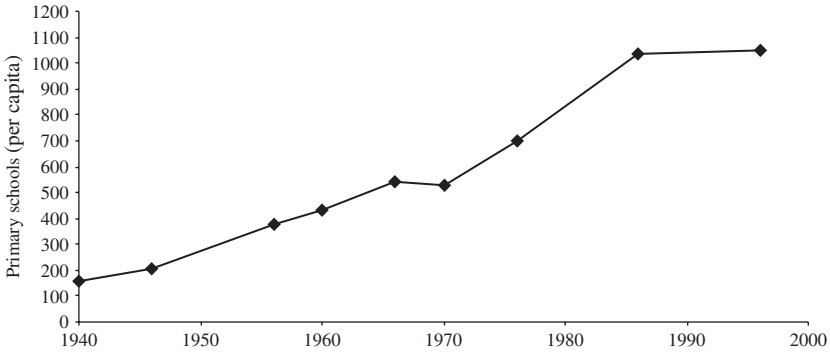

Figure 1.4 Education: number of primary schools per capita, 1940–1996
Source: Statistical Centre of Iran, *Iran Statistical Year Book* (various years).

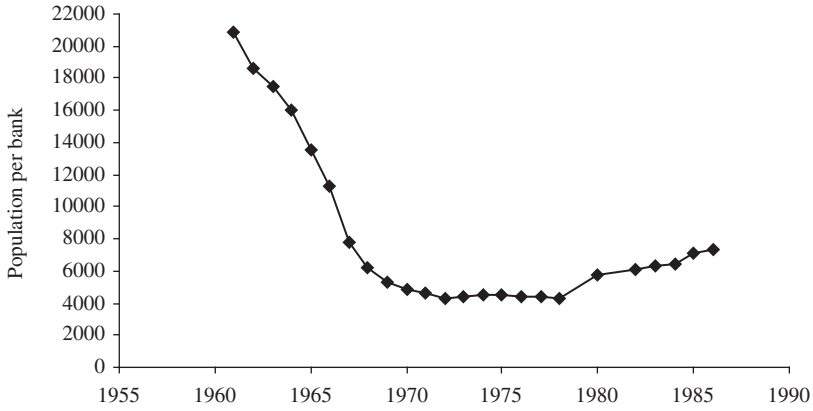

Figure 1.5 Commercial and financial development: population per bank, 1961–1986
Source: Statistical Centre of Iran, *Iran Statistical Year Book* (various years).

many intermediary goods into Iran, as well as the export of many non-oil goods (e.g. hand-woven carpets, dried fruits and nuts, and some textiles). Thus, wholesalers in the provinces, retailers in Tehran, private manufacturers, and many others relied on the Bazaar for inventories and credit. The Tehran Bazaar, possibly unlike the provincial bazaars,

prospered during the oil boom of the 1970s.[13] One indicator of the Bazaar's wealth and the value of its property is "key money" (*sarqofli*). Key money is the market-determined sum of money paid by an incoming renter of a space. The amount depends on the location, size of the property, and wares sold, but it is also a measure of the commercial potential of the property. All the *bazaari*s I talked to agreed with Martin Seger's finding that during the late Pahlavi era the value of key money increased greatly in the Bazaar (surpassing the rate of inflation) and reached several hundred thousand dollars for spaces as small as ten square meters.[14]

Yet bazaars are not simply economic institutions; they are a fundamental part of the urban morphology. The older bazaars are also typically located in the heart of the city, and often neighbor government offices, courts, major religious institutions, and traditional social gathering places such as coffee shops and public baths. The hustle and bustle and central location of bazaar areas make them a major public forum, attracting diverse people who in the process of conducting their personal affairs exchange and overhear information, rumor, and opinions about economic conditions, family affairs, and political disputes. In certain contexts this socioeconomic mélange was a base for political organization and mobilization. The political dimension of bazaars is particularly important in the Iranian context, where *bazaari*s have consistently played an active and central role in major political episodes, including the struggle for constitutionalism (1905–11), Mosaddeq's movement to nationalize the oil industry and strengthen democratic rule (1953), the protests against the Shah's "White Revolution" (1963), and the overthrow of the monarchy and establishment of the Islamic Republic (1978–9).

Given the multiple dimensions and prominent position of bazaars in the region, it is unfortunate that they have not received scholarly attention. Clifford Geertz introduces his study of Sefrou's bazaar by pointing out:

> What the mandarin bureaucracy was for classical China and the caste system for classical India – the part most evocative of the whole – the bazaar was for the more pragmatic societies of the classical Middle East. Yet ... there is only a handful of extended analyses ... seriously concerned to characterize the bazaar as a cultural form, a social institution, and an economic type.[15]

[13] Parsa, *Social Origins of the Iranian Revolution*, p. 101.
[14] Martin Seger, *Teheran: Eine Stadtgeographische Studie* (New York: Springer-Verlag Wien, 1978), pp. 164–5.
[15] Clifford Geertz, "Suq: The Bazaar Economy in Sefrou," in *Meaning and Order in Moroccan Society*, ed. Clifford Geertz, Hildred Geertz, and Lawrence Rosen (Cambridge: Cambridge University Press, 1979), p. 123. European travelogues on Iran and the Middle East often discuss bazaars as essential components of Middle Eastern society. For example, "To see Persia without knowing its bazaars is seeing it like a small boy watching a

Almost three decades since his remarks, Geertz's dismay at the lack of research on Middle Eastern bazaars continues to resonate.[16]

Furthermore, despite the universal acceptance that bazaars are fundamental socioeconomic and political loci in Iranian society, intensive empirical research on bazaars has been very limited since the Revolution. Thus, scholars have tended to assume that the organization of the bazaars, their relationship to other social groups, and their political efficacy have remained unchanged. Two important analyses of postrevolutionary politics, however, speculate that the bazaars have undergone important transformations. Ahmad Ashraf's history of bazaars includes a suggestive paragraph: "On the whole ... the bazaaris have been threatened by such unprecedented radical governmental measures as nationalization of foreign trade and elimination of brokerage junction through the development of cooperative societies."[17] Meanwhile, in his political history of the first decade of the Islamic Republic, Shaul Bakhash points out: "In the bazaar, the old merchant families were edged out by the new men with connections to the clerics in the government."[18] In the chapters that follow, I extend Ashraf's and Bakhash's astute, but unelaborated, observations to show that state policies have not simply threatened the Tehran Bazaar or changed its composition, but have radically restructured its internal organization and its relationship to the state and economy – a restructuring, moreover, that has consequences for the political efficacy of the Bazaar.

Studying transformative states

This initial observations take us away from the alleys and shops where the Bazaar's bargaining and trade takes place and moves us to the political architecture where policies are formulated and conceptions of development and social transformation are enacted. That is, to understand the organization of the Bazaar we must consider the policies of the state.

The state was recovered from relative analytical obscurity by political scientists and sociologists in the 1980s.[19] Positioning themselves in

circus through a hole in the tent." Fred Richard, *A Persian Journey* (London: Jonathan Cape, 1931), p. 39.

[16] A recent exception is Annika Rabbo's *A Shop of One's Own: Independence and Reputation among Traders in Aleppo* (London: I. B. Tauris Press, 2004).

[17] Ahmad Ashraf, "Bazaar-Mosque Alliance: The Social Basis of Revolts and Revolutions," *International Journal of Politics, Culture, and Society* 1 (Summer 1988), 564.

[18] Shaul Bakhash, *The Reign of the Ayatollahs: Iran and the Islamic Revolution* (New York: Basic Books, 1990), p. 290.

[19] Atul Kohli, "State, Society, and Development," and Margaret Levi, "The State of the Study of the State," in *Political Science: The State of the Discipline*, ed. Ira Katznelson and Helen V. Milner (New York: W. W. Norton and Co., 2002).