

Introduction

0.1 “A Modern Major General”

It was May 1964 and Hossein Mahdavy had run out of patience. The Iranian economist, known by his colleagues as a brilliant though hot-headed nationalist, held a high-ranking position in Iran’s esteemed Economic Bureau. He worked alongside economists, budget analysts, and statisticians – Iran’s best and brightest – to prepare a development program, the Third Plan, budgeted at \$1 billion. The plan would tap Iran’s oil revenues, a stream of wealth worth \$400 million per year, to kick-start the economy and stabilize the regime of Iran’s shah, Mohammed Reza Pahlavi (Figure 0.1). The bureau received help from a team of American advisors, sent to Iran with the backing of the Kennedy administration, which worried about the shah’s shaky grip on power. Mahdavy and his colleagues toiled away at the Third Plan under the watchful eye of American developmentalists who regarded the final plan outline as “the best drafted piece of legislation” in Iran’s modern history.¹ The plan was a blueprint for Iran’s future, and like many educated Iranians, Mahdavy hoped that future would include a transition away from authoritarianism toward liberal secular democracy. In May 1961, under US pressure, the shah appointed a reformer prime minister. In January 1962, he approved the Third Plan.

But within months, to Mahdavy’s dismay, Iran’s monarch changed course. In July 1962, the shah pushed out his prime minister and marginalized the Economic Bureau. Instead of the Third Plan, he launched the “White Revolution,” a campaign centered on land distribution for Iran’s peasants. A political maneuver disguised as a reform movement, the White Revolution destroyed or co-opted what was left of Iran’s traditional elite and middle-class opposition, cementing the shah’s status as Iran’s unquestioned ruler.²

¹ McLeod to Mason, February 17, 1962, FFR R-0813, RAC.

² Ali M. Ansari, “The Myth of the White Revolution: Mohammed Reza Shah, ‘Modernization’ and the Consolidation of Power,” *Middle East Studies* 37 (2001): 1–24.

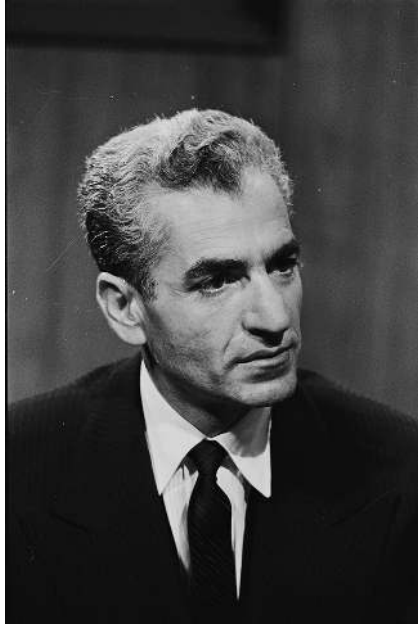


Figure 0.1 Mohammed Reza Pahlavi, the shah of Iran.
Photo from 1962. US News & World Report magazine photograph collection,
Library of Congress

The United States, though skeptical of the White Revolution's economic potential, regarded the shah's political consolidation as a smashing success. In August 1953, the Central Intelligence Agency (CIA) had helped put the shah in power through a covert coup d'état. Ten years later, the move seemed to have paid off. "We created a modern revolutionary monarch," noted Kennedy administration official Robert Komer in October 1964, "from the very model of a modern major general."³ In the wake of the White Revolution, the shah emerged as a poster child for US-backed modernization, where human rights' violations and political repression were papered over by high GDP growth, rising literacy, and a booming middle class. By the end of the decade, the shah was arguably the most important US ally between Bonn and Tokyo.⁴

³ Robert W. Komer Oral History Interview, JFK #4, October 31, 1964, Papers of John F. Kennedy, Presidential Papers, NSF, JFKPL.

⁴ Roham Alvandi, *Nixon, Kissinger and the Shah: The United States and Iran in the Cold War* (New York: Oxford University Press, 2014), 28–64.

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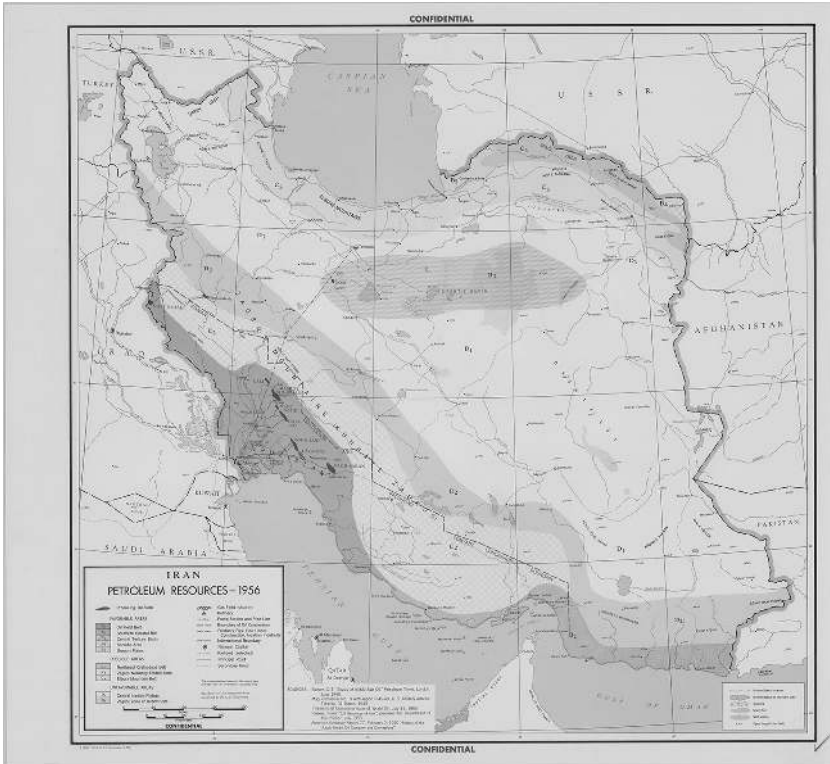
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Figure 0.2 Map of Iran’s petroleum resources, 1956.
RG 263, Records of the Central Intelligence Agency, NARA

As with the Third Plan, the secret to the shah’s success could be summed up in one word: oil. Between 1960 and 1970, Iranian production rose from 1.05 million barrels per day (bpd) to 3.82 million bpd (Figure 0.2). Revenues from the production of Iranian oil rose steadily after the coup of 1953 and reached \$1 billion by 1970.⁵ For US policymakers, it did not matter that the shah’s economic reform program was defined by “hazy, inconclusive gesture[s],” or that he had tossed aside his experts in the Economic Bureau.⁶ What mattered was that

⁵ Degolyer and MacNaughton, *Twentieth Century Petroleum Statistics* (Dallas, TX: 1984), 9; *FRUS 1964–1968, XXII*: 28–29.

⁶ Memo for Komer, May 7, 1963, Robert W. Komer Papers, Box 424, JFKPL.

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Iran's future appeared secure, so long as oil (and oil wealth) continued to flow.

The Economic Bureau, meanwhile, was forgotten. Most chose to resign, frustrated with the course of the country's development program, "as it was turned into a political tool of the shah."⁷ The bureau's American allies were equally disheartened. While the White Revolution secured the shah's power and ostensibly liberated the peasant population from the tyranny of feudal landlords, without planned and organized development the future of the shah's government looked grim, since his reforms had yet to deliver any substantive improvements to most Iranians. "Pressures from the rural element," wrote one Ford Foundation officer, "will ultimately ... force a basic change in government."⁸ The shah's program, according to Kennedy advisor Kenneth Hansen, "[failed] to engage directly with the crucial problems of economic development ... the basis for political stability." If the United States supported the shah and sidelined the more progressive and democratic forces within Iran, it risked becoming irrevocably tied "to a regime whose policies are characterized by short-term expediency and neglect of ... the increased well-being of the people."⁹ In the euphoric response to the shah's reforms, these warnings went unnoticed.

Mahdavy left government service in 1964 and spent the remainder of the decade working for the anti-shah Iranian student movement. Yet he never fully abandoned his former vocation. In 1970, the economist penned a chapter for an obscure volume on the economic history of the Middle East. Amid the charts and figures, Mahdavy dropped a bombshell. The shah's policies, he argued, were unsustainable. And oil was the problem. Financially independent, the Pahlavi state had no need for a popular mandate, as it could rule through the financial power conferred by oil. If the flow ever slowed, the state's basis in legitimacy would weaken and the forces working to destabilize his government – rural poverty, urban dissatisfaction, the suppression of democracy, the dominance of a corrupt minority, and the centralization of power around a single, fallible ruler – would return. In time, Iran would collapse into social and economic upheaval, possibly even revolution. Mahdavy coined a new term to describe his nation: Iran had now become a "rentier state."¹⁰

⁷ HIOHP, Muqaddam, Tape No. 3, 1–2

⁸ "Final Report on Iran: A Possible Basis for Re-Entry," July 11, 1964, FFR R-0814, RAC.

⁹ Memo for Komer, May 7, 1963, Robert W. Komer Papers, Box 424, JFKPL.

¹⁰ Hossein Mahdavy, "The Patterns and Problems of Economic Development in Rentier States: the Case of Iran," in *Studies in the Economic History of the Middle East: From the Rise of Islam to the Present Day*, ed. M.A. Cook (London: U.P., 1970), 443–467.

His prediction was proven true in 1979. The shah's outwardly imposing regime collapsed amid economic crisis, social upheaval, and revolution. Oil laid the foundation for the success of the Pahlavi state. Oil also proved fundamental to that state's end. Yet the mere existence of oil did not render such an outcome inevitable. The shah's petro-state, a creation credited to his own breathless ambition, did not spring fully formed into being. Nor was it conjured through the machinations of Western oil companies or the imperial interference of the shah's superpower benefactor, the United States of America. Rather, the Pahlavi petro-state emerged from a confluence of global and local forces, driven by foreign and domestic actors, that came together in the twenty-five years before the White Revolution and the shah's consolidation of political power. The formation of the shah's government was inextricably linked to the birth of the global fossil fuel economy, the Cold War policies of the United States, and the international development movement. Its birth marked the creation of a new political formation, one characterized by fossil fuel extraction and authoritarian militarism that would come to dominate the oil-producing world and link the global movement of oil to the local application of oil wealth. To understand the nature of the original rentier state, it is necessary to explore the history of the dual integration of Iranian oil.

0.2 The Dual Integration of Oil

"Don't talk to me about barrels of oil," Henry Kissinger allegedly told his staff, "they might as well be bottles of Coca-Cola."¹¹ His frustration is understandable: Oil is not always the easiest thing to grasp. The most valuable traded commodity on earth, in terms of sheer volume, oil's consumption forms the foundation for modern industrial society. Machines are lubricated, engines powered, homes heated, and crops nourished by products derived from oil and natural gas. In popular discourse, oil is synonymous with wealth and the struggle for power. It is, to paraphrase Sir Winston Churchill, "a prize from fairyland," which once discovered guarantees prosperity.¹² The promise of riches then produces conflict. Nations, it is believed, go to war over oil.¹³

¹¹ Quoted in Daniel Yergin, *The Prize: The Epic Quest for Oil, Money and Power* (New York: Simon and Schuster, 1991), 595.

¹² Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011), 60.

¹³ Emily Meierding, *The Oil Wars Myth: Petroleum and the Causes of International Conflict* (Ithaca, NY: Cornell University Press, 2020); Toby Jones, "America, Oil and War in the Middle East," *Journal of American History* 99, no. 1 (June 2012): 208–218.

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The production and consumption of fossil fuels has made modern life possible while planting the seeds of calamitous alterations in global climate that threaten to displace millions and radically restructure social, geographic, economic, and political boundaries.¹⁴ Oil conjures ideas of freedom and images of excess, of life and death. It is both a blessing and a curse.¹⁵

Drawing on Mahdavy's rentier state thesis, the study of oil has generated a school of thought centered on the concept of the resource curse. Once capital investment is recouped, oil can be produced cheaply, resulting in large profits. States that enjoy high returns from oil sales can govern without resorting to taxation, freeing them from popular pressures while leaving them vulnerable to oil's volatile boom-and-bust cycle.¹⁶ This produces a contradiction, "the paradox of plenty," in social scientist Terry Lynn Karl's formulation, where the runaway success of the energy export sector depresses economic growth, resulting in uneven development or the so-called Dutch Disease.¹⁷ Petro-states – nations which depend upon oil's production and sale for a disproportionate share of government revenue, export value, and GDP – are susceptible to corruption, repression, and political instability.¹⁸ One line of reasoning contends that oil produces the conditions for authoritarian government while suppressing democracy, though this ignores those states – including the United States of America, far and away the most prolific petroleum producer in history – which have not (yet) devolved into centralized autocracies.¹⁹

¹⁴ Bryan Lovell, *Challenged by Carbon: The Oil Industry and Climate Change* (Cambridge: Cambridge University Press, 2011), 67–90.

¹⁵ Mitchell, *Carbon Democracy*, 1–7, Matthew Huber, *Lifeblood: Oil, Freedom and the Forces of Capital* (Minneapolis, MN: Minnesota University Press, 2013), xv–xviii.

¹⁶ A sample of the resource curse literature includes Alan Gelb, *Oil Windfalls: Blessing or Curse?* (New York: Oxford University Press, 1989), Michael Ross, *The Oil Curse: How Petroleum Shapes the Development of Nations* (Princeton, NJ: Princeton University Press, 2013), Hossein Askari, *Middle East Oil Exporters: What Happened to Economic Development?* (Cheltenham, UK: Edward Elgar Publishing, 2006).

¹⁷ Terry Lynn Karl, *Paradox of Plenty: Oil Booms and Petro States* (Berkeley, CA: University of California Press, 1997).

¹⁸ Ross, *The Oil Curse*, 1–26, Askari, *Middle East Oil Exporters*, 5; Hazem Beblawi and Giacomo Luciani, eds., *The Rentier State* (New York: Croon Helm, 1987), Daron Acemoglu and James A. Robinson, *Why Nations Fail: the Origins of Power, Prosperity and Poverty* (New York: Crown Publishers, 2012), Kiren Aziz Chaudhry, "Economic Liberalization and the Lineages of the Rentier State," *Comparative Politics* 27, no. 1 (Oct. 1994): 1–25.

¹⁹ The political scientist Samuel Huntington famously deployed this argument while explaining the failure of democracy to spread in the Middle East. See Huntington, *The Third Wave: Democratisation in the Late Twentieth Century* (Norman, OK: University of Oklahoma Press, 1991), 65.

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The argument that oil is “cursed” tends to fixate on local circumstances, finding blame for the misappropriation of oil wealth “in the decision-making organs of the individual producer states,” according to social scientist Timothy Mitchell.²⁰ This framing elides or ignores the global history of oil, particularly the origins of the international oil industry and the efforts undertaken by a small group of Western oil corporations to extend private control over oil deposits in the Global South during the first three-quarters of the twentieth century.²¹ These companies, known as the “Seven Sisters,” were important actors during the global Cold War, assisting the British and US governments and facilitating the flow of oil in service of Western strategic objectives.²² Yet the impact of oil capital’s activities range far beyond the Cold War frame. Taking cues from the work of political scientist Robert Vitalis, scholars have drawn on company records to explore how international forces helped shape local oil-producing communities.²³ Recent scholarship emphasizes a broad swathe of ecological, social, cultural, and political impacts derived from the development of oil.²⁴ Foreign-owned oil

²⁰ Mitchell, *Carbon Democracy*, 5.

²¹ Peter F. Cowhey, *The Problems of Plenty: Energy Policy and International Politics* (Berkeley, CA: University of California Press, 1985), Edith Penrose, *The Large International Firm in Developing Countries: The International Petroleum Industry* (London: Allen and Unwin, 1968), John Blair, *The Control of Oil* (New York: Pantheon Books, 1976), Neil H. Jacoby, *Multinational Oil: A Study in Industrial Dynamics* (New York: Macmillan, 1974), Anthony Sampson, *The Seven Sisters: The Great Oil Companies and the World They Shaped* (New York: Viking Press, 1975); for Latin America, see George Philip, *Oil and Politics in Latin America: Nationalist Movements and State Companies* (New York: Cambridge University Press, 1982); for Middle East oil, see Wayne A. Leeman, *The Price of Middle East Oil: An Essay in Political Economy* (Ithaca, NY: Cornell University Press, 1962), Benjamin Shwadran, *The Middle East, Oil and the Great Powers* (New York: Wiley, 1974), George W. Stocking, *Middle East Oil: A Study in Political and Economic Controversy* (Nashville, TN: Vanderbilt University Press, 1970).

²² David S. Painter, *Oil and the American Century: The Political Economy of U.S. Foreign Oil Policy, 1941–1954* (Baltimore MD: Johns Hopkins University Press, 1986), Aaron David Miller, *Search for Security: Saudi Arabian Oil and American Foreign Policy, 1939–1949* (Chapel Hill, NC: University of North Carolina Press, 1980), Nathan J. Citino, *From Arab Nationalism to OPEC: Eisenhower, King Saud and the Making of U.S.-Saudi Relations*, 2nd Edition (Bloomington, IN: Indiana University Press, 2005).

²³ Robert Vitalis, *America’s Kingdom: Mythmaking on the Saudi Oil Frontier* (New York: Verso, 2009), Arbella Bet-Shlimon, *City of Black Gold: Oil, Ethnicity and the Making of Modern Kirkuk* (Stanford, CA: Stanford University Press, 2019), Nelida Fuccaro, “Structural and Physical Violence in Saudi Arabian Oil Towns, 1953–1956,” in *Urban Violence in the Middle East: Changing Cityscapes in the Transformation from Empire to Nation-State*, eds. Ulrike Freitag, Nelida Fuccaro, Claudia Ghrawi and Nora Lafi (New York: Berghahn Books, 2015), 243–266.

²⁴ Fernando Coronil, *The Magical State: Nature, Money and Modernity in Venezuela* (Chicago: University of Chicago Press, 1997), Toby Jones, *Desert Kingdom: How Oil and Water Forged Modern Saudi Arabia* (Cambridge, MA: Harvard University Press, 2010), Martin Melosi and Joseph A. Pratt, *Energy Metropolis: An Environmental History*

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industries were grounds upon which states could contest terms of sovereignty, challenging the models of dependence that bound the Global South to the Global North during the Cold War era.²⁵

In other words, what occurs *locally* – the ways in which oil’s wealth is deployed to shape a state, form a society, or develop a national economy – is addressed separately from oil’s movement *globally*, where its flow is managed by private corporations and factors into international politics through so-called oil diplomacy and the struggle of oil-producing states against superpower influence and the dominance of fossil fuel capital. This separation obscures the ways in which the local integration of oil wealth depends upon oil’s integration into a global network.

Michael Tanzer observed that “the mere fact of foreign ownership automatically involves a country in the complex relationship,” which he calls “the political economy of international oil.”²⁶ Viewed through a broader lens, oil loses its simplicity as a “prize” and instead emerges, argues historian Toby Craig Jones, as the foundation for “a set of relations among politics, big business, global capital, labor and scientific expertise.”²⁷ Oil represents more than mere wealth. Its production and movement conveys a promise of material and even spiritual progress, as the inert crude is somehow magically transformed into a vessel for modernity.²⁸ “Everywhere oil was found,” writes historian Darren Dochuk, “people believed it could move them ... into a higher state of civilization.”²⁹ Oil is global, but also local, an expression of international relations and multinational capitalism that has profound effects on the

of Houston and the Gulf Coast (Pittsburgh, PA: University of Pittsburgh Press, 2007), Laurie E. Adkin, ed., *First World Petro-Politics: The Political Ecology and Governance of Alberta* (Toronto: University of Toronto Press, 2016), Miguel Tinker Salas, *The Enduring Legacy: Oil, Culture and Society in Venezuela* (Durham: Duke University Press, 2009), David E. Nye, *Consuming Power: A Social History of American Energy* (Cambridge, MA: Harvard University Press, 1998).

²⁵ Christopher Dietrich, *Oil Revolution: Anticolonial Elites, Sovereign Rights, and the Economic Culture of Decolonization* (Cambridge: Cambridge University Press, 2017), Victor McFarland, *Oil Powers: A History of the U.S.-Saudi Alliance* (New York: Columbia University Press, 2020), Giuliano Garavini, *The Rise and Fall of OPEC in the Twentieth Century* (New York: Oxford University Press, 2019), David M. Wight, *Oil Money: Middle East Petrodollars and the Transformation of US Empire, 1967–1988* (Ithaca, NY: Cornell University Press, 2021).

²⁶ Michael Tanzer, *The Political Economy of International Oil and the Underdeveloped Countries* (Boston, MA: Beacon Press, 1969), 6.

²⁷ Jones, *Desert Kingdom*, 13.

²⁸ Alison Fleig Frank, *Oil Empire: Visions of Prosperity in Austrian Galicia* (Cambridge, MA: Harvard University Press, 2005).

²⁹ Darren Dochuk, *Anointed with Oil: How Christianity and Crude Made Modern America* (New York: Basic Books, 2019), 82.

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landscapes, communities, and polities wherever it is exploited, consumed, or integrated into strategies of economic development.

Petroleum and Progress in Iran merges the local with the global. The chosen context is Iran between 1941 and 1965, years which marked a period of substantive interaction between the Pahlavi government, the major oil companies, and development groups aligned with the United States. Understanding how the Pahlavi regime came to depend on oil, and how oil fits within Iran's complicated relationship with the United States, American NGOs, and private oil companies, requires an approach combining oil's global and local characters: The dual integration of oil, an idea that provides the spine of this book.

The dual integration of oil is the process by which a global oil economy produced oil wealth which was then utilized by oil-producing states for purposes of economic development and state formation. Global and local integration relied on one another. The companies created a global energy network premised on limiting competition and maximizing profits. They did this to enrich themselves, but also to provide stability to a tumultuous energy market that, if left unchecked, would threaten long-term profitability. Operating concessions in the colonial or quasi-colonial states of the Global South, the companies split their oligopoly profits with producing governments, in the hope that it might ameliorate "petro-nationalism," ensuring continued access for the companies and security for Western consumers.³⁰ Utilizing this wealth, in turn, allowed governments to manage internal unrest, ward off social revolution, and maintain internal cohesion, thereby providing a cushion from which to manage the transitional challenges posed by decolonization.

Both local and global integration served the Cold War strategic interests of the US government. A profitable global oil industry controlled by Western capital ensured access to cheap oil for Western consumers, while the provision of revenues to oil-producing states protected those states from pressures tied (sometimes in reality, more usually in the minds of American officials) to the influence of the Soviet Union. Dual integration was conceived as a Cold War project and occurred in various oil-producing countries between the 1940s and the 1970s. It was not always fully articulated, nor was it ever labeled "dual integration," yet the idea that a nation's place in the global fossil fuel economy provided tools for furthering economic development and thus internal political

³⁰ I use the term "petro-nationalism" to describe the unique form of indigenous nationalist opposition that arises in reaction to the presence of a foreign-owned oil industry. See Garavini, *The Rise and Fall of OPEC*, 39–52.

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stability was a salient one throughout the period (1941–1965) under discussion here.

Petroleum and Progress in Iran examines the dual integration of oil in Iran. Its central contention is that Iran's dependence on oil emerged from interactions between American developmentalists, Pahlavi technocrats, and an oligopoly of major oil companies under the aegis of the Cold War policies of the United States. The Pahlavi petro-state was not born. It was made, and not solely by the Pahlavi shah. The global Cold War, together with the modernizing presumptions of American developmentalists and the oligopolistic practices of the major oil companies, produced the context for Iran's slide into the petrolic authoritarianism of the Pahlavi shah.

0.3 Themes and Structure

This book emphasizes three themes. The first concerns US-Iranian relations during the Cold War. For the United States, Iran was a country of strategic importance. It shared a long border with the Soviet Union and straddled the oil-producing regions of the Persian Gulf. After World War II, American policy focused on strengthening the government of Mohammed Reza Pahlavi in the hope of preventing Iran's fall to communism. Successive administrations pursued this goal by encouraging economic development, steering the shah's government toward reforms that would produce lasting political stability, while simultaneously backing the monarchy through financial and military assistance.³¹

Though it has received relatively little attention in the Iranian context, the study of development has experienced a scholarly renaissance since 2000.³² Practiced within the European empires before 1945,

³¹ For US relations with Pahlavi Iran, see Mark J. Gasiorowski, *U.S. Foreign Policy and the Shah: Building a Client State in Iran* (Ithaca: Cornell University Press, 1991), James A. Bill, *The Eagle and the Lion: The Tragedy of American-Iranian Relations* (New Haven: Yale University Press, 1988), James F. Goode, *The United States and Iran, 1946–51: the Diplomacy of Neglect* (New York: St. Martin's Press, 1989), and *The United States and Iran: in the Shadow of Musaddiq* (New York: St. Martin's Press, 1997), Richard Cottam, *Iran and the United States: A Cold War Case Study* (Pittsburgh: University of Pittsburgh Press, 1989).

³² Nick Cullather, "Development? It's History," *Diplomatic History* 24, no. 4 (Fall 2000): 641–653, Sara Lorenzini, *Global Development: A Cold War History* (Princeton, NJ: Princeton University Press, 2019), Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (New York: Cambridge University Press, 2007), David C. Engerman, Mark H. Haefele, Michael E. Latham, Nils Gilman, eds., *Staging Growth: Modernization, Development and the Global Cold War* (Amherst, MA: University of Massachusetts Press, 2003), Nils Gilman, *Mandarins of the Future: Modernization Theory in Cold War America* (Baltimore, MD: Johns Hopkins