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The fallout from the presidential election on 12 June 2009 precipitated the biggest political crisis in Iran since the 1979 Revolution. The official results gave the incumbent president, Mahmoud Ahmadinejad, 63 percent of votes, compared to 34 percent for his main rival, the reformist Mir Hossein Mousavi. As these results were contested by Mousavi, people’s power shook the political establishment. Thousands poured onto the streets of Iran’s major cities to demand the annulment of the election result and the extension of democratic rights.

The protests and the government crackdown have prompted an animated debate on the international radical left. Faulty analyses, interpreting events in Iran as merely a conflict between two factions of the ruling class and regarding the protests as an imperialist conspiracy, have led some on the left to line up with those who were crushing the protest movement.

There were, of course, good reasons to be critical of the West’s hypocritical call for democracy and human rights in Iran: their support for dictatorships in the region and their occupations of Iraq and Afghanistan, for instance. And, given the US’s record of encouraging “colour revolutions” in countries such as Ukraine and Georgia, it is not surprising that the Iranian demonstrations met with a sceptical response, especially in the Middle East and Latin America. However, this position was utterly mistaken.

Fortunately, the vast majority of the radical left reacted differently, with excitement and hope, maintaining opposition to imperialism while offering solidarity and support to the political forces that wanted to take the protest movement in a democratic, anti-capitalist and anti-imperialist direction.

The post-election crisis was a product of an unprecedented rupture in the ruling class on the one hand and a huge mobilisation from below on the other. This article aims to put both developments in a historical perspective and provide an understanding of the opportunities and pitfalls facing the revolutionary left.

Revolution and counter-revolution

In his speech inaugurating Ahmadinejad’s second term, Supreme Leader Ali Khamenei described the protests as a “caricature” of the “great movement” of 1979. This remark was politically significant because it conceded that a mass movement had erupted after the presidential elections and acknowledged that what was at stake was the legacy of the 1979 Revolution. The demonstrations were reclaiming the emancipatory potential of the revolution by repeating its slogans; those attacking them were also claiming the revolution for themselves, posing as its defenders against “liberal” and “Western” deviations. The two sides were in fact referring to different
things—revolution and counter-revolution—which the leaders of the Islamic Republic have always presented as the same. These leaders were able to blur the transition from one to the other because of their own participation in the revolution and because mass mobilisation was a special feature of the counter-revolution. But the crackdown on millions of Iranians repeating the demands and slogans of 1979 was a powerful reminder that the existing regime had been born out of counter-revolution. To appreciate the significance of this twist, it is imperative to briefly revisit events from 1977 to 1983.

The revolutionary movement that emerged in 1977 was the culmination of a century of protests, which had three prominent moments. The first, the Constitutional Revolution (1906-11), was led by merchants, clerics and intellectuals (among them Iran’s first socialists) and challenged both domestic tyranny (the Qajar dynasty) and imperialism (Russia and Britain). The second moment started with the blossoming of the labour movement, women’s organisations and the pro-Moscow Tudeh Party in the 1940s and ended with the US and British sponsored coup d’état against the nationalist government of Mossadeq. His crime was that he had nationalised the Anglo-Iranian Oil Company, which Winston Churchill called “a prize from fairyland beyond our wildest dreams” because of the huge profits it yielded for Britain. After the fall of Mossadeq the Shah established an authoritarian regime with military and financial assistance from the US, which trained his secret service, the Savak, to repress secular nationalist and Communist forces. As a result of this repression it was the clergy, headed by Ruhollah Khomeini, that played a central role in the protests of 1963-4, and political Islam (Islamism) emerged as an important force in the next two decades without ever becoming hegemonic, even during the early years of the revolution.

The roots of the third moment, the 1979 Revolution, lie in the political and social contradictions that the Shah’s rule had created. These came to a head in 1977-9 as a relative loosening of repression gave the opposition an opportunity to protest and a recession mobilised the lower classes. It is important to note that the revolution was made by a broad coalition of socially and ideologically diverse forces. As Abrahamian writes, if “the traditional middle class” of the bazaar merchants and the clergy “provided the opposition with a nationwide organisation, it was the modern middle class that sparked off the revolution, fuelled it, and struck the final blows”, while “the urban working class” was “its chief battering ram”.

Students, intellectuals and clerics had staged protests from early 1977. The mercantile bourgeoisie played an important role through their financial assistance, as did the urban poor (the “lumpenproletariat”) through providing the masses on the streets, but it was the strike movement in the last months of 1978, especially in the oil industry, that broke the back of the regime. Despite the myth of a monolithic Islam, there were all shades of Islamic-inspired ideologies at work: Khomeini’s clerical Islamism, the non-clerical Islamism of the radical intellectual Ali Shariati, the Islamic socialism of the Mujahedeen, the Islamic liberalism of Mehdi Bazargan and the traditionalist Islam of the clergy. There were also various secular forces with a mass following: Communists, liberals and nationalists.

The fall of the Shah’s regime in February 1979 was greeted by millions of Iranians as the “spring of freedom”. A flood of new publications were sold and discussed at the roadside. There were public meetings in the streets, universities and workplaces
covering politics, religion, philosophy and art. Socialist parties grew fast and new ones were founded. Oppressed groups such as women and national minorities took centre stage and demanded equal rights. Peasants seized the land. Independent trade unions were founded and strike committees developed into shoras (workers’ councils)—some of them taking over production in plants where the management had fled. Strikes also continued after the revolution. There were 350 disputes in 1979. Everywhere there was a liberating excitement and a sense that a different future was possible.

In general the vision of the revolutionary movement was one of independence from foreign domination, social justice and liberty. It is not true, as is argued by some liberals and leftists, that the slogan Azady (freedom) had merely an anti-imperialist content as befitted a movement with a lack of democratic aspirations. This claim ignores the historical resonance of the word, going back to the Constitutional Revolution and the opposition to the Shah’s dictatorship. “Independence, freedom, Islamic republic”—the slogan that became popular in the last weeks of the revolution—indicated that for many people there was no contradiction between the three elements. However, Khomeini had a different vision for the future and a specific definition of an “Islamic republic”. Around 1970 he had developed a new interpretation of the Shia doctrine of velayat-e faqih, according to which a supreme interpreter of Islamic law must lead the believers politically and religiously. He and his close allies kept this idea in the background and instead stressed the fight against poverty and imperialism. Khomeini even promised that the clerics would function merely as religious guides and leave politics to laymen. After the revolution, however, he started to concentrate all power in the hands of a group of clerics and lay Islamists. The main vehicles were the Revolutionary Council that Khomeini established as a parallel centre of power to the Provisional Government headed by the liberal-religious Bazargan, the Islamic Republican Party and the Islamic Revolutionary Guard Corps, whose members were mainly recruited from the urban and rural poor.

Khomeini, exiled in Paris as the revolution began to unfold, symbolised for many the unity of the diverse forces in its early days. On his return he used his influence to establish his own dominant role in the post-revolutionary state. But he could only do so by manoeuvring between different forces in ways that led many to misunderstand the class interests he represented.

First Khomeini allied himself with the bourgeois forces around Bazargan’s Provisional Government to marginalise the left in the universities and suppress the shoras, which were replaced by Islamic Associations. The Khomeinists also moved against the organisations of the left, banning or attacking their demonstrations and headquarters. Women’s rights came under attack and the veil was made compulsory. Gangs of hezbollahi (partisans of god) intimidated dissidents. The Revolutionary Guard’s assault on the Kurdish national movement at the end of 1979 was meant to demonstrate its power. By that time, counter-revolution was uprooting all grassroots organisations or bringing them under the control of the Islamic Republic.

The seizure of the American Embassy in November 1979 by student followers of Khomeini who held its officials hostage for 444 days enabled him to assume an anti-imperialist posture to further sideline the left, while at the same time turning on his bourgeois allies and forcing Bazargan to resign as prime minister. It also provided a
distraction from the massive formal power given to the clergy through the inclusion of *velayat-e faqih* in the constitution—put to a vote in December and approved by a majority. Then in early 1980 Khomeini set about purging the left from the universities, conducting this “cultural revolution” in alliance with the newly elected president, the liberal-religious Bani Sadr. The Iraqi invasion in September 1980 came as a godsend for the Khomeinists. They used the all-out mobilisation for war to consolidate their power and conquer the last centre of power—the presidency—by launching an attack on Bani Sadr.

The left were thoroughly confused by this sequence of events. The left Islamist guerrillas of the Mujahedeen sided with Bani Sadr and then started a campaign of assassinations. Finding themselves no match for Khomeini’s army they then fled to Iraq and joined Saddam Hussein’s onslaught against Iran. The Communists of the Tudeh Party and the “majority” faction of the secular Fedayeen guerrilla organisation continued their unconditional support for Khomeini. Other leftist organisations, such as the “minority” faction of the Fedayeen, openly confronted the Islamic Republic but were forced into exile. Then in 1983 it was the turn of Tudeh and the Fedayeen “majority” to be banned. Hundreds of their members were arrested. Some 12,000 opponents of the Islamic Republic were either executed or killed in the armed struggles from 1981 to 1985 and thousands of others were executed in the summer of 1988.

However, the counter-revolution was not accomplished by repression alone. It also created its own social base. The Iranian left’s failure to acknowledge this led them to misunderstand the nature of the Islamic Republic and to underestimate its power.

Before returning to this issue I shall first look at the left’s strategic mistakes that allowed the Islamists to advance.

**The tragedy of the left**

Despite their courage and self-sacrifice, the left were not able to stop the Khomeinists from taking power. The common explanation on the Iranian left is still to blame imperialism. According to one account:

The entire resources of the international and national bourgeoisie, orchestrated by the CIA, were mobilised to transfer power to Khomeini as the representative of the capitalist clergy, to safeguard and save the bourgeois state… This was one of the most (if not the most) important factors in placing Khomeini at the head of the mass movement.8

This explanation is not only mistaken; it has also prevented the left investigating its own mistakes and drawing lessons for the future.

The left made two strategic mistakes. The guerrilla strategy of the left organisations prevented them from building a national organisation rooted in the day to day struggles of workers, even though some of their activists tried to compensate for this after the revolution by creating “workers’ fronts” alongside “student” and “women” fronts. When Khomeini turned on the *shoras* and the workers’ movement he did not simply have to rely on the use of force; he could also look to the influence of his
Islamist followers. The left lacked the organisational resources to counter these attacks, to link the shoras together and further their development.

The other strategic mistake by the largest part of the left (Tudeh and the Fedayeen’s “majority” faction) was to support Khomeini unconditionally, seeing him as the representative of the “progressive”—ie anti-imperialist—bourgeoisie. Instead of organising the working class as an independent force, they encouraged it to follow Khomeini. This logic followed from the Stalinist “two stages” theory, according to which the national bourgeoisie must first complete the struggle for independence and democracy, and only then can the left launch the second stage of socialist revolution. Tudeh argued that the transition from the first to the second stages could proceed smoothly if the new state accepted the path of “non-capitalist development” by copying the Soviet Union’s state capitalism and joining its camp.

Tudeh and the guerrilla organisations were two sides of the same coin: they both substituted other forces for the working class, assigning class struggle to second place. Tudeh argued that the Islamic Republic should be supported because it was “anti-imperialist”; the rest of the left opposed it on the grounds that it was imperialism’s “puppet”.

While Tudeh recognised that Khomeini enjoyed popularity among the lower classes, it did nothing to challenge his leadership. This would have been possible only by building an independent workers’ movement with a revolutionary left at its core, which could pull the urban poor and the lower middle class away from the Khomeinists. The “Marxist” left underestimated Khomeini’s popularity and launched an open assault on the Islamic Republic from mid-1980 onwards and was subsequently crushed.

A historian of the Iranian Revolution has put it this way:

While a number of Marxist organisations (the Tudeh amongst others) interpreted the political independence of the Islamic Republic of Iran as a sign of a possible drift towards an understanding with the Soviet Union, the overwhelming majority denied the obvious and attempted to depict the new regime as a disguised puppet of imperialism. The Marxists were outmanoeuvred by the Islamists because they refused to accept the independent nature of the new leadership at face value, a factor which played an important role in the movement’s inability to cope, and ultimately led to its downfall.9

The left also lacked a strategy for connecting the struggle for democratic rights to socialist revolution (the strategy of permanent revolution). They had developed a view in which the two stood in opposition to one another. The disastrous consequences of this logic became first apparent when in March 1979 thousands of women protested against the new gender policies of Khomeini, in particular the decree that made wearing the hijab obligatory. The left gave lip-service to women’s rights, but did not take concrete steps to defend them and called on supporters to refrain from those protests because most of the participants were from the middle and upper classes. Finally, the left were seriously weakened by their fragmentation and sectarianism. Each organisation set up its own front organisations for students, women and workers instead of creating unity between revolutionaries and non-revolutionary workers,
students and women to fight for common goals such as freedom of expression and organisation.

Islamist populism

Lenin, reflecting on the dark days that followed the 1905 Russian Revolution, wrote, “One had to know how to retreat, and that one had absolutely to learn how to work legally in the most reactionary of parliaments, in the most reactionary of trade unions, co-operative and insurance societies and similar organisations”. Unfortunately, the Iranian left did not retreat like the Bolsheviks; they just fractured into ever smaller fragments that became dominated by what Lenin, in the same passage, called “phrase-mongers”. The new regime’s brutality was not the only cause; more significant was the left’s failure to make a realistic assessment of the new balance of forces and to develop their strategy and tactics accordingly. Such a reorientation would have required the left to come to terms with the nature of the counter-revolution.

The common view on the Iranian left was that the main components of the Islamist bloc headed by Khomeini were the clergy and the traditional petty bourgeoisie. This prompted two different expectations. Tudeh thought that diverging economic interests would pit the petty bourgeoisie against the big bourgeoisie and shift them closer to the working class and the Soviet Union. The rest of the left expected that the traditional middle class would not be able to steer a modern state and economy, and would line up with the bourgeoisie against the working class. This became the dominant view after Khomeini’s attacks on the left and the shoras, which was interpreted as a bourgeois counter-revolution. This kind of analysis led many Iranian Marxists to explain the regime’s instability by the contradiction between the bourgeoisie’s “modern” economic interests and the “pre-modern” political-religious system of the clergy embodied in velayat-e faqih.

These theories exaggerate the influence of the “mosque-bazaar alliance”; more significantly they ignore the crucial role of the new middle class in both the revolution and the formation of the Islamic Republic. Large numbers of students, intellectuals, lawyers, doctors, engineers and professionals were attracted to political Islam, not so much as a religion, but as a political project. Tony Cliff provided a succinct explanation of the role of the intelligentsia in developing countries:

The intelligentsia is sensitive to their countries’ technical lag. Participating as it does in the scientific and technical world of the twentieth century, it is stifled by the backwardness of its own nation. This feeling is accentuated by the “intellectual unemployment” endemic in these countries… They feel insecure, rootless, lacking in firm values… [They] combine religious fervour with militant nationalism… They care a lot for measures to drag their nation out of stagnation, but very little for democracy. They embody the drive for industrialisation, for capital accumulation, for national resurgence… All this makes totalitarian state capitalism a very attractive goal for intellectuals.

The emergence of the group around Khomeini was not merely an expression of a traditional bazaar-based, parasitic merchant capital, as Chris Harman pointed out in an important article on Islamism. The new middle class formed the organisational
backbone of the Islamist cadre of the revolution and the state apparatus. Nor was this simply a classic bourgeois counter-revolution. The Islamists “undertook a revolutionary reorganisation of ownership and control of capital within Iran even while leaving capitalist relations of production intact, putting large-scale capital that had been owned by the group around the Shah into the hands of the state and parastate bodies controlled by themselves”.15

The Khomeinist counter-revolution differed from classic bourgeois counter-revolution in the sense that it was not trying to restore a lost political and social order; it created a new one, while preserving capitalist relations of social production. Val Moghadam was referring to this phenomenon when she wrote that the period between 1979 and 1983 did not contain one but two revolutions.16 Because of the continuity between the two phases, with different orientations, one could also speak of a “deflected permanent revolution”.17 This term was first used by Cliff to describe the revolutions in China (1949) and Cuba (1959), but it also applies to some other revolutions in backward countries. They all shared the following characteristics: (a) a social order that was decomposing under external pressures and internal crises; (b) revolutionary outbursts from below; (c) power equilibrium between bourgeois and working class forces; and (d) a relatively large and radicalised middle class. In these situations the middle class could give leadership to revolutionary movements and create a state that initiated industrialisation from above.

Viewed from a global and historical perspective, this kind of revolution is an instance of a “revolution of backwardness” of the type that arises in countries affected by uneven and combined development.18 Such countries are witness to what Trotsky in his classical description of Russia called “a drawing together of the different stages” of development and lead to “a combining of separate steps, an amalgam of archaic with more contemporary forms”.19 The theory of uneven and combined development has no difficulty in understanding Khomeinism’s combination of “traditional” and “modern” features, unlike the liberal modernisation theory and “Marxist” versions of it that view capitalism as a unidirectional, progressive and homogenising process. It also demystifies the “uniqueness” of Khomeinism by showing that it is universal and specific at the same time.

Historically “revolutions of backwardness” have appeared in different forms, depending on the specific configuration of national and international forces.20 One form, prevalent in Latin America and the Middle East, is populism. Khomeinism, or Islamism in general, is a particular form of populism. As I hope to demonstrate below, it shares the general characteristics of populism as a political movement, an ideology, a strategy for socio-economic development and a form of rule.21 However, it also has its distinguishable characteristics.

In the words of Abrahamian, populism is:

A [political] movement of the propertied middle class that mobilises the lower classes, especially the urban poor, with radical rhetoric directed against imperialism, foreign capitalism, and the political establishment. In mobilising the “common people”, populist movements use charismatic figures and symbols, imagery, and language that have potent value in the mass culture. Populist movements promise to drastically raise the standard of living and make the country fully independent of outside powers. Even
more important, in attacking the status quo with radical rhetoric, they intentionally stop short of threatening the petty bourgeoisie and the whole principle of private property. Populist movements, thus, inevitably emphasise the importance, not of economic-social revolution, but of cultural, national, and political reconstruction.

Crafting a multi-class coalition, dominated by the middle class, was central to Khomeini’s populism:

We are for Islam, not for capitalism and feudalism, not for land-grabbers, but for the barefooted, for deprived classes. Islam originates from the masses, not from the rich. The martyrs of the Islamic Revolution were all members of lower classes, peasants, industrial workers, and bazaar merchants and tradesmen.

Khomeini reconciled these contradictory elements by talking about an undifferentiated Islamic people (ommat) or the “deprived,” in which he included the bazaaris! As soon as the Khomeinist movement became institutionalised, however, it fell apart in different political factions reflecting different class interests, and different ideological and religious orientations.

Ideologically Khomeinism did not represent a return to the past or a total rejection of the modern world. It was based on “ideological adaptability and intellectual flexibility, with political protests against the established order, and with socio-economic issues that fuel mass opposition to the status quo.” It was revolutionary and conservative. It espoused a mythical past and it wanted to transform society. Thus Khomeinism was not a continuation of the traditional Islam of the clergy but a reinterpretation to provide an Islamic response to modern political and socio-economic issues. This project was conducted from the early 1960s by Khomeini and other radical clerics, but also by lay Islamists such as Ali Shariati, whose lectures attracted many students and intellectuals critical of the hair-splitting of the traditional clergy. Arguing against traditionalists after the revolution, Ali Akbar Hashemi Rafsanjani—at that time a close collaborator of Khomeini—asked, “Where in Islamic history do you find parliament, president and cabinet ministers? In fact, 80 percent of what we now do has no precedent in Islamic history.”

After the revolution the leaders of the Islamic Republic did not have a clear strategy for socio-economic development. Some favoured state intervention, while others argued for laissez-faire economics. The immediate need to save the economy from collapse and then mobilise all resources for the war with Iraq made the state interventionist tendency dominant. This had two sets of goals: wealth redistribution and social programmes to appease the lower classes, and the restoration of capital accumulation to build a modern economy. As a result the economy became dominated by state capitalist monopolies, such as nationalised industries and banks, and the huge conglomerates under the direction of bonyads (parastatal foundations).

The state in the Islamic Republic acquired relative autonomy from social classes, just like other populist regimes that are often associated with Bonapartism. This is, as Marx analysed in The Eighteenth Brumaire of Louis Bonaparte, a situation where a charismatic leader claims to stand above class divisions and to represent “the people” through the state apparatus and corresponding mass organisations. Because the relative autonomy of a Bonapartist state depends on the power equilibrium between
the bourgeoisie and the working class, it is inherently unstable. However, this changes when the state bureaucracy creates its own independent socio-economic base through its control of the means of production and itself becomes a class. As Cliff explained, this is what happened in the Soviet Union from the late 1920s.\(^{26}\) The Islamic Republic arose from a Bonapartist moment (1979-83) but then expanded the state bureaucracy, giving it control over large parts of the economy, most importantly oil revenues. In doing so, Islamism provided members of the new middle class with upward mobility and enabled them to combine religious devotion and material advance.

Directly after the revolution Islamist members of the new middle class filled 130,000 positions that became vacant after local and foreign managers and technicians left the country.\(^ {22}\) The number of ministries expanded from 20 employing 304,000 civil servants in 1979 to 26 in 1982 employing 850,000.\(^ {28}\) The nationalisation of industry, the creation of various parastatal organisations and the growth of the army expanded the directing layer of the bureaucracy. That is why the state bureaucratic class, or the state bourgeoisie, plays a significant role in Iran. The state affected class formation also in other ways, because of its central role in capital accumulation. A new bourgeoisie—the millionaire mullahs—grew in the interstices between the state sector, the \textit{bonyads} and the bazaar.

The historical role of the clergy in these developments and the powerful position they achieved are embodied in a specific form of political rule, which is neither a republican democracy nor a theocratic dictatorship. It is a complex combination of both elements (see figure 1). Khomeini became Supreme Leader in accordance with the doctrine of \textit{velayat-e faqih} enshrined in the constitution. The power of the clergy was also vested in the Assembly of Experts, which elects and supervises the Supreme Leader; the Guardian Council, which approves or rejects candidates for political offices and checks the compatibility of parliamentary legislation with Islamic law; and the Expediency Council, which was created in 1988 to mediate in disputes between the Guardian Council and the parliament. Parallel to these institutions, but in a subordinate power relation, are the republican institutions: the presidency, the parliament and the city councils. Their officials are elected, but first they have to be approved by the Guardian Council. The members of the Assembly of Experts are elected as well.
Analysis in these terms allows us to recognise the strengths and the weaknesses of the Islamic Republic. The Iranian left made a serious mistake in the early 1980s in regarding the Islamic Republic as an archaic, weak system that it could easily overcome or strike deals with. Its ideology, socio-economic strategy and political power made it more resilient than many thought. At the same time it contained from the beginning huge internal contradictions on all three terrains, which created factional power struggles in the elite and eroded its legitimacy and social base in society. This process created opportunities for social movements to organise according to their own interests.

The rise and demise of populism (1983-9)

As soon as the Islamic Republic had consolidated its power by repressing the liberal and socialist opposition, it became divided into left and right factions. The central issue was the orientation of the economy, but religious and cultural themes played a role as well.

The grouping within the regime known as the “Islamist left” was the dominant force in the 1980s. The majority of its members came from the radicalised new middle class...
but it included populist clerics as well. It had the majority in the parliament and several of its leading members had governmental posts. As the prime minister, Hossein Mousavi was the public face of this faction as it implemented populist economic policies to protect the lower classes against the effects of economic crisis and the war, which had cut per capita national income to half of its pre-revolution level by 1988. He argued, “The way of Islam is to attend to social justice,” and “the security of the revolution lies in the eradication of poverty and serving the destitute… Capital must not rule and the priority of the regime should be the poor and not the well off”.

The government subsidised essential products, imposed price controls and rationing, and provided the social programs of the bonyads. One in every four Iranians, 12.4 million people, benefited from the social assistance of the Foundation of the Oppressed and Disabled, the Martyrs Foundation, the Imam Relief Committee and the 15 Khordad Foundation. Although Iran remained highly unequal, the relative share of income going to poor and middle income households increased (see table 1). Furthermore, a significant section of the population benefited from state expenditures on education, healthcare, infrastructure and social welfare programmes, as can be seen in the rise of Iran’s human development index from 0.559 in 1980 to 0.671 in 1990 (it further increased from 0.735 in 2000 to 0.770 in 2005 (comparable to Turkey’s HDI). The percentage of urban households with a refrigerator increased from 36.5 in 1977 to 92.4 in 1989. The percentage of rural households with access to electricity rose from 16.2 to 71.2 in the same period. Moreover, some 220,000 peasant families received 850,000 hectares of land after the revolution. “They, together with the some 660,000 families who had obtained land under the earlier White Revolution, form a substantial rural class that has benefited not only from these new social services but also from state-subsidised cooperatives and protective tariff walls. This class provides the regime with a rural social base”.

Table 1: Income distribution

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<tr>
<td><strong>Gini coefficient</strong></td>
<td>0.515</td>
<td>0.466</td>
<td>0.456</td>
</tr>
<tr>
<td><strong>Share of lower 40 percent</strong></td>
<td>11.36%</td>
<td>12.71%</td>
<td>13.43%</td>
</tr>
<tr>
<td><strong>Share of middle 40 percent</strong></td>
<td>31.32%</td>
<td>36.51%</td>
<td>36.64%</td>
</tr>
<tr>
<td><strong>Share of upper 20 percent</strong></td>
<td>57.32%</td>
<td>50.78%</td>
<td>49.92%</td>
</tr>
</tbody>
</table>

The Islamic Republic also gained the backing of sections of the rural and urban poor by engaging them in mass organisations and campaigns. The Jahad-e Suzandegi (Reconstruction Jihad), for instance, sent thousands of young people to rural areas to aid the poor with cheap or free housing. Membership of the Revolutionary Guard and its paramilitary wing, the Basij, was for many poor young people a way to attain social status and material benefits.

Populist economic policies were combined with state capitalist methods to industrialise the economy. The government in fact continued the import substitution strategy under the previous Pahlavi administration but called it, in Khomeini’s words, khod kafa’i (self-sufficiency). This sought to bring foreign trade under its control with import licences, tariffs and regulation of foreign exchange.
Despite some moderate successes in industrialisation, the government’s state capitalist strategy faltered as the 1980s progressed. Partly this was because of the burden of the war with Iraq, particularly when oil prices nose-dived from 1986. But it was also because Iran’s economy had become secluded from, yet remained dependent on, the world market, which allowed for intermediate and capital imports and the export of oil and gas.35

The failure of state capitalism enhanced the position of the Islamist right, which favoured free market politics. Its supporters were mainly among the traditional clerics and the mercantile bourgeoisie of the bazaar. Their political bulwark was the conservative Guardian Council, which “raised objections to 102 out of 370 bills proposed by the first parliament and 118 out of 316 bills passed by the second parliament on the pretext of their being un-Islamic or unconstitutional”.36 Eventually factional struggles paralysed the Islamic Republic Party, forcing Khomeini to dissolve it in May 1987. It also paralysed the Society of Combatant Clergy, with a group of clerics belonging to the Islamist left splitting away to form the Association of the Combatant Clergymen. Among them were future leaders of the reformists, such as Khatami and Karrubi.

Supreme Leader Khomeini had sought to keep both factions balanced. But he often tilted towards the left, declaring before the 1988 parliamentary elections that people should “vote for candidates who work for the barefooted and not those adhering to capitalist Islam”. In his Friday prayer speech of 1 January 1988 he gave the government, controlled by the left, a free hand in conducting affairs of state, asserting that government is "one of the primary injunctions of Islam and has priority over all other secondary injunctions, even prayers, fasting, and hajj".32 He introduced the concept of maslehat (expediency), arguing that all matters should be judged by what is best for the Islamic state. If anyone thought that Khomeinism meant Islamising politics, this should convince them that it meant precisely the opposite.

The timing of Khomeini’s renewed populism was no coincidence. It was an attempt to win public support. But at the same time, under the pressure from falling oil revenues and a disgruntled mercantile bourgeoisie, Mousavi’s government made some concessions to the pro-market right faction. The Tehran stock exchange reopened in September 1988 and in April 1989 the government announced a privatisation policy.

The enthusiasm among the population for the Islamic Republic was fading fast after a decade of devastating war that had killed 300,000 and wounded 700,000 Iranians.38 An estimated 1.6 million people had fled their homes along the border with Iraq. The end of the war with Iraq in August 1988 followed by Khomeini’s death in July 1989 meant the disappearance of two major factors that had rallied a majority of the population around the Islamic Republic. Ali Khamenei was chosen by the Assembly of Experts as the new Supreme Leader, but he lacked the authority of Khomeini among both the general population and the clergy. Without the centripetal effects of the war and Khomeini’s authority, the factional fight intensified.

The regime was also facing problems of ideological legitimacy. After a decade of “Islamification”, there was still a huge gap between its official ideology and the variety of social values and attitudes in society at large—a gap that secularisation was
to increase in the following decades. The ideological differences among the Islamists themselves were far from resolved and started to lead them in different directions.

The end of the war was a significant turning point, as many committed Islamists who had left their poor families for the army returned to see that there was still a huge gap between the rhetoric of social justice and the reality of the rise of a new class of rich clerics and bazaaris. This disillusionment was brilliantly captured by Mohsen Makhmalbaf in his movie *The Marriage of the Blessed* (1989), in which Hadji, a young soldier, returns from war with psychological scars and finds it difficult to adapt to the new situation. In the opening scene the camera catches the revolutionary slogans on the wall through the logo of a Mercedes. The driver turns out to be his future father in law, a rich cleric. Outraged by the hypocrisy of the religious rich, Hadji stands up at his wedding to “welcome” the guests with these cynical words: “Those who have come with different socks on their feet [because they are poor], be welcome! Also those who have come with different cars, be welcome!”

Over the subsequent decade some of these Islamists, such as the film-maker Makhmalbaf, opted for reforming the system, while others turned towards neoconservatism. The various political projects that were initiated in the years that followed—Rafsanjani’s economic liberalisation, Khatami’s political reforms and Ahmadinejad’s neopopulism—can each be regarded as a response from a section of the ruling class to the crisis of legitimacy faced by the regime.

**Economic liberalisation (1989-97)**

No one in the ruling class understood better than Rafsanjani, who was elected president in 1989, that the economic precipice facing the Islamic Republic meant it could not be business as usual if it were to survive. His rise to power reflected the emergence of a new political faction, the Islamist modern right (“the pragmatists”), and a new social group of technocrats and nouveau rich. They shared the pro-market politics of the traditional right (“the conservatives”) but instead of relying mainly on the bazaar economy they favoured a modern industrial based economy. They also had less rigid socio-cultural attitudes and sought better relations with the West.

Rafsanjani’s call for post-war reconstruction had some initial appeal to the population. He replaced *khod kafa’i* (self-sufficiency), the catchword of the 1980s, with *towse’eh* (development) and *islahat* (reforms), which basically meant orienting the economy towards the free market. The reception of the World Bank/IMF mission to Iran in June 1990 symbolised this turn. Rafsanjani’s reforms very much followed these institutions’ recipe for economic “restructuring”: foreign trade liberalisation; decontrolling prices and eliminating subsidies; privatisation; deregulation; foreign borrowing; encouragement of foreign investment; establishment of free trade zones; stimulation of the Tehran stock exchange; and the reorganisation of the banking and financial services.

With these pro-market policies Rafsanjani was reorienting the Islamic Republic towards the bourgeoisie by providing them with new opportunities to make profits. Rafsanjani, his family and relatives certainly did make a fortune themselves. The
investigative journalist Klebnikov reported in 2003 how a new group of capitalists emerged after the revolution:

The 1979 revolution transformed the Rafsanjani clan into commercial *pashas*. One brother headed the country’s largest copper mine; another took control of the state-owned TV network; a brother in law became governor of Kerman province, while a cousin runs an outfit that dominates Iran’s $400 million pistachio export business; a nephew and one of Rafsanjani’s sons took key positions in the ministry of oil; another son heads the Tehran Metro construction project (an estimated $700 million spent so far). Today, operating through various foundations and front companies, the family is also believed to control one of Iran’s biggest oil engineering companies, a plant assembling Daewoo automobiles, and Iran’s best private airline… Rafsanjani’s youngest son, Yaser, owns a 30-acre horse farm in the super-fashionable Lavasan neighbourhood of north Tehran, where land goes for over $4 million an acre. Just where did Yaser get his money? A Belgian-educated businessman, he runs a large export-import firm that includes baby food, bottled water and industrial machinery.39

This liberalisation benefited the *bazaaris* as well:

Asadollah Asgaroladi exports pistachios, cumin, dried fruit, shrimp and caviar, and imports sugar and home appliances; his fortune is estimated by Iranian bankers to be some $400 million. Asgaroladi had a little help from his older brother, Habibollah, who, as minister of commerce in the 1980s, was in charge of distributing lucrative foreign trade licences.40

Rafsanjani offered the middle and working classes an “economic bargain” in return for their political support—consumerism. He allowed the *bazaaris* to flood the Iranian market with import products and justified this by saying, “Why should you forbid yourself things that god made permissible?… God’s blessing is for the people and the believers. Asceticism and disuse of holy consumption will create deprivation and a lack of drive to produce, work and develop”.41

In reality, however, economic liberalisation undermined support among the working class and the urban poor. Rafsanjani’s policies raised the consumer price index from 23 in 1993 to 60 in 1994.42 Foreign debt increased from 7.6 percent of GNP in 1990 to 58.2 percent in 1995, and in 1994 the government had to slash imports compared to their 1991-2 levels. The gap between rich and poor increased, while privatised companies laid off their workers, pushing up the unemployment rate. The poorest sections of society were also hurt by cutbacks in subsidies.

The populist relationship of the 1980s between the state and the lower classes was being dismantled. Even the access of the official trade union, the Workers’ House, to the corridors of power was tightened and it became increasingly alienated.43 The discontent among the lower classes increased, leading to at least seven riots from 1991 to 1995.44 According to Bayat:

Riots in Tehran in August 1991 and in Shiraz and Arak in 1992 were carried out by squatters because of demolition of their shelters or forced evictions. Even more dramatic unrest took place in the city of Mashhad in 1992 and Tehran’s Islamshahr community in 1995. In Mashhad, the protests were triggered by the municipality’s
rejection of demands by city squatters to legalise their communities. This massive unrest, on which the army failed to clamp down, left more than a dozen people dead. The three-day riots in Islamshahr, a large informal community in South Tehran, in April 1995 had to do with the post-war economic austerity—notably increases in bus fare and fuel prices—under President Rafsanjani.\(^{45}\)

Despite Rafsanjani’s pro-market policies, Iran did not become “-neoliberal”, nor did it fully integrate with world capitalism as is sometimes claimed on the left. Despite the intention to reduce the state sector by 8 percent, it grew by 3 percent in the early 1990s.\(^{46}\) The management of just 48 companies was transferred to shareholders. The whole process was accompanied by corruption and fraud as the enterprises were cheaply sold to people with government connections. Reminiscent of what has happened in other developing countries, privatisation became what Joseph Stiglitz has called “briberisation”. The state bureaucratic class maintained its central role in the economy, opening it to the domestic and foreign private sector where its interests required it to do so, and keeping it closed where they didn’t. The resurgent bourgeoisie in the private sector resented the privileges of the state-owned enterprises and the businesses of the **bonyads** but at the same time depended on the state for protection from foreign industries and hoped to gain access to oil revenues in the form of subsidised foreign currency and cheap loans. What emerged in Iran was thus, by analogy with David Harvey’s conceptualisation of China, “neoliberalism with Iranian characteristics” or, in the words of Kaveh Ehsani, “neoliberal state capitalism”.\(^{47}\) The central role of the state in the economy did not disappear; it was simply oriented away from providing protection to the poor towards promoting capital accumulation.

Rafsanjani’s administration created several hundred semi-public enterprises. “The procurement department of a given ministry would function as a company, selling supplies acquired with the ministry’s funds to the ministry, for profit. The profits were then distributed among shareholders, who were mostly the same ministry’s personnel”.\(^{48}\) Those who controlled this process could make huge profits. The case of the Foundation of the Oppressed and Disabled is illuminating. Its main goal was to assist “deprived sections” of society through charitable activities but it also developed huge economic interests. By a conservative estimate it had 800 subsidiaries and employed 700,000 people, with profits amounting to $430 million between 1990 and 1995. A significant portion of these were used to buy stocks or privatised companies. Some profits also flowed to the Revolutionary Guard and some to **bazaaris**. Corruption was part and parcel of this process. The brother of the director was found guilty in 1995 of embezzling $450 million.

Rafsanjani’s economic policies intensified the political faction fight. Supreme Leader Khamenei and the traditional right had initially supported Rafsanjani. The conservative Guardian Council helped him to marginalise the left faction in parliament by rejecting the candidacy of its members for the parliamentary election of 1992. However, they turned away from Rafsanjani in 1994. Some **bazaaris** and their allies in the right faction resented policies that harmed the traditional economy, such as increased taxes and the growth of modern trade centres. More importantly, Khamenei feared that growing discontent among the lower classes and the increasing personal power of Rafsanjani would destabilise the regime and threaten his own position.
Khamenei invested heavily in building a support base among commanders of the Revolutionary Guard. He made connections to a younger generation of Islamists who had played a subordinate role during the revolution but a leading role during the war with Iraq. They formed the core of a new faction that emerged a decade later as a political force—the neoconservatives. Khamenei also started to undermine Rafsanjani’s government, using his influence among the conservatives in parliament and the Guardian Council. In addition he sought personal support among the wider population. The central plank of his strategy was to promise the restoration of “Islamic values” and a fight against the “cultural onslaught” of the West. The moral police intensified their control on the dress code, while satellite dishes that were becoming popular at that time were taken down from the roofs and destroyed.

The attempt to rally the country to conservative values backfired. Society had changed by the mid-1990s, becoming less receptive to the conservative message. The regime’s gender policies had contradictory results. After being pushed away from public life in the early 1980s, women’s participation in the labour market and education started to increase. By 1996 the proportion of women in employment had reached pre-revolutionary levels. Female participation in universities, just 12 percent before the revolution, was at 40 percent by 1996. Women managed to progress through their individual perseverance and collective struggles that brought both religious and secular women together around concrete goals.

Society was rapidly urbanising and secularising. By the mid-1980s 61 percent of the population were living in the cities. A survey showed that only 6 percent of the young Iranians who regularly watched television tuned in to religious programmes. Of those reading books only 8 percent were interested in religious literature. Almost 80 percent of the youth held a “neutral” or “negative” attitude towards the clergy and 86 percent were not saying daily prayers. This did not mean that the youth were becoming anti-religious or even less religious. The overwhelming majority were finding ways to combine personal religious beliefs with social practices that ignored the rules of the conservative clergy. Another development was the emergence of the “new religious thinkers” among Islamic intellectuals. Soroush, Kadivar and Shabastari among others argued that Islam should be interpreted according to the time and place, and that it was compatible with democracy. The trajectory of their thinking is a testimony to the huge contradictions of Islamism. Ironically, Soroush and other Islamists who spent much time studying Marx, Weber and other political thinkers in order to fight for their influence in the universities became influenced by them. There were also signs of the revival of the students’ and workers’ movements, to which I will return below.

By the mid-1990s all these changes had created a dynamic, self-conscious and resistant society that increasingly collided against the rigid political system and its conservative values. Near the end of Rafsanjani’s second term as president (1993-7) it became clear that his economic liberalisation had not stabilised the regime but had instead destabilised the populist class alliance underpinning it.

**Euphoria to disillusion: political reforms (1997-2005)**

The presidential election of May 1997 marked the beginning of a new phase after the reformist candidate Mohammad Khatami won a landslide victory, receiving 70 percent of the votes. In his inaugural speech of 4 August 1997 he explained his reform
programme, which he considered to be a contract “between the president and the nation”:

Protecting the freedom of individuals and the rights of the nation, provision of the necessary conditions for the realisation of the constitutional liberties, strengthening and expanding the institutions of civil society and preventing any violation of personal integrity, rights and legal liberties [are the president’s obligation]. The growth of legality will provide a favourable framework for the realisation of social needs and demands... In a society well acquainted with its rights and ruled by law, the rights and limits of the citizens are recognised.50

Khatami’s message, that politicians ought to respect the people, was well received by the voters, many of whom detested both the growing distance between themselves and the wealthy political elite (represented by Rafsanjani), and the conservative offensive of the previous years. Khatami’s message was also attractive for some in the ruling elite who saw political reforms as necessary to regulate the internal faction fight. Thus Khatami’s reform project was a response to both pressures from below and the contradictions at the top. Its unifying logic was to manage change inside the Islamic Republic, not to transform it. This is most evident if we look to its central idea, “political development” (towse e-yey siyasi). This concept was developed in the early 1990s by a think-tank led by Saeed Hajjarian, the strategic brain of the reformists. Hajjarian argued that political development was crucial, “first because it was a precondition for economic development and second, because it could contain the repercussions of economic growth—inequality and social unrest”.51

Khatami’s reforms created a relatively more open political space for critical newspapers, books and movies. Students’ and women’s organisations blossomed and expanded their activities. For the first time since the early 1980s independent labour militants organised meetings and rallies, and produced publications.

Conservatives reacted with rage. They used the support of Supreme Leader Khamenei and their leading positions in the judiciary, the armed forces and the Guardian Council to undermine the government. In April 1998 the head of the Revolutionary Guard told his men in Qom that he had warned “Mr Mohajerani” that “your way [allowing press freedom] is endangering national security,” adding, “I am after uprooting anti-revolutionaries everywhere. We must behead some and cut out the tongues of others.” Some months later a number of intellectuals and political dissidents were killed. The judiciary closed down the prominent reformist paper Salaam and when some 500 students staged a protest in July 1999 there was a violent crackdown by hezbollahi. In the following days students organised protests in 22 cities.

The student uprising of July 1999 marked a turning point. Khatami’s image as a defender of democratic rights was damaged when he failed to defend the students against the conservatives and, even worse, called the students’ slogans “demagogic, provocative, and a danger for the national security”.52 The conservatives realised that allowing political space to the reformists would unleash social movements that neither they nor the reformists could control. It later emerged that 24 commandants of the Revolutionary Guard had warned Khatami that they would take action themselves if he would not stop the “violence” against the system.53
After the July 1999 protests the reformist leaders ordered their followers to avoid demonstrations and concentrate on winning the parliamentary elections of 2000 and the presidential elections of 2001. Despite the Guardian Council disapproving 10 percent of the reformist candidates, they won 189 of the 290 seats in parliament and Khatami was elected for a second term as president. The conservatives intensified their counter-attacks, closed down more newspapers and arrested reformist intellectuals. This led to a growing disillusion among intellectuals and activists who had supported Khatami. While a majority of them became apathetic, a minority were radicalising, becoming increasingly attracted to Marxist politics and looking towards struggle from below to provide a way forward. They were now demanding that Khatami should keep his promises or resign.

The city council elections of 2003 reflected the growing disillusion with the reformists. The overall turnout was low for Iran, 48 percent, and in Tehran only 12 percent of the voters participated. The low turnout enabled the neoconservatives to win a majority on the city council of Tehran and elect Mahmoud Ahmadinejad as the new mayor. It was even easier for the neoconservatives to win the parliamentary elections of 2004, because the Guardian Council barred the candidacies of 2,400 reformists, among them almost all the sitting parliamentarians. The erosion of Khatami’s electoral basis continued and enabled Ahmadinejad to win the presidential elections of 2005.

There were two main reasons for the failure of the reformists. The reformist strategist Saeed Hajjarian has hinted at both: “While reformists with seats in the Majlis were often thinking of compromise, those outside, the rank and file, were thinking of challenging the system in an extremist way… We should have struck a balance between challenge and compromise which we did not.” He added that the reformist electoral coalition represented the interests of the new middle class and asked, “So what is our relationship with the working class?”

The reformists had pursued “compromise” because they feared that the movement from below would escape from their control and challenge the whole system. Khatami made this clear as he was leaving office: “We believed that internal clashes and chaotic conditions were a fatal poison for the country’s existence and the Islamic Republic sovereignty.” For the same reason Rafsanjani’s modern right faction withdrew its public support for Khatami, fearing that political instability would hurt the interests of the bourgeoisie. This claim is supported by a non-Marxist—the close observer of Iran’s private sector, the director of Tehran-based Atieh Bahar Financial and Investment Consulting. He commented that domestic and foreign businessmen were relieved with the end of the political crisis after the conservatives won the municipal elections in 2003.

Hajjarian recognised in May 2005:

During Khatami’s first term, the private sector was a mainstay of the reformist movement, but that is no longer true. The private sector is more concerned with stability and order than with democratic reform, and some elements of it have now formed links with the conservatives… The private sector is now part of the problem facing democracy in Iran.

His point was lost on most progressive intellectuals who were affected by the worldwide anti-Marxist climate that emerged after the fall of “Communism”. They
turned en masse to the magic power of “civil society”, which is, of course, itself a terrain on which class divisions operate in complex ways, through ideologies, institutions and, most importantly, the workings of the capitalist market itself. They swallowed the liberal myth that it is the bourgeoisie that hands down democracy to a thankful people, ignoring the historical role of the working class. As Bayat has pointed out, the “intellectual baggage of reformist thinkers carried simply too much of Habermas and Foucault and not enough of Marx and Gramsci”. They were looking in all the wrong places for the agents of democracy.

This suggests the second reason why the reform movement failed: it remained confined to the middle class. However, contrary to Hajarian’s suggestion, it did have a relationship with the working class—one characterised by animosity. Khatami continued Rafsanjani’s economic liberalisation by reducing the system of subsidies and social protection and increasing the rate of privatisation. According to the data provided by the Privatisation Organisation that Khatami established, privatisation amounted to over $16 billion from 1991 to 2007. More than 25 percent of this amount was realised during Rafsanjani’s presidency, 43.3 percent was realised during Khatami’s presidency and 30.7 during Ahmadinejad’s first full year of presidency. According to the parliamentary statistical bureau, 50 percent of the rural population and 20 percent of the urban population lived under the Iranian poverty threshold. The 2006 data from the World Bank show that the share of the wealthiest tenth in the national income was 33.7 percent, compared to the 2 percent of the poorest tenth; the wealthiest 20 percent enjoyed about 50 percent of the national income, while the poorest 20 percent received just 5.1 percent. High levels of inequality are a special source of discontent among the lower classes in a country where the political elite tries to legitimise its rule through the discourse of social justice.

In February 2000 Khatami’s government exempted all establishments with five or fewer employees from observing the labour law. Two years later this policy was extended to companies with ten or fewer workers. This affected just under half of all workers employed in small workplaces. The government also took measures to limit the influence of Workers’ House, prompting some of its members to set up the Islamic Labour Party. The daily paper of Workers’ House published a manifesto against the minister of labour in January 2003, which demanded among other things “the recognition of the legal right of workers to strike”, “opposition to globalisation as a new form of exploitation” and “a stop to privatisation”. Workers had voted in large numbers for Khatami. One can imagine how disillusioned and frustrated they were after eight years of his government.

The rise of social movements

As we have seen, Khatami’s political reforms were partly a response to pressures from below and, in turn, opened up a space in which students, women and workers could create new networks and fight for their own demands. To the outside world the student movement has played the most visible role. In the 1990s students utilised the official student union (Daftare Vahdat, the Bureau for Strengthening Unity) to organise activity on campuses. Like other Islamists who had developed reformist ideas, the leading members of this organisation became active supporters of Khatami and some of them moved to the left after they became disillusioned with him. The re-
emergence of student activism provided the conditions for the growth of independent and socialist student networks in the universities.

Unfortunately, some of the leftists on campus developed a sectarian attitude towards students who looked towards the reformists. Despite their courageous defiance of the authorities they were as a result unable to develop a broad student movement to defend democratic rights against the conservative onslaught. This sectarian approach led to tactics that made it easier for the authorities to harass and arrest left activists, who were also weakened by various splits. Some student activists started a re-evaluation of this experience which has opened the way for non-sectarian socialist politics in the universities.

The movement that is probably most widespread and active is the women’s rights movement. The revolution had a profoundly contradictory effect on the position of women in society. Women’s rights activists have tried to use these contradictions to demand reforms. They argue that it is absurd, for instance, that, while women’s judgement is good enough to elect the president, it is not good enough to be used in court as they are not allowed to be judges. Secular socialist women’s rights activists have been successful in creating common platforms with Islamic feminists. This has allowed a broad movement to emerge, which has engaged thousands of women and won some reforms. For instance, in August 2006 women’s rights activists launched the One Million Signatures Campaign “in support of changes to discriminatory laws against women”, which campaigns to collect one million signatures by going door to door, holding meetings and using the internet.

The workers’ movement began a slow comeback from the late 1990s. This was in part stimulated by the relative recovery of the economy. Many workers who had swollen the ranks of the petty bourgeoisie in the 1980s found jobs in the expanding manufacturing and service sectors. According to Nomani and Behdad, the share of the working class in the working population rose from 24.6 percent in 1986 to 31.1 percent in 1996. The figures should in fact be higher, as they exclude those workers in education and healthcare. The working class became also relatively less fragmented as the share of workers in large private enterprises (50 or more employees) increased from 35.3 percent in 1986 to 40.2 percent in 1996. These percentages would be higher still if they included the public sector, which has the largest establishments. These trends have since continued.

There were 90 cases of labour protests reported in large industries alone in 1998, including strikes in the Isfahan Steel plant, Behshahr Textiles, the Hamedan Glass manufacturing plant, and several strikes and demonstrations by workers in the oil industry at the Abadan Refinery. One survey recorded 266 strikes from April 1999 to April 2000. About half them were triggered by non-payment of wages and 10 percent by layoffs. In 1999, under pressure from the rank and file, Workers’ House was forced to organise a public celebration of May Day. Some workers seized the opportunity to protest against the plans to reform the labour law. In 2000 similar protests saw greater participation. Over the following years the May Day celebration became a symbol of defiance, which was increasingly organised by workers themselves.

From 2004 a number of high profile strikes gave the emerging workers’ movement a national profile. The first of these occurred in January 2004 with the massacre of
Khatounabad, a small city where construction workers were building a copper melting plant. Just before the plant opened all but 250 of them were sacked. Workers, joined by their families, blockaded the building. Then in clashes with security forces who opened fire several workers were killed and 300 were wounded. During the same month there was another important strike by workers in Iran Khodro demanding job security, an end to temporary contracts, and overnight pay for night shifts. The strike was ignited by the death of two workers in their twenties from heart attacks. In May and June 2005 workers went on strike again after a similar incident, then again at the end of 2005 and in March 2006. Since then Iran Khodro has remained an important site of protests.

The best known workers’ struggle internationally is that of the Union of Workers of the Tehran and Suburbs Bus Company, which was set up in 2004 as an independent union. Many of its members, including its leader, Ossanlou, have been physically attacked and imprisoned.

With 140 strikes reported in October 2005, followed by 120 in November, it was clear that by the end of Khatami’s presidency workers’ militancy was becoming a major concern for the government and employers, especially as the protests were becoming politicised. In 2005 Reuters reported, “Thousands of banner-wielding Iranian workers rallied in Tehran, marking Labour Day with sharp criticism of the Islamic republic’s ambitious privatisation plans. ‘Stop privatisation, stop temporary contracts,’ workers chanted.”

The farce of neopopulism (2005–)

Khatami’s political reforms, the intensification of factional fights within the regime, the rise of the social movements and imperialist threats invigorated the neoconservatives, personified in Ahmadinejad. In the 2005 election campaign he revived the populist rhetoric of the 1980s, attacking the rich “oil mafia”. His election broadcasts promoted his image as a simple “man of the people” who would keep his promise to put the “oil money on the table of the people”.

This, together with high levels of voter abstention, allowed him to defeat Rafsanjani in the second round with 62 percent of the votes. The result represented a “no” against Iran’s rich and corrupt elite, and a “yes” for social justice and national independence. The threats from the White House and the presence of American troops on Iran’s borders stirred up nationalist sentiments and convinced many voters that Iran needed a president who could defend the country. They remembered that George Bush had included Iran in the “Axis of Evil” in 2002. The US did Ahmadinejad a great service by denying Iran the right to develop nuclear energy, something that had become a matter of national pride among Iranians of all political convictions. The rise of Ahmadinejad signalled the ascendency of the security personnel. Having made his own political career in part through the Revolutionary Guard, he opened the corridors of power to the military. Of the 21 ministers in his first cabinet nine were members or former members of the Revolutionary Guard or the Basij. More than the half of the 30 provincial governors that he appointed came from these organisations.
Once he was in office Ahmadinejad’s promise to revive the populist economics of the 1980s did not come anywhere close to being fulfilled. His policies were aimed at a section of the poor in a clientelist way. During his government’s first two years an estimated $10 million was handed out in cash by the presidential office at a time when the overall effect of his socio-economic policies hurt the lower classes. Statistics from Iran’s central bank show that in the period from March 2005 to March 2007 social expenditures, such as those on education, healthcare, welfare and housing, did not rise at all when corrected for inflation, while oil revenues increased dramatically. Ahmadinejad’s financial policies created a housing bubble, making it impossible for the working and middle classes to buy a house, while the rich benefited. The government tried to take off the pressure by providing cheap loans for the retired, young couples, house buyers and agricultural businesses, but these were already heavily indebted. The burden on working class families became almost unbearable when inflation peaked at 29 percent in September 2008. The living costs for an urban family have almost doubled in the past four years, rising faster than wages. The estimated monthly wage for a worker is $223, which is well below the poverty line. Unemployment was officially nearing 13 percent in 2009 but according to one of Ahmadinejad’s ministers, Mohammad Abbas, it reached four million, which amounts to 18 percent, and this is probably a conservative estimate.

Nothing proves the hollowness of Ahmadinejad’s populism better than the fate of privatisation policy under his government. Ahmadinejad’s government privatised more from 2006 to 2007 than Rafsanjani did from 1989 to 1997. Even more revealing is how privatisation has proceeded and who it has benefited. A parliamentary investigation of the Privatisation Organisation concluded that many of its activities “cannot be considered privatisation. After some companies have been passed on, the buyer has fired the workers, changed the zoning and speculated on the land after having sold the assets”. Privatised companies have often been bought by government institutions, the bonyads or the Revolutionary Guard. One recent example is the “privatisation” of Tehran’s International Expo Centre. Just a few weeks after Ahmadinejad’s re-election Etemaad-e Melli reported that the Privatisation Organisation had transferred 95 percent of the Expo Centre’s lands and assets to the Armed Forces Social Security Organisation, without other buyers being able to make a bid. Another example is the “privatisation” of the National Iranian Copper Industries Company in 2007 for the price of $1.1 billion. In this case the buyers were other state-owned companies, including the pension funds of the state steel and broadcasting companies.

Ahmadinejad tried to camouflage all this by presenting privatisation as promoting “social justice”. His government allocated 40 percent of the assets marked for privatisation to low-income people under the rubric of “justice shares”. According to one account, some five million recipients among the poorest tenth of the population were supposed to be organised in 337 cooperatives in order to receive roughly $3 billion of shares of state companies:

As the Russian experience has shown, however, these cooperatives can easily be formed by the well-connected. Low income people will be all too willing to sell their small shares to individuals (or companies) with the wherewithal to scoop up fortunes in bits and pieces.
Privatisation has been just one channel for profit-making by privileged sections of the bureaucratic state class, including those in the **bonyads** and the Revolutionary Guard.

Ahmadinejad has also secured the capitalist interests of the military apparatus. As *The Economist* reported in 2007, it is:

No coincidence that in the past two years the Guard’s (the *Pasdaran*) commercial interests have prospered. Their engineering arm, known as Ghorb, has been granted juicy slices of big state projects, including the building of gas pipelines and a new section of the Tehran metro. Sayeed Laylaz, a former government official and now a private economist in Tehran, says simply that the Guards are “Iran’s *nomenklatura*—a new class formed by domination of the economy”. Within ten months of Mr Ahmadinejad’s election, he reckons the value of civil contracts awarded to the Guards, many of them without going to competitive tender, had trebled from $4 billion to $12 billion.69

According to one extensive study, “From laser eye surgery and construction to automobile manufacturing and real estate, the [Revolutionary Guard] has extended its influence into virtually every sector of the Iranian market”.70 The process by which sections of the state bureaucracy developed their own economic interests had already begun in the late 1980s, and accelerated under Rafsanjani and Khatami. The same period witnessed the emergence of a bourgeoisie that operates in a shady space between the state sector, the *bonyads* and the private sector, with some of its members operating purely in the private sector. Competition for control over the economic resources came to a head under Ahmadinejad and fed into existing factional fights.

**Lost in translation: the meaning of the election fallout**

This situation formed the backdrop against which the presidential elections took place on 12 June 2009. The preceding weeks witnessed the most lively election campaign since the early days of the revolution. One critical factor that raised the political temperature in the final weeks was the live televised debates between the four candidates. Ahmadinejad called the other candidates henchmen of the powerful former president Akbar Hashemi Rafsanjani, who he described as corrupt. Mousavi argued that Ahmadinejad had ruined the economy, created poverty and isolated Iran internationally. He also accused Ahmadinejad of taking the country towards dictatorship. Mousavi promised political freedoms and rights for women and minorities. The damage to the president’s image was considerable in these debates, in which he portrayed the state of the economy as healthy, for instance, by downplaying the high rate of inflation which was palpable for many Iranians. This provided Mousavi’s campaign with a last-minute push, bringing tens of thousands onto the streets and raising expectations that he could reach the second round.

The official election results came as a shock. They gave Ahmadinejad almost 63 percent, way ahead of Mousavi’s 34 percent. Post-election analyses have found evidence suggesting the results were manipulated.71 But some on the left internationally have claimed the election results were free from manipulation. One central piece of evidence is an opinion poll conducted by the American NGO Terror Free Tomorrow just three weeks before the elections. This showed Ahmadinejad
leading by a margin of more than two to one. However, this ignores the fact that only 51 percent of respondents made their choice clear (34 percent for Ahmadinejad, 14 percent for Mousavi, 2 percent for Karrubi and 1 percent for Rezai). The remaining 49 percent had either answered, “I don’t know,” (27 percent) or had refused to give an answer at all (24 percent). More disturbing than the fact that some on the left became obsessed with speculation over vote-rigging was the fact that some simply dismissed the protests that demanded the annulment of the election result and free elections as “imperial destabilisation.” The demonstrators were described as “liberal elites on the streets”, who opposed Ahmadinejad because he “commands the loyalty of the poor, the working class and the rural voters whose development he has championed”. Thus the political crisis was reduced to a question of pro- or anti-imperialism and pro- or anti-neoliberalism.

These arguments totally ignored the social and political realities in Iran. The election fallout reflected real divisions in Iran’s ruling class. As argued above, while Ahmadinejad had retained the loyalty of sections of the lower classes, the persistence of poverty, inequality, high unemployment and political repression had reduced his popularity. At the same time, Mousavi was not seen by voters as a hardcore neoliberal. Like the rest of the Islamist left faction he had moved to the right in the 1990s, accepting the role of the free market. However, he was also strongly associated with the egalitarian economics of the 1980s. The reformists’ choice of Mousavi as their candidate was a tactical move, as they were aware of their failure to attract the votes of the working and lower classes under Khatami.

The location of Mousavi’s first public appearance in the election campaign was carefully chosen. He held a speech in Nazi Abad, a working class district in southern Tehran, where he was greeted with the chant “Mir Hossein ghareman—hamiye mostazafan” (“Mir Hossein hero—supporter of the downtrodden”). He said that “in this chaotic world, the independence of the Islamic Republic is a great achievement” and added that “before the revolution there were foreign military advisers in every sector of our country and Iran was considered a central link in the West’s security system in the region”. In an attempt to claim part of Iran’s success in developing nuclear technology he said this wouldn’t have been possible without “independence” and the “holy defence” against the Iraqi invasion, in which he played a central role. Referring to the legacy of Khomeini he argued that true Islam belongs to the poor, adding that “we oppose the wealthy that show off their belongings while society suffers from so many problems… Imam [Khomeini] did not want to disturb the relations between employers and employee, but he didn’t want commercialisation either.”

Mousavi’s promise of a “future without poverty” attracted voters from the working class, but workers were not indifferent to the message that under his presidency they would acquire more democratic rights. They had first hand experience of repression whenever they staged demonstrations and strikes. Many of them also had the experience of collecting their children from police offices because they had violated the “moral rules”. So when the protests erupted, they attracted not only the middle class but also many workers who were seeking an outlet for their accumulated frustration and anger. As Robert Fisk reported from the protests, those participating were not just “the trendy, young, sun-glassed ladies of northern Tehran. The poor were here, too, the street workers and middle aged ladies in full chador.”
The protests were not about the clash between religious and non-religious people, as many participants in the protests consciously made clear with slogans that exposed the lies that both Ahmadinejad and neoconservatives in the West were spreading. They shouted “Allaho akbar” and “With chador and without chador, down with the dictator.” Nor was the dividing line between pro- and anti-imperialists. The protests did not demand foreign intervention or the squandering of Iran’s independence—still seen as an achievement of the 1979 Revolution and cherished by the overwhelming majority. Another myth is that there was a sharp division between urban and rural areas. It is true that Ahmadinejad and Khamenei have more support in the rural areas but it is also true that almost 70 percent of the population live in urban areas (defined as cities with more than 5,000 inhabitants).

The meaning of the election fallout does not reside in these supposed contradictions. It should be rather interpreted as a qualitative transformation that has made divisions inside Iran’s ruling class, which were previously regulated through elections, unmanageable and has turned discontent into mass mobilisation from below.

The post-election crisis also signified the emergence of an alliance between Ahmadinejad, Supreme Leader Khamenei and Revolutionary Guard commanders, who moved to concentrate all political power in their own hands and eliminate the reformists from the centres of power. This has fundamental consequences for the nature of the Islamic Republic, because the permanent tensions that have always existed between the elected and unelected institutions are being resolved by giving the latter absolute power. This was justified by Ahmadinejad’s religious mentor, the ultra-conservative ayatollah Mesbah-Yazdi, who said, “When a president is endorsed by the vali-ye faqih [Khamenei], obeying the president is like obeying god.” This tendency is resisted by Mousavi and other reformists, as well as various ayatollahs, most importantly Montazeri, who have said that only the people can legitimise political power.

What is at stake in Iran is not only the nature of the political system, but also the distribution of power among sections of the ruling class. The political conflict between Rafsanjani and Ahmadinejad has much to do with the economic conflict between an emerging bourgeoisie in the private sector and the monopolies controlled by the state, the bonyads and the Revolutionary Guard. This is why Rafsanjani sided with Mousavi during and immediately after the elections. However, his support has vacillated as he fears that protests might grow out of control and destroy any possibility of striking a deal with Khamenei. Rafsanjani’s concern is not for democracy but to open up oil revenues and new channels for profit-making to Iran’s capitalist class. Mousavi’s firm roots in the political establishment—he was prime minister when thousands of socialists were executed in the 1980s—and his commitment to the Islamic Republic and a free market economy also rule him out as an ally of the working class.

However, the election fallout is not simply about the rupture in the ruling class. The clash between different factions of the ruling class has unleashed social forces that none of them control. In the first weeks after the 12 June elections semi-spontaneous protests erupted in Tehran, Isfahan, Shiraz, Tabriz, Mashad, Babol, Rasht, Orumiyeh and other major cities to demand the annulment of the election results. On Monday 15 June more than a million people responded to a call by Moussavi’s party for a march,
even though it hadn’t received permission. In fact, Moussavi only showed up to give a speech after his advisers told him hundreds of thousands had gathered.

In the days that followed, the movement demanded leadership from Moussavi, yet still marched when he discouraged them. They courageously stood firm against state repression, chanting, “Tanks, guns, Basiji have no effect any more,” and continued into the night with cries of “God is great” from the roofs—reviving the slogans of the 1979 Revolution. Marchers also shouted, “People, why are you silent? Iran has become like Palestine,” and, “Don’t be afraid. We are all together.” More than a million people marched on 18 June in Tehran wearing black to commemorate the deaths of the previous days. On the same day more than 200,000 protested in Shiraz. The size of the demonstrations created a new sense of self-confidence. Some were shouting, “Akhare hafte, Ahmadi rafteh” (“By the end of the week, Ahmadinejad will be gone”). Older people said that the atmosphere felt like the days of the revolution.

From 19 June the climate changed. Ayatollah Khamenei endorsed Ahmadinejad during Friday prayers and announced that the authorities would no longer tolerate demonstrations. That was the green light for the Revolutionary Guard to crack down violently on the protests. In the following days thousands of young people defied the Basij and the security forces. Dozens were killed and more than 2,000 were arrested, some of whom endured rape and violence. To further intimidate the protest movement the authorities organised show trials against about 100 reformist intellectuals, journalists and politicians who were considered to be the leaders of the protest movement. Despite all of this, protests have continued, although on a smaller scale.

The causes of the mass discontent have not disappeared and the consequences of the post-election crisis will continue to destabilise the government. If it chooses to continue the clampdown, it risks deepening the crisis of legitimacy. Many more people will draw the conclusion that they cannot change their fate through elections and will radicalise. The nature of the political system has been exposed dramatically. At the same time, socio-economic conditions are worsening. Two months before the election the government boosted the salaries of some public sector workers and retirees. Just a month later these workers were shocked to discover that their pay checks indicated their wages had dropped back to the same level as before the elections.75

There is no doubt that all sorts of political forces will try to push the movement in a direction that benefits their own class interests. Western powers will also try to take advantage of the political crisis in Iran to push through their own interests in the region. Barak Obama has not withdrawn the “democracy” promotion programme that the US began under George Bush. The current bourgeois and middle class leaders of the protests—Mousavi and Rafsanjani—will try to use the movement as leverage to strengthen their own positions against other factions.

The pro-democracy struggle can only move forward if the working class movement begins to challenge the capitalist logic of the Islamic Republic. This does not mean, however, that revolutionary Marxists should abstain from the current protests until a pure working class movement appears. As Marx and Engels wrote in the *Communist Manifesto*, “Communists everywhere support every revolutionary movement against the existing social and political order of things. In all these movements, they bring to
the front, as the leading question in each, the property question, no matter what its
degree of development at the time.” In other words, the working class needs to win
hegemony by playing a leading role in the struggle for democracy and taking the
movement in an anti-capitalist direction. This is, in a nutshell, the strategy of
permanent revolution that can arm a new generation of socialists in Iran to build a
revolutionary movement.

Notes

1: “Iran Supreme Leader’s Speech At President Ahmadinejad’s Approval Ceremony”,
Iranian Students New Agency, 4 August 2009.

2: See Abrahamian, 1982 and 2008, for overviews of this period.

3: See Afary, 1996. Matin, 2006, has provided an excellent analysis from the
perspective of uneven and combined development.


7: See Bayat, 1987, on the shoras.

8: Razi, 2009.

9: Behrooz, 2000, p104.


11: See, for instance, Saleth, 2007

12: A much sounder, though problematic (see below), analysis was provided by Rahe
Kargar, one of the smallest organisations in 1979, which regarded the Islamic
Republic as a form of Bonapartist bourgeois state.


14: Cliff, 1963.


17: Cliff, 1963.


20: What Gramsci called passive revolutions and other Marxists have called bourgeois revolutions from above are specific examples. The Russian Revolution of 1917 is an example of the strategy that socialists advocate-permanent revolution.

21: See Colás, 2004, for an application of this argument to Islamism in Algeria, Morocco and Tunesia.


29: Moslem, 2002, p120.


34: Beheshti, 2003, table 8.1. The Gini coefficient, which lies between zero and one, is a measure of inequality. The lower the coefficient, the more equal the income distribution.

35: See Amid and Hadjkhani, 2005.


41: Moslem, 2002, p144.

42: Nomani and Behdad, 2006, p52.


44: For a detailed account see Mirza’i, 2002, pp69-74.


46: Khajehpour, 2000, p583.


48: Karbassian, 2000, p637.


50: Ettela’at, 5 August 1997.


56: Khojasteh Rahimi and Sheibani, 2005.

57: For a demolition of this myth see Rueschemeyer and others, 1992.


60: Data available from www.devdata.worldbank.org


63: A survey found that workers in establishments with fewer than five workers had voted overwhelmingly for Khatami. See Khosravi, 2001, p6.


72: Available from www.terrorfreetomorrow.org
75: Sarmayeh, 30 July 2009.

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