

# Political Economy of Islam

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All Middle Eastern countries, with the exception of Israel and Lebanon, profess Islam as their state religion. Islam, whether simply in words or in fact, is woven into the fabric of these societies, affecting everything from the political system, to the social, financial and economic system. Islam is a rules-based system, with the collection of rules constituting its institutions in the quest to establish societies that are just. Allah commands mankind to behave in a fair and just manner to protect the rights of others, to be fair and just with people, to be just in business dealings, to honor agreements and contracts, to help and be fair with the needy and orphans, and to be just even in dealing with enemies. Allah Commands humans to establish just societies, rulers to be just and people to stand up for the oppressed against their oppressors. It is for these reasons that it said that justice is at the heart of Islam. In the same vein, the state (policies) must step in to restore justice whenever and wherever individuals fail to comply with divine rules; government intervention must enhance justice. This series brings together scholarship from around the world focusing on global implications of the intersections between Islam, government, and the economy in Islamic countries.

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Farhad Gohardani • Zahra Tizro

# The Political Economy of Iran

Development, Revolution and Political Violence

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*To our beloved Iran and the Iranian people all over the world*

## PREFACE

This study was triggered by a set of questions on the roots of the Iranian troubled history and its experiences of socio-economic underdevelopment in the last 100 years. During the last century, Iran has experienced one war, two revolutions, and multiple forms of socio-political movements, many episodes of international interventions and sanctions, and numerous instances of internal violent conflicts. Except for small episodes of upsurge in positive feelings in the revolutionary climates, Iranians seem to be deeply resentful and unhappy about almost every aspect of their own social order from their polity to their culture and economy. The economic measures like per capita income or the rate of inflation or unemployment do not tell a positive story about the Iranian economy. As Amuzegar (2014: 81) attests, Iran's economic woes include:

high unemployment, virulent inflation, low factor productivity, slow growth, low levels of domestic savings and foreign direct investment, and relatively high but unprofitable public outlays.

Masoud Nili (2017), one of the prominent economists inside Iran and the special aid to the President Rouhani, enumerated six hyper challenges facing Iranian economy in the realms of water shortages, environmental degradation, budget deficit, pension crisis, chronic unemployment, and banking crisis. Some think tanks inside Iran have extended the number of serious socio-economic and political challenges facing the Iranian society up to 100 ones. These challenges have mired Iran in multiple forms of economic, cultural, social, and political crises manifesting themselves in the daily

experiences of crises in the gender relations (on the issue of veiling, for example), in the widespread prevalence of drug abuse, in the shocking rates of driving accidents, in the brain drain, in the capital flights, in the corruption, in the economic inequality, in the water shortages, in the ethnic tensions, in the foreign policy upheaval, in the excess volatility in the foreign currency market, in the occasional violent incidents of terrorism, in the political conflicts and riots, and in the daily calls for change of government or regime change, among others. Iran's economy is heavily addicted to the oil export, and apart from the Iranian film industry's recent success in the world market, there seems to be little or no success in establishing a niche for the Iranian economic or cultural industries in the global marketplace.

As a result, Iran is widely known at best by its films, its carpets, and its pistachios and at worst by exporting its revolution and by being a troubled and troubling country, captured in the (in)famous notion of 'axis of evil'. The Iranian culture has zigzagged between various forms of cultural arrangements, for instance, from immersion into the Western cultural products to the Islamic ones or from traditional dresses to Western clothing and the Islamic veiling. Furthermore, in the last century the Iranians experienced multiple forms of wildly diverse forms of political and economic organization of life, work, and language. Iran, as a result, has not been classified as a developed, free, just, happy, or democratic country despite more than 100 years of struggle to achieve development, freedom, justice, happiness, and democracy. The general levels of spiritual capital, natural capital, social capital, human capital, financial capital, and physical capital seem to be severely unsatisfactory to the extent that the question of "why are we backward?" is still a live and pressing issue in the public discourses in the Iranian society. Iranian economy and society seem to be extremely volatile and vulnerable to the environmental, economic, cultural, or political degradation or collapse. Iran has failed to become the 'island of stability' it has projected or sought to be.

Generally, Iran seems to have problems in modernizing its industries, its economy, and its socio-political and cultural institutions and its mindset. Recently Iran experienced one of its serial rounds of coming into conflict with the international order on the development of nuclear capabilities, leading to the emergence of a dysfunctional nuclear deal after suffering from years of debilitating forms of sanctions supported by all members of the Security Council. The expectation and the eventual act of US pulling out of the Iran nuclear deal in May 2018 plunged the Iranian economy into a drastic downward trajectory to the extent that by August 2018 "the rial had devalued by 172 percent over the past 12 months, rising above

100,000 rials per dollar” (The World Bank 2018), driving the Iranian economy into a ‘death spiral’ (Hanke 2018). This is the latest episode in a long series of devastating confrontations between Iran and the international order in the Iran hostage crisis, in the Iran-Iraq war, in the Rushdie affair, in the Mosaddegh era of Oil Nationalization Movement, in the forced abdication of Reza Shah Pahlavi, in the Great Game in the era of Constitutional Revolution, and in the Anglo-Iranian and Russo-Iranian wars in the Qajar period. In addition, in recent years the deeper forces of the Iranian turbulent history manifested themselves in three prominent movements, namely, the Reformist Movement of 1997–2005, the Green Movement of 2009, and the bread riots of 2018, alongside many episodes of small and large socio-economic and political protests, disturbances, and uprisings. Furthermore, Iran in coalition with Russia and the Lebanese Hezbollah came into new waves of conflict with the ISIS and with the regional powers like Israel and Saudi Arabia alongside the West (America and Europe) due to its missile programme and its involvement in the regional conflicts especially in Syria but also in Iraq, Lebanon, Yemen, and Bahrain. In the last 200 years, all these problems and troubles have driven the Iranian economy and society periodically and consistently into four types of crises: crisis of economic boom and bust, crisis in sustainable economic growth, crisis in sustainable development, and crisis of legitimacy and political stability.

This work embarks on delving deeply into the reasons behind such a volatile, troubling, and troubled modern history with its associated set of crises. To find a set of satisfactory and comprehensive answers to the relevant questions away from the prevailing soundbites, this research has gone through a thorough review of the literature on the Iranian society and economy in the last 100 years. This journey led it to delve into the deep history of Iran from its inception and evolution to the last 200 years and how it came into interactions with a wider history and culture of the Middle East and the wider world (Foltz 2016). Furthermore, this process culminated in deep theoretical investigations into the foundations of social orders and their historical evolution and involution, in what Azimi (2017: 1354) refers to as being “attentive to problems of how societies fragment or cohere”. The explorations of the literature on the social order and social change alongside the literature on socio-economic development pushed the research further into the interdisciplinary literature at the intersection of politics, economics, philosophy, and psychoanalysis. One of the main lines of arguments emerged organically from this deep and wide explorations into history and theory was the following.

In pondering on the puzzle of poverty and wealth of nations, Williamson (2000) maintains that economic development should be analysed at four levels of prices, governance, institutions, and mind. When we delve deeper into what shapes minds and institutions (and mind as a social institution, Arkoun 2006) and how the four levels interact, we encounter the Heideggerian literature on being-in-the-world (*dasein*), which through Dreyfus' works (1972, 1991, 2001, 2014) and in a highly productive dialogue with Searle's social ontology (2010) and experts in artificial intelligence was connected to exploring the nature of human everydayness and embeddedness in particular spatiotemporal backgrounds and what computers (machines) and humans can and cannot do. This in turn has involved the Kantian transcendental explorations into the condition of possibility of our ways of being, becoming, knowing, and experiencing the world and ourselves. This was further linked to the Heidegger-inspired literature in neuroscience called extended mind (Clark 1997; Clark and Chalmers 1998) and to the literature on social neuroscience (Choudhury and Slaby 2012; Alos-Ferrer 2018). Dreyfus (2017: 155) also connects Foucault to Heidegger. Furthermore, Foucault's equivalent to the Heideggerian notion of *dasein* and being-in-the-world is the concept of "regime of truth" (Foucault 1984). Foucault applied his notion of 'regime of truth' to Iran and famously in the analysis of the 1979 revolution said the Iranians "don't have the same regime of truth as ours" (Afary and Anderson 2005: 125). Foucault (1980: 93–94; 1981: 8) also calls the Iranians involved in 1979 revolution as "confused voices" and connects 'the notion of production of truth to the production of wealth'. In addition, the literature on social capital also connects the production of trust to the production of wealth. If we put all these strands together, we come up with our hypothesis relating the production of truth, trust, and wealth in Iran. This hypothesis emerged organically through the critical and productive dialogue between the theoretical, historical, and empirical literatures in the spirit of grounded theory (Akhavi 1998: 696).

Furthermore, via exploring the literature on development and modernization (Lancaster and van de Walle 2018; Easterly 2014) and combining it with Foucault's notions of 'regime of truth' and 'confused voices', we could classify societies into four fuzzy categories of 'homogenous societies', 'heterogeneous societies', 'troubled societies', and 'failed societies'. Based on whether the historical evolution of societies endowing them with social coherence, political stability, and consensual 'regime of truth' or not, societies like the Western ones or Japan are classified as homogenous

societies (with one dominant regime of truth; modernity in the West, for instance). Societies like Lebanon or Malaysia are classified as heterogeneous ones with the population partitioned into distinct identity markers via loyalties shown to the rival regimes of truth. Societies like Iran, Russia, or Mexico are classified as troubled societies due to the fact that almost every person or collectivity in these societies has affirmative or negating divided loyalties to some degree to multiple regimes of truth. Many societies like Turkey, Egypt, Saudi Arabia, Iraq, and many others travel back and forth between these categories.

It is worth noting that in the troubled societies, each person or collectivity is divided internally, while in the heterogeneous societies, communities with distinct identities are divided from each other. Homogenous societies benefit from a form of institutionalized bee-like stability and predictability at micro, meso, and macro levels. In addition, societies like Somalia or Afghanistan are classified as failed societies due to the prevailing chaotic situation in which no centre of power, knowledge, or identity exists. In this study it is shown that the troubled societies like Iran suffer from the tragedy of confusion, which disrupts the link between the production of truth, trust, and wealth. This is demonstrated by applying these notions to various episodes of Iranian modern history. It is the nuanced claim of this work that current upheavals in Iran have deeper roots in the wars of attrition between multiple regimes of truth in the minds, hearts, and lifestyles of almost every single Iranian person and collectivity, leading to the formation of unstable coalitions, dysfunctional institutions, and the emergence of a chaotic order in the last 200 years.

As Selbin (2010) maintains, the possibility of progress in the historical analysis originates from two main sources: new data and new theory. For a collection of informative data about Iran, we can consult works like Boroujerdi and Rahimkhani (2018) and Milani (2008), among others, but we also need new theories. Based on an interdisciplinary research at the intersection of politics, economics, philosophy, and psychoanalysis, this work offers a novel grounded theory embarking on an alternative understanding of the Iranian modern history, and Iranianness and how it is experienced, practised, and perceived within and outside Iran, alongside exploring their unintended consequences. This work tries to combine the best of philosophical and theoretical reflections with scrupulous attentions paid to the empirical details. The way we think and talk about Iran, within Iran and outside of it, acts as a condition of possibility for much of its troubles in the last 200 years. There is, consequently, an urgent need to

think and talk afresh and differently about Iran with a great deal of care and considerations. We need to go through the painful process of de-familiarization and travel far beyond our comfort zones regarding Iran. As John Maynard Keynes (1936: xii) put it, “The difficulty lies, not in the new ideas, but in escaping from the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds.” This study has travelled far and wide into the agony and ecstasy of the dangerous and fascinating terrains of Iranianness and invites the reader into this breath-taking voyage of discovery as well. The measured and nuanced conviction of this work is that for proper understanding of Iran, we require a radically different conceptual tool set and a novel vocabulary (on the role of vocabularies in shaping lives, see Rorty 1989). Regarding knowing Iran, we are, as Foucault (1984: 47) put it, “always in the position of beginning again”. This work introduces this new vocabulary and demonstrates how it should be carefully and consistently deployed to explicate and explain the Iranian experiences of socio-economic development and political evolution in the last 200 years, depicting how Iranianness stayed the same through drastic changes and transformations.

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## ABOUT THE BOOK

This study entails a theoretical reading of the Iranian modern history and follows an interdisciplinary agenda at the intersection of philosophy, psychoanalysis, economics, and politics and intends to offer a novel framework for the analysis of socio-economic development in Iran in the modern era. A brief review of Iranian modern history from the Constitutional Revolution to the Oil Nationalization Movement, the 1979 Islamic Revolution, and the recent Reformist and Green Movements demonstrates that Iranian people travelled full circle. This historical experience of socio-economic development revolving around the bitter question of “why are we backward?” and its manifestation in perpetual socio-political instability and violence is the subject matter of this study. Foucault’s conceived relation between the production of truth and production of wealth captures the essence of hypothesis offered in this study. Michel Foucault (1980: 93–94) maintains that “In the last analysis, we must produce truth as we must produce wealth, indeed we must produce truth in order to produce wealth in the first place.” Based on a hybrid methodology combining hermeneutics of understanding and hermeneutics of suspicion, this study proposes that the failure to produce wealth has had particular roots in the failure in the production of truth and trust. At the heart of the proposed theoretical model is the following formula: the Iranian subject’s confused preference structure culminates in the formation of unstable coalitions which in turn leads to institutional failure, creating a chaotic social order and a turbulent history as experienced by the Iranian nation in the modern era. As such, the society oscillates between the chaotic states of socio-political anarchy emanating from irreconcilable differences between and

within social assemblages and their affiliated hybrid forms of regimes of truth in the springs of freedom and repressive states of order in the winters of discontent. Each time, after the experience of chaos, the order is restored based on the emergence of a final arbiter (Iranian leviathan) as the evolved coping strategy for achieving conflict resolution. This highly volatile truth cycle produces the experience of socio-economic backwardness and violence. The explanatory power of the theoretical framework offered in the study exploring the relation between the production of truth, trust, and wealth is demonstrated via providing historical examples from strong events of Iranian modern history. The significant policy implications of the model are explored.

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