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ECONOMIC WAR AGAINST THE PEOPLE: A SURGE OF CRISIS AND OF RESISTANCE

The Islamic Republic continues its all out war against the Iranian people: political and economic war, along with security and military crack downs. This economic war has transformed itself into open war against the people. The military and security forces of the Islamic regime have been mobilized to wage this brutal war against striking workers, against the people's rebellion in opposition to gasoline rationing, and against the uprising of deprived and poverty stricken people in small towns throughout the country. The Ministry of Interior reports that the budget for the suppression of the people's discontent has increased twenty fold (Mehr newspaper, 09/09/2007).

Rationing of gasoline was the first cannon shot of the regime against the people. Price inflation is the regime's second volley . The removal of tariffs also is a direct proclamation of war against domestic producers and employed workers.

Inflation (increase in consumer prices along with a devaluation of currency), in a matter of just a few months, has produced a huge transfer of wealth from the hands of poor people to the hands of a wealthy group of financiers and to the hands of the wealthy strata of Iranian society who have ready access to big profits and stocks of commodities. Wealthy families in the top governmental posts, who are armed with all the political and economic leverage, instantaneously have gained astronomical wealth. These rapacious families of privilege have become even fatter by illegally importing consumer goods. In just the first six months of the year, consumer imports increased by 77%. These uncontrolled imports have not only destroyed the domestic sugar cane industry and plantations but also have destroyed the livelihood of thousands of small producers and peasants. The crisis in the sugar sector has caused enormous unemployment among industrial workers and agricultural workers. The same trend is emerging in the domestic tea and rice sectors. Inflation, economic stagnation, and widespread unemployment are the three milestones of the present economic crisis. Iran's economy previously suffered these same ills in 1956. Today's crisis, however, is qualitatively different. Indices of capital's profit in 1956 were equal to 257 monetary units; but in 1999 these indices are equal to 46. (These statistics are taken from Hadi Zamani's web site, posted 09/16/2007).

According to Iranian economic news, quoted by Central Bank, the rate of inflation at the end of August 1986 with respect to the end of August 1985 is equivalent to 15.6%. As we know, two years ago Ahmadi-Nejad's first economic initiative was to reduce inflation. According to the World Bank, Iran's GDP (Gross Domestic Product) is less than one third of the average of the world's GDP; compared with all other countries, Iran stands at \$8,700 per capita (calendar year 2000). On the basis of population, Iran ranks 18th in the world but in terms of GNP it is ranked 34th. Every year Iran's unemployment increases by one million. The official rate of unemployment has been 20%; among young people this figure stands at 40%. Every year, 250,000 graduates seek to enter the work force, but only 70,000 of them find work. There are 20

million students in Iran. The vast majority of them will join the ranks of the army of unemployed (Hadi Zamani's web site).

The Islamic Republic's economy has reached a dead end. The workers and other deprived and poverty stricken people are paying a heavy price. With every economic downturn, thousands more people will become impoverished and more wealth will be accumulated by the regime's powerful wealthy families and their foreign merchant and capitalist partners. Poverty forces people to engage in pre-capitalist modes of production, and prostitution has become widespread. The increase in political repression and social oppression (such as the oppression of women and the tightening of the chain of religious subservience), is the result of the economic crisis. This economic crisis is a reflection of the contradiction between the ruling reactionary / oppressive relations of production and the productive forces (mainly the productive potential of the people). These reactionary relations of production and social relations waste and destroy human resources.

As a rule, economic crisis intensifies the contradictions between the regime and the people as well as the internal contradictions within the ruling class. As a result, the regime soon reaches the end of its tyrannical rule. The key elements within the regime and its internal factions are constantly criticizing the government's actions in order to assign the blame for the horrible economic conditions on others. For instance, Khamenei says, "I am not aware of all of the activities of this government". Tajzadeh says, "Corruption has spread itself everywhere".

The oppressed and the deprived working people have no other choice except to start a wave of resistance against the tide of this economic crisis. The heroic striking workers of the sugarcane industry of Haft Tappeh are a typical example of this wave, which must not subside because the very life of the deprived workers depends on the spread of this wave of resistance.

THE ESSENCE OF THE CRISIS

Among the known and prevalent analysis, some would consider the monetary and financial policies of Ahmadi-Nejad's government as the key factor behind the present economic crisis; they say that the root of this crisis "lies within high inflation" and the government must modify its monetary policy. Some others consider the crisis to be a by-product of the hostile policies of the Islamic Republic against the US and the economic boycotts which have resulted. They believe first they have to solve this "political crisis". The functionaries of the World Bank and the International Monetary Fund consider this crisis to be the result of a diversion of big share of government spending toward subsidies - and they believe that these subsidies must be discontinued, with the spending redirected to "capitalization". But, this economic crisis is first and foremost a chronic crisis that has its roots in Iran's deformed and backward economic structure. This severe distortion of Iran's economy exists because on the one hand, this economic structure has developed along capitalist economic lines which more or less works within rules of profit generation within the world capitalism system; and on the other hand it is a type of economy which mainly operates with underdeveloped productive forces - in some cases relying upon pre-capitalist modes of production. This disparity is a source of perpetual crisis, and the economic shocks include grinding inflation through which the majority of people are dragged back into poverty.

Some economic analysts speak of Iran's "abnormal economic structure" as the main cause of the Islamic Republic's economic crisis. But very often what these same analysts mean to say is that

the cause of Iran's backwardness is that the historic trend of Iran's economic development has paralleled that of dependent countries like Turkey, India, and Algeria...etc. Of course, this is only a partial view of reality. This is due to the fact that the dependent economy of Iran has lagged behind the wave of modernization which those other countries have experienced, thereby intensifying the distortion of Iran's economic structure. The same phenomenon has multiplied inflationary pressures several fold. This widening gap between Iran and these other countries has been further exacerbated by economic corruption, which has become so widespread that it is itself a contributing factor to the deformation of the national economy.

Below we will try to further elaborate on these distorting economic factors, with delays in modernization and corruption as the most significant factors in Iran's present economic crisis. International boycotts serve to deepen the impact of these same factors.

DEFORMED ECONOMIC STRUCTURE

Iran's national economy is a backward capitalist economy in which remnants of feudalism continue to play an important role in production and re-production. This national economy has been formed in the mold of the international division of labor. Iran, as a strategic petroleum exporter, has played a historic, significant role in imperialism's international division of labor. According to the dictates of this international division of labor, in the world capitalist order, Iran's responsibility is to produce and export petroleum. This product, by its very nature, undermines sound, healthy economic growth.

It is only the petroleum industry, and few others, which benefit from modern production facilities, whereas the vast majority of economic activity (agriculture, in particular) remains backward. There are no effective linkages between the petroleum sector and the agricultural sector, and thus no stimulant to growth and development. To the contrary, by exposing the other economic sectors to ruthless competition in the world market, Iran ensures that these sectors remain unstable and moribund. Petroleum production and pricing, as we know, plays a critical role in the world economy – transferring wealth and determining currency exchange rates. It is this powerful impact of the petroleum industry that imposes world market influence over the domestic Iranian economy. Petroleum exports have generated such a high rate of exchange for Iran's currency that it renders Iran's agricultural and industrial products non-competitive in the world market. The petroleum industry draws investment away from modernization of the agricultural sector, which still is reliant upon peasant labor. The high currency exchange rate favors importation of consumer goods and foodstuffs, to the detriment of domestic production. This crippling of agriculture and local food production is an inescapable consequence of the logic of the world capitalist order, and the extreme dependence upon petroleum to prop up the Iranian economy.

In such an economy, where only a single sector (petroleum) has relative stability, and where agriculture and small industry are routinely in severe crisis, it can only be expected that the majority of the country's workforce is unemployed - or underemployed in unstable or informal economic activities.

Let's take a look at the "open door" policies of the Iranian regime and its elimination of tariffs and many import duties. For instance, 6 million tons of sugar has been imported by Iran – despite the fact that Iran could satisfy this demand with its own domestically produced sugar. Why is Iran's agro industry languishing? Because Iran's domestic economy is now subjugated

to the world market, and thus the price of sugar is determined by the world market. Compared to the world market price for sugar, Iran's domestically produced sugar is "expensive". In Marxian economic terms, the labor power to produce one kilogram of sugar in Iran exceeds the amount of labor power required to produce that same kilogram in the international market [in this era, when national economies have been integrated into a single world economy, the socially required labor power to produce a commodity is calculated on the basis of international criteria]. Iran's economy is subjugated to the law of labor value at the international level. From the point of view of the world market, because Iran's agricultural sector (tea and rice, as well as sugar and other foodstuffs) cannot produce sufficient profit, it must be destroyed. The fact that millions would lose their livelihood and become impoverished has no significance in this world market point of view. The opportunities for demagoguery abound in this process of destruction; for example, the destruction of Iran's agro industry has been justified as being "better for consumers". Mohammad-Sadegh Mofateh, Vice Minister of Commerce, when asked about the torrent of imported sugar, has said, "We cannot permanently protect domestic production with a tariff wall. Why should consumers have to pay 800 monetary units instead of 500 for one kilogram of sugar?" Ali-Akbar Mehrabian, who heads the Ministry of Industry and Mining, has said, "Maintaining high prices for sugar in our country, at prices above the world market, only results in consumers being ripped off. That is why we have authorized importation of sugar in a regulated manner." (Shiada Elmi, Moj News Agency). In reality, the International Monetary Fund (IMF) and the World Bank precipitated the destruction of the domestic sugar industry by imposing a policy of "privatization" in 2002; beginning in that same year, the Iranian government began to authorize sugar imports. In the world capitalist economy, "privatization" does not mean necessarily that state-owned productive facilities are transferred to private ownership and that production continues; on the contrary, it often means that the production facilities are closed down and workers are locked out. This can take the form of replacement production facilities, with more modern equipment and a smaller work force, or of complete elimination of domestic production – with the commodity now imported from abroad by the new "private" firm (with or without a regime "partner" as middleman).

The crisis in Iran's sugar agro industry is a clear example of the operation of a dependent, deformed economy. Until recently, protective tariffs were an obstacle to Iran's importation of cheap sugar, and Iran's sugar agro industry was "artificially" (in capitalist terminology) propped up. With the new economic "restructuring", however, the regime has discontinued the tariffs in order to eliminate the competitive pressures on this "inefficient" domestic industry. We must note here that in capitalist economies, competitive pressures are a driving force for modernization of productive facilities. In dependent economies, however, the looting of wealth and degradation of domestic production (and of labor, the prime factor in production) are the primary characteristics, along with monoculture ...

DELAY IN MODERNIZATION

This deformity of Iran's national economy is not a product of the Islamic Republic; this economic structure was formed in the period following World War II under the influence of US imperialism. But as we have noted before, the deformation has intensified during the past 28 years of the rule of the Islamic Republic. During this period, Iran's economy has become thoroughly dependent upon the world market; at the same time, while other dependent countries (such as Turkey) embarked upon economic modernization programs, Iran has stood still. In other words, its dependency upon the world market has grown while its productive forces have deteriorated. Each of the blades of this pair of scissors has grown longer and sharper, and they

are slashing at the well-being of working Iranians. If the dependence upon the world market were not so extreme and the national economy not so subject to the rule of world capitalism, then the lagging so far behind in modernization would not have so severe an impact. Falling profits from production and rising costs of production have hobbled Iran's domestic economy, and crippled its ability to compete in world markets. That is what the Islamic Republic has achieved. The majority of Iran's economic structures were initially formed during the period 1954 to 1978 – and this is especially relevant to the petroleum sector – but due to the lack of access to improved technology there was little or no upgrading or renovation of production facilities. Consequently, large segments of the industrial sector were operating at less than 40% capacity; in some cases, the lack of spare parts caused production to cease. During the Shah's reign, Iran produced 6 million barrels of oil on a daily basis. Today, Iran's daily production barely surpasses 4 million barrels. The reason behind this is that multinational petroleum corporations are not investing in the renovation of Iranian petroleum facilities and technology. The US government has banned such investments by US-based petroleum corporations. Petroleum investment after 2000, especially, has been sharply curtailed. The volatility of the Islamic Republic's relations with imperialist powers is the main reason behind this situation. According to the World Bank, Iran ranks 135th in terms of attractiveness for investment (Fars News Agency, 09/26/07). That is a fall of 16 ranks from the previous year.

The economic impacts of the Islamic Republic's difficult relations with the imperialist powers take many forms. The current system of global capitalism provides strong financial leverage to the imperialist powers through the control of banking and credit – resulting in delay and obstruction of capital accumulation in Iran. For example, most of Iran's international trade and financing is transacted through banks in Dubai. Iran is obliged to satisfy its technological needs through the black market.

Once the Islamic Republic ceased being useful to the imperialist powers, economic pressure has multiplied. This pressure further deforms Iran's economic structure, pushing it closer to collapse.

At this point we should note the effect of Ahmadi-Nejad's monetary policies on consumer price inflation. There is no question that Ahmadi-Nejad's policies have intensified the inflationary spiral. But while Iran's economy may be subject to Ahmadi-Nejad's rule, it is actually controlled by the world market. Price inflation in Iran parallels inflation in other capitalist countries. Iran's dilemma is what we have discussed above: it suffers from dependency upon the world market while at the same time it is lagging further and further behind in terms of productive forces. The deterioration of productive forces and the constantly diminishing profitability of economic activity under the Islamic Republic have both acted to accelerate inflationary pressures. As stated above, in this era of capitalist globalization, prices (or the time socially required for the production of a given commodity) are not determined by the domestic market but rather by the world market. Commodities produced in a lagging economy are produced at high cost, relative to the world market. This causes an upward pressure on prices. To mask this trend, governments utilize subsidies. But this same logic which seems to demand subsidies also ultimately dictates that such subsidies be eliminated. One essential conclusion we can draw from this state of affairs is that any regime sitting atop this type of economic structure, which seeks to “manage” the economy, is doomed to failure. Even a regime which starts out as being different from those of the past (masking itself as “secularist” or “socialistic”) eventually will become no different from them, if the economic structure remains the same.

CORRUPTION AND ITS ROLE IN THE CRISIS

Widespread corruption, or what everyone in Iran knows as *runtkhary*, is a very important factor in the current economic crisis. *Runtkhary* refers to the various ways that the ruling class enjoys special privileges in both formal and informal economic activities: for example, access to insider information in regard to interest rate changes and to stock prices; access to commodities and hard-to-get consumer goods at below market prices; easy access to business and building permits, to import /export licenses, and to the judicial system when they seek to quash competition from business rivals; and many other privileges beyond these. The vast size of Iran's informal economy and its black market is a clear indication how unparalleled is the extent of corruption in the Islamic Republic. The implementation of the UN-sponsored boycott against Iran for continuing its uranium enrichment program has greatly benefited Islamic Republic profiteers in the black market. A German newspaper has written that "The black market is good business for the clergy. They have no difficulty importing illicit products because they control customs, border crossings, and the postal service." They add "Iran's economy is tightly controlled by the Islamic regime. Virtually all business, whether directly or indirectly, is conducted by the religious elite. There are nearly 120 religious foundations, who have not only petroleum exports under their control but also are owners of construction companies, air transport, automobile dealerships, banks, grocery distribution, and electronics firms. It is also rumored that they control the illicit traffic in firearms and narcotics. Nicholas Pedeh, an Iran specialist from the International Research Institute in Rome, says "They hand out [government] contracts through their network of affiliated [religious] foundations" (Welt am Sonntag-Nr. 19, May, 2007). This same newspaper has written the "The international boycotts further solidify the business monopolies of these religious foundations."

Corruption has so thoroughly encrusted the Islamic Republic's government apparatus that the regime's own functionaries have begun to complain. According to a report by ISNA (Iran's official news agency) date August 3, 2007, Mohammad-Reza Rahimi, the Director of Accounting for Iran's Supreme Court, has said that "The case volume for financial corruption charges now consumes half of the country's judicial budget." Just two of these cases, Parse jonoobi*1 and Sandoghe Gharzol Hassasne Eshpehan*2, could themselves account for nearly half of that budget. Corruption if not outright robbery by top government officials in the privatization program / transfer of state assets to private ownership through Article 44 is so huge that Rahimi was obliged to say that " In our country, so far, privatization has a very mixed record; in other words, it has become associated with collusion and transfers at below market prices." (ISNA, 08/03/2007). In this sense, the economic crisis is simply another way for these reactionaries to rob the toiling masses of the fruit of their labor.

The formation of economic mafias is not a unique attribute of the Islamic Republic. This parasitic stratum is a familiar feature of the economies of colonized countries. The *modus operandi* of the agents of the Islamic Republic, given the crisis which looms over the economy, is "to appropriate" [rather than to produce] – the only thing they are capable of doing. They plunder the economy to the maximum extent that they can. – taking full advantage of the political power they wield. This "appropriation" has recently intensified due to the fact that they are no longer certain of remaining in power for many more years.

CAPITALIST PROPOSALS TO "RESOLVE" THE CRISIS

Capitalists have proposed, whether through the mouths of government officials or economic “experts” or through the mouthpieces of international institutions, a number of solutions to Iran’s economic crisis. In the expectation of resolving the crisis, the Islamic Republic has eliminated gasoline subsidies and tariffs – declaring its intention to “free” up the marketplace; but from the capitalist point of view, structural reform will require far more aggressive measures: Iran’s labor laws will have to be revised so as to shift rights from Iranian workers to foreign employers. Iranian labor is still considered to be “expensive” in comparison to Chinese labor. (For this reason, even in the matter of tombstones, tombstones imported from China account for half of the Iranian market.) Inefficient industries must be closed down and their output replaced with imported goods; and from the ruins of that industry and agriculture (and the ruination of millions of workers and peasants) are to come new projects and production facilities. Banks must be privatized, and the petroleum industry also transferred to private ownership. Laws governing foreign ownership of Iranian assets and property must be revised to facilitate foreign investment and financial transactions. Petroleum revenues must be invested primarily in the upgrading of information technology and banking systems, etc. in order to free up the movement of capital. These are measures which Iran’s ruling elite are quite willing to implement. However there is a major obstacle in the way of other capitalist economic reforms – an obstacle which provokes disputes among government officials, and which aggravates relations between the Islamic Republic and the imperialist powers. Monopoly control of many of the sectors of the Iranian economy is in the hands of a network of Iran’s ruling elite. The breaking up of that monopoly is one of the demands of the imperialist powers – and the ruling elite in Iran is unwilling to consent to that demand. Economic restructuring within the framework of the global market does not only entail the destruction of small domestic industries like sugar; it also entails the smashing up of these domestic monopolies. This tension between global market interests and domestic monopoly also existed in the past, when US imperialism pressured the Shah’s regime to accept socio-economic reforms during the 1960’s (known in Iran as the White Revolution).

THE PETRO ECONOMY

During the first decade of the Islamic Republic (1979 to 1989), the government benefited from petroleum revenues on the order of \$500 billion. Since 1989 these petroleum revenues have nearly tripled. Now the question arises – how has this oil income benefited the Iranian masses, in particular the toiling masses, whether urban or rural? And what kind of national economy has emerged since 1979? The population living below the poverty line has doubled, and the gap between classes has widened dramatically. What has emerged is an economy that is unable to provide the basic necessities of life; an economy that creates unemployment, rather than generating jobs; a crippled economy that is incapable of producing even the most basic industrial commodities; an economy that promotes corruption and mafia-type monopolies; an economy which is dependent upon the good will of international thieves.

The clear conclusion to be drawn from an analysis of the economic crisis in Iran is that the current economic structure, whether under the rule of clergy, a monarch, or republicans, would produce the same criminal results. Whatever party comes to power in command of this structure, if there is no radical change – by breaking away from the world market, by eliminating the remnants of feudalism as well as comprador capitalism – then it will only serve as the guardian of a backward, reactionary economy and to perpetuate the corruption which is contrary to the will of the toiling masses. This point, in particular, must be brought to the attention of those who call themselves “communists” or “socialists” but who only seek to provide “better” management of this same economic structure, or who only seek a more “just” distribution of national income

and a more rational utilization of petroleum revenues. A complete change in the economic structure so that it benefits the masses of people requires a difficult, protracted and tedious struggle – and is only possible through the mobilization of the toiling masses. Only through this mobilization is a new democratic revolution, and socialism, possible.

The economic crisis is leading to a political crisis; at the center of this, the threat of a US military invasion has created turmoil in our society. Under the current conditions, there are both opportunities for proletarian revolution and for great danger. We communists must mobilize and organize the deprived and toiling masses of our society for a revolution – while avoiding the pitfalls of dogmatic stagism (a belief in the inevitability of stages) and gradualism. Waves of economic crisis should generate waves of popular resistance by the masses who suffer oppression and exploitation. The communist analysis and economic program must find its place in the heads and hearts of this resistance, most especially in the struggling vanguard. We must clarify the characteristics of a liberated economy for these toiling masses, and help them direct their struggles toward a genuine solution – a genuine socialist revolution.

- *1- South Pars oil company Also Known As Petropars Oil Company. The largest of Islamic Republic Oil Company that has a right to make a contract with all foreign multi national oil company.
- *2- influential government monetary fund company based on Islamic law in which money loaned without interest

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