

Rentier capitalism and the Iranian puzzle

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The word 'Iran' usually signifies unpredictability, offering either raw material for the narratives of news agencies, or a fascinating enigma. Recent events have once again underlined the fact that the 1979 Iranian Revolution is still poorly conceptualized. To state the obvious: the outcome of the revolution, the figure of Khomeini and the Islamic republic, with its combination of misogyny, anti-imperialism and brutal repression, make up a puzzle. However, this puzzle is not some well-kept secret, hidden by the Iranians, which would become accessible to us if only if our narratives were sufficiently nuanced, or if religious or some other form of secret codification were more thoroughly explored. It is an objective puzzle. Reluctance to adopt a theoretical approach is generally just another instance of exoticism. Against this exoticism, the point of departure in this comment is the simple proposition that the Iranian puzzle – to paraphrase Hegel – is puzzling for the Iranians themselves.*

The recent uprising was not unpredictable; nor is it a new revolution. Its actors are not clear about its agenda or about its future direction. These events are above all parts of a new sequence of the Iranian Revolution. It is a renewed effort to redefine the revolutionary agenda of 1979. This revolution, like many others, is still in search of its own realization. The first sequence of the revolution involved a twofold inscription of a rupture. Its onset in 1978 was a sign of the closure of the emancipatory projects of the twentieth century, including the post-colonial projects of the period after the Second World War; but it was equally a leap from centuries of the absolute sovereign state form into the amplitude of historical possibilities, to construct the common cause of a *res publica*. Such a process could not be, and has not been, decided once and for all during its first brief sequence between 1978

and 1981. The street rallies since June 2009 openly refer to the revolution and its initial sequence thirty years ago, but at the same time and at each popular assembly, the reiteration of the old slogans releases words such as 'Independence' and 'Freedom' from the closed discourse of the official propaganda machine. By small shifts in the wording of slogans, even those that are patently religious, chanting people redefine the revolution. This means that the revolution has not got a proper name; it cannot be qualified (as it is in the official state discourse) as 'Islamic'. The Iranian Revolution is not a closed history. The objective puzzle around which the terms of the social antagonism are organized resides in the way the material conditions of life are organized, the way value is produced and circulates in a distributive system.

Rent and the return to *Capital*

Between February 1979 (the fall of the monarchy) and June 1981, Iran witnessed a series of tense conflicts and splits among revolutionary forces. The outcome of these revolutionary events was an Islamic republic, a coalition of Islamist groups around the figure of Khomeini. Their ambition, at least as declared during the revolutionary struggle, was to create a social order that included the poor ('the wretched of the earth'). The novelty, even for the revolutionary people, was the claim – or hypothesis – that the spiritual dimension of life, neglected by other political projects of the century, could provide the ground for constructing such a just order. More importantly, between 1978 and 1981, independent workplace councils and neighbourhood committees were created all over the country. That ambition and the material reality of popular self-organization could be properly called the communist moment of the revolution. The establishment

* This comment should be read in relation to the Commentary on Iranian politics by Ali Alizadeh, 'Neither Secularism nor Theocracy?', *Radical Philosophy* 158, November–December 2009, pp. 2–9. See also James Buchan, "A Bazaree Bonaparte?", *New Left Review* 59, September–October 2009, pp. 73–87.

of the Islamic republic after 1981 meant, however, the physical suppression of these councils and the replacement of the critique of capitalism by a petrified enthusiasm borrowed from mass rallies during the uprising against the Shah. The momentary enthusiasm of chanting revolutionaries was transformed into an incoherent set of moral codes and religious symbolism. This petrified enthusiasm, which could be called a politics of spirituality, informed a state ideology that inherited the critique of social injustice and corruption from the first revolutionary sequence. The sole point that conferred a certain coherence to this set of moral codes and symbols was that they would soon become cultural commodities, signs of a particular but nevertheless exchangeable imaginary produced within a rentier capitalism.¹



Rent has conventionally been understood as related to the pre-capitalist relations of landed property. This is also the way Marx seems to start his treatment of the question. This conventional conception is precisely the flaw in the contemporary understanding of the rent. Here, the return to Marx's *Capital* should be taken in a literal sense of the word: *Capital* should be read in reverse order, from the third volume backwards. What Volume 3 deals with is capital qua commodity as subordinated to the monetary system itself. Marx's succinct definition of rent should be read against this dialectical turn in which capital itself becomes a use value within monetary speculation: rent is 'an excess of surplus-value, based upon monopolized nature'.² In cases studied by Marx, the rentier was still a distinguishable social category. The economy of rent was defined in opposition to capital investment. However, Marx's definition goes in fact beyond this historical opposition. It gives us a key to grasp the dialectical transformation of capital into a use value by capital

itself, once we take into consideration that 'monopolized nature' is fully integrated into capital accumulation. Monopolization is only a moment in a historical circle of an ongoing re-monopolization of territories and spaces by capital.

The notion of rentier capitalism underscores the relation between rent and value production in the contemporary conjuncture, which is distinguished by the primacy of global financial capital, along with the development of new means of production (new communications technology) and forms of commodification (image and cultural commodities).³ If rent was historically opposed to both fixed and mobile capital investments,⁴ this opposition ceases to be meaningful in contemporary capitalism. It is thus not a particularly bold statement to infer that rent, in the mature age of a global capitalism, is indistinguishable from profit and is assimilated into the speculative activities around the rate of profitability. This means that the assimilation of rent into capitalist relations turns the classical terms upside down: it is now production which is perceived as an external space, as land and its resources were for nineteenth-century capitalism. A rentier capitalism is a local system in which the average rate of profit is determined by the excess of surplus value extracted from the global process of the realization of value. It is the full transformation of capital into a commodity. This means: the overflow of cash into

a local territory, the discontinuity between the level of production and distribution of goods and services, the expansion of commodity circulation in that territory into new spaces, and finally the creation of material conditions for speculations by financial capital.

In Iran, rental revenue has dominated the state economy since the oil crisis of 1973–74,⁵ which immediately followed the nationalization of both the oil fields and the local extractive industry in January 1973 (a dramatic turn scarcely discussed in the literature). The extent of the domination of rent from extractive industry can be seen in the constant correlation between the annual rate of investments, GDP, annual oil production and the international oil market.⁶ By 1977, about one-third of the gross domestic product, three-quarters of government revenue, and nine-tenths of foreign exchange earnings came from the oil sector.⁷ The consequence was a rapid development in terms of annual growth of the economy. From an average of 10 per cent in the years 1963–1973, annual growth

jumped to 34 per cent in 1974 and an unprecedented 42 per cent in 1975, although it slowed down in 1977 when recession brought it back to 15 per cent. In the two years prior to the revolution, annual growth fell to an average of 5 per cent.⁸ By contrast, one year after the revolution, capital investment in machinery fell dramatically, to less than 20 per cent of its 1977 level, but state expenditure remained the same or higher.⁹

As for the composition of capital, in the years prior to the revolution, it was divided between the state apparatus, oligarchic industrial capital and mercantile capital. The last is often conflated with the Iranian bazaar and sometimes qualified as the 'traditional bourgeoisie'. Terms such as 'bazaar' and 'traditional bourgeoisie' have been the source of confusion in the discussions about the class-based interests represented by the Islamic Republic. Yet, in 1979, the bazaars had already lost their historical and pre-capitalist role as the urban and architectural nexus of artisanal production, distributive channels, finance and communal urban organization. The bazaar was a historical form of urban polity until the beginning of the twentieth century. It played a central social and economic part in communal urban organization and enjoyed a relatively independent position in relation to the imperial state structures during Safavids (in the sixteenth century). Such an urban socio-economic organization was granted far greater authority in communal affairs outside of state control, compared to the constraints of North European cities.¹⁰ By 1978, however, the bazaar was merely an annexed part of a new mercantile capital, mainly preoccupied with the import and distribution of commodities, with financial and investment thrusts. Its decline was correlated to the demise of the imperial order in Iran on encountering European industrial imperialism in the nineteenth century.¹¹ This new mercantile capital was conditioned by the communication infrastructure created since the 1950s, providing a qualitatively faster network for transporting goods and capital transaction.¹² The process of capital accumulation in this sector during the 1970s became increasingly dependent on rentier revenue, which supported a high level of domestic consumption. In the years between 1973 and 1979, oligarchic industrial capitalism, connected to the court and bank system, prevailed, while the emerging mercantile capital remained excluded from direct access to the benefits from rent revenues.¹³ During the two years prior to the revolution, the relative stagnation of investments and the so-called Dutch disease¹⁴ engendered internal contradictions within the industrial sector. The overflow of cash from the international market into the local economy, inflation, and

stagnation of capital investment were critical issues that surpassed the old structure based upon the differentiation between rent and productive capital. The historical function of the 'politics of spirituality' as the state ideology emerged at this point.

The revolution had already eradicated the oligarchic privileges of industrial capital, along with the political sovereignty of the Shah. With the exclusion of revolutionary control over production and workplaces by the Islamic republic, rentier capitalism was freed from both the self-organizing control of society and the restraints of an old state structure based on the exigencies of a monarch. The new republic provided mercantile and financial capital with politically conditioned access to rentier revenue, and paved the way for the reintegration of the industrial sector, now as a dependent partner, into a new capital composition. The governmental rule of Khomeinists did not represent the old social classes. First, it corresponded to the emergence of a new class, the rentiers within a system whose functioning was locally independent of industrial production and internationally independent of imperialist bloc politics. The expansion of a rentier system meant the redistribution of rent income, which resulted in new conflicts within this class. The same redistribution and its political conflicts were also a reaction against the unfolding of the revolutionary process and the constant pressure of popular demands. It should not be forgotten that the labour force in Iran today still has access to an advanced welfare system compared to the rest of Asia. At the same time, the Islamic republic has never developed an industrial infrastructure compared to the pre-revolutionary period. Instead, since 1988 it has dismantled parts of labour protection laws and promoted privatization of such sectors as telecommunications, transport and old industrial plants, following the International Monetary Fund's recommendation. What in certain literature is usually called the middle class is mainly the urban labour force in both private and public service sectors, public health care, and the school and higher education structures.

Corporate networks, post-urban spaces

This brings us to the third and most specific feature of rentier capitalism in Iran. The expansion of rent-based relations, the inner conflicts of the rentier class, and the weight of social demands in a society that experienced the self-organizational period of the revolution, has created a new mediating space of value production, since the mid-1980s. The politics of spirituality is above all reproduced within this space. It consists of

an extensive network of human relations in a myriad of small structures, organized in foundations, small funds, mosques, Islamic associations, paramilitary gangs, military guards and modern media. This network is funded by rent revenue from oil, and its different sectors are involved in the production of cultural signifiers, a vast monitoring system, and rules of virtue. Private and state ownership and management are fused together within this corporate network. Assets officially belonging to the state may be permanently managed by these semi-independent structures. While indistinguishable from governmental offices, and with access to the rent revenues, the corporate network is not included in the official state budget. At the heart of this network there are four major foundations with their own sub-networks and internal economy.¹⁵ These foundations are exempted from taxes and have access to a number of governmental financial facilities including foreign currency at a reduced exchange rate. Their budget is neither public nor controlled by the national state authorities. Nevertheless, the corporate network is part of the Islamic republic and its institutions. During the last decade, the Islamic Revolutionary Guards Corps, a smaller army parallel to the conventional army structure, started to expand within this corporate network and is itself now another major actor within it.¹⁶

These foundations run large projects in diverse sectors: from manufacturing, banking, industrial agriculture, estate market, to museums, the film industry and newspapers. Their tasks are to arrange demonstrations at official occasions, train Islamic managerial cadres and produce Islamic cultural products such as new forms of prayer and festivals.¹⁷ More significantly, they also run extensive social programmes and provide a broad range of services in rural areas and for those affiliated to the Islamic organizations. The extent of their annual investments in Iran, the region, and worldwide is reportedly equal to more than a quarter of the country's GDP.¹⁸ The Foundation for the Oppressed alone reportedly has around 700,000 employees. In 1992, its annual budget was equal to 10 per cent of the government budget or about \$10 billion. By the mid-1990s, this foundation was considered the largest economic conglomeration in the region.¹⁹ No central body ideologically controls these foundations. Their numerous ties within the corporate network connect them to both mercantile capital and the media.

The corporate network is characterized by a complete lack of distinction between sites of production and the space of social relations, between production of material commodities and production of cultural goods, and, finally, between public and private. The

corporate network is not comprehensible unless its relation to another feature of the rentier economy is clarified: there was a steep increase in the influx of people to big cities during the latter part of the 1970s. Tehran experienced a doubling of its population during the few years prior to the revolution.²⁰ Because of the system's incapacity to absorb this influx into industrial production or public services, the poor masses remained an important social force excluded from urban social relations.²¹ In this respect, the corporate network has played a crucial role in expanding rentier relations into these suburban – or, more precisely, post-urban – spaces since the beginning of the 1980s, which form a continuous space embracing the earlier villages and agricultural zones on the outskirts of major cities. The constant flow of people to urban centres was mediated, concretely and physically, into the production of cultural commodities, a living labour that was literally invested with what was earlier called 'petrified enthusiasm'. The image of 'a country of believers in a state of mystical unity with a political and spiritual supreme leader' has not only been the living form of a local investment, but also took active part in the economy of a globalized circulation and production of spectacular and exotic images as goods. At the same time, neither the politics of spirituality nor the corporate network represents the political and social life in these post-urban spaces. These networks are above all communicative and productive channels through which rentier relations expand further. The same network structures, which connect the influx to image production, have been both the target of and, on occasion, used as a starting point for, protest movements and activism among the poor since 1980.²²

The Islamic Republic is not a totalitarian state or a classic case of military dictatorship. It has a flexible, non-constitutive governmental rule that represents the boundaries of a rentier system faced with the Iranian revolution. As a political machine, its functioning can be summarized at two interrelated levels: (1) it connects speculative mercantile activities to rentier income from the oil industry, by controlling the flow of cash into society; (2) it produces cultural goods that bind the human influx to the politics of spirituality within the structures of the corporate network.

This specific configuration of political power and production, its conflicts with certain imperialist ambitions in the region, and, more importantly, its inner contradictions – all these features would remain incomprehensible without taking into account the fact that rentier capitalism is the reverse of the failed communism of the revolutionary sequence. Likewise,

the moral and spiritual signifiers circulated by this corporate network are the rentier system's political and economic reaction against both the self-organizing forms of the revolutionary sequence and the monetary flow from the so-called international market.

Notes

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1. The notion of a 'rentier state' has been recurrent in the field of Iranian Studies from early on. It was first employed in the 1970s by economists Hossein Mahdavy in 'The Patterns and Problems of Economic Development in Rentier States: The Case of Iran', in M.A. Cook, ed., *Studies in the Economic History of the Middle East*, Oxford University Press, Oxford, 1970; and Cyrus Bina, in C. Bina and H. Zangeneh, *Modern Capitalism and Islamic Ideology in Iran*, Macmillan, London, 1992, ch. 5. One of the earliest and more interesting usages of the term is to be found in Theda Skocpol, 'Rentier State and Shi'a Islam in the Iranian Revolution', *Theory and Science*, vol. 11, no. 3, May 1982, pp. 265–83.
2. *Capital: A Critique of Political Economy*, Volume 3, trans. David Fernbach, Penguin, Harmondsworth, 1993, ch. 38.
3. For financial capital, see Michel Aglietta, *Macroéconomie Financière*, Odile Jacob, Paris, 1995. Other perspectives on accumulation and financial capital are presented by Giovanni Arrighi, *The Long Twentieth Century*, Verso, London and New York, 1994; and David Harvey, *The Conditions of Post-modernity: An Enquiry into the Origins of Cultural Change*, Basil Blackwell, Oxford, 1989.
4. This is richly documented throughout Part VI of *Capital*, Volume 3.
5. See H. Moghtader, 'The Impact of Increased Oil Revenue on Iran's Economic Development (1973–76)', in Elie Kedourie and Sylvia G. Haim, eds, *Towards a Modern Iran: Studies in Thought, Politics, and Society*, Routledge, London and New York, 1980, particularly the data on pp. 241–7. For economic data, I am mainly but not exclusively relying on the following literature: Mazen Labban, *Space, Oil and Capital*, Routledge, London, 2008; Nemat Shafik, ed., *Economic Challenges Facing Middle East and North African Countries*, Macmillan, London, 1997; F. Rahnama and S. Behdad, eds, *Iran after the Revolution: Crisis of an Islamic State*, I.B. Tauris, London, 1996; J. Amuzegar, *Iran's Economy Under the Islamic Republic*, I.B. Tauris, London and New York, 1993; F. Nomani and Sohrab Behdad, *Class and Labor in Iran*, Syracuse University Press, Syracuse NY, 2006; Massoud Karshenas and Hassan Hakimian, 'Oil, Economic Diversification and the Democratic Process in Iran', *Iranian Studies* vol. 38, no. 1, March 2005, pp. 67–90; Andre Benard, 'World Oil and Cold Reality', *McKinsey Quarterly*, Autumn 1981, pp. 30–47.
6. See S. Badiei and C. Bina, 'Oil and Rentier State: Iran's Capital Formation, 1960–1997', www.luc.edu/orgs/meea/volume4/oilrentier/oilrentier.pdf, 2002. For more recent data, see Keith Crane, Rollie Lal and Jeffrey Martin, *Iran's Political, Demographic, and Economic Vulnerabilities*, RAND Corporation, Santa Monica CA, 2008, pp. 72–4.
7. Setaré Karimi, in Nikki R. Keddie and Eric Hooglund, eds, *The Iranian Revolution and The Islamic Republic*, Syracuse University Press, Syracuse NY, 1986, p. 33.
8. See Dilip Hiro, *Iran under the Ayatollahs*, Routledge, London, 1987, p. 60; and Nikki Keddie, *Roots of the Revolution: An Interpretive History of Modern Iran*, Yale University Press, New Haven CT, 1982, p. 107.
9. Setaré Karimi, in Keddie and Hooglund, eds, *The Iranian Revolution and The Islamic Republic*, p. 34.
10. For a discussion, see Patricia Springborg, 'Politics, Primitivism, and Orientalism: Marx, Aristotle, and the Myth of the Gemeinschaft', *American Political Science Review* 1, 1986, pp. 185–211.
11. For empirical data, see Ahmad Seyf, 'Free Trade, Competition, and Industrial Decline: The Case of Iran in the Nineteenth Century', *Middle Eastern Studies*, vol. 40, no. 3, 2004, pp. 55–74.
12. The thesis on the transformation of bazaar was, to my knowledge, first presented in a net-published essay, 'Jay e xali e siasat e radikal' ('The Vacant Place for a Radical Politics'), Milad Sinasin, 2003, www.nilgoon.org. The empirical data are from the following field study: Arang Keshavarzian, *Bazaar and State in Iran: The Politics of the Tehran Marketplace*, Cambridge University Press, Cambridge, 2007.
13. In 1980, merchants were exempted from a considerable part of tax on revenue, according to a parliamentary report quoted by former Iranian president H. Bani Sadr in *Xianat bé Omid*, Paris, n.d., pp. 77–9.
14. Amuzegar, *Iran's Economy under the Islamic Republic*, p. 7.
15. The major foundations are the Foundation for the Oppressed (Bonyad-e Mostafan), Martyrs' Foundation (Bonyad-e Shahid), Housing Foundation (Bonyad-e Maskan), and the Imam Khomeini Foundation Relief Committee (Komite-e Emdad Imam Khomeinie).
16. There are numerous articles in Persian on the subject, particularly from the so-called reformist camp. The only comprehensive report in English is Ali Alfoneh, 'How Intertwined Are the Revolutionary Guards in Iran's Economy?', *Middle Eastern Outlook* 3, October 2007.
17. See Ali A. Saeidi, 'The Accountability of Paragovernmental Organizations (Bonyads): The Case of Iranian Foundations', *Iranian Studies*, vol. 37, no. 3, 2004, pp. 486–8.
18. See S. Maloney, 'Agents or Obstacles? Parastatal Foundations and Challenges for Iranian Development', in Parvin Alizadeh, ed., *The Economy of Iran: Dilemmas of an Islamic State*, I.B. Tauris, London and New York, 2000, p. 155.
19. Maloney, 'Agents or Obstacles?'; cf. Nomani and Behdad, *Class and Labor in Iran*, pp 45–6.
20. On the inflow to the urban centers, see Masoud Karshenas, *Oil, State, and Industrialization in Iran*, Cambridge University Press, Cambridge, 1990. For a comparison with the post-revolutionary period, see Hassan Hakimian, 'Population Dynamics in Post-Revolutionary Iran', in Parvin Alizadeh, *The Economy of Iran*.
21. For immigration and rural–urban relations, see data analysis in Fred Halliday, *Iran: Dictatorship and Development*, Penguin, London, 1979, ch. 7.
22. For a history of activism among the poor, squatters and immigrants, see Asef Bayat, *Street Politics: Poor People's Movement in Iran*, Columbia University Press, New York, 1997; and *Mobarezat zahmatkeshan xarej az mahdudé 56*, Peykar Organization, Tehran, 1980.