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## Social Populism and the Future of the Islamic Republic of Iran

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### *Summary*

Social welfare for the whole community is the basic tenet of Islamic social justice. In modern Islamic Republic of Iran it is also a strong political appeal, used by the successive Iranian governments. The core of the Islamic Revolution was not only ideological positioning of political Islam, but also the quest for social justice in a country characterized by economic inequality. Effects of the Iran-Iraq War, nepotism and corruption, system of bonyads, and inexperience in governance are basic difficulties of the Islamic Republic, together with social inequalities in urban-rural, women, youth, and ethnic minorities nexus.

*Keywords:* Social Justice, Populism, Islamic Republic, Iran

### **Introduction**

On 22 Bahman or February 11, 2014, the Islamic Republic of Iran celebrated 35 years of existence. It was the anniversary of the 1979 Islamic Revolution, a major turning point in the 20<sup>th</sup> century's political history. Today, Iran is rather different than it was in 1979. Externally, the country has strangled relations with much of the Western world, with Saudi Arabia and a few other Sunni Muslim countries, while the United States and Israel are deemed as the worst enemies of the Iranian state. Internally, the country hosts one of the most complex political systems in modern history, a two-tier system consisting of a democratically elected government and parliament on one side, and the religious councils on the other, making it a unique mix of representative democracy and semi-theocratic autocracy. The 35<sup>th</sup> anniversary, however, was largely different from many others. It came in a time when rapprochement of Tehran and Washington was at its highest rate since Iran helped the US to overthrow the Taliban regime in Afghanistan in 2001 and position the North-

ern Alliance as the future government body. Internally, the country faces several major issues which might in the future divert the course of development.

In this article I argue that the future of a stable and respected Islamic Republic depends, among other things, on the outcome of social populism, which is based on the Islamic notion of social justice, delivering social justice and growth of the economy. Given the vast literature on the Islamic Revolution and the Islamic government in Iran, it is surprising that the economy has not been at the fore of explanations seeking to gauge the sustainability of the Islamic Republic. The geopolitical situation in the wider Middle East and the nature of Islamic governance in Iran notwithstanding, the history of 20<sup>th</sup> century Iran clearly shows the revolutions (such as the Constitutional Revolution in 1905 and the Islamic Revolution in 1979) broke at the moment when the economic situation became unbearable. A new form of social welfare in Iran, founded on the Islamic notion of solidarity and help for others, gained momentum among the Iranian people. Changes in the social and economic system may well be one of the main issues regarding the future of the Islamic Republic of Iran, among Iranians as a nation, among women and youth, and among the country's ethnic minorities.

This article is divided into several parts. First, an overview of the theoretic approach to the social care and economy in Islam is introduced, with a special emphasis on the writings of Ayatollah Khomeini. Then, the Iranian social system is examined, with a special emphasis on the state subsidiary to help the people, Islamic taxes and bonyads. Then, the article shows how the economic history of Iran, and three revolutions (the Constitutional Revolution, the White Revolution, and the Islamic Revolution) were connected to changes in the bazaar<sup>1</sup>, social welfare and economy. The outcome of this article is to show that the Islamic Republic is vulnerable in the same way as all previous forms of rule were to the social welfare issues and the support of the people, and shows from where we can expect dissatisfaction may come from and how the Iranian governance system can respond to it.

I use the term populism in accordance with the general idea of a type of politics that involves the "...defence of the (supposed) traditions of the little man against change seen as imposed by powerful outsiders, which might variously be governments, businesses, or trade unions (and is) anti-intellectual in tone" (*Oxford Concise Dictionary of Politics*, 2003: 427). More closely associated to the Iranian case study is Abrahamian's description of populism as a movement of the propertied middle class that mobilizes the lower classes, especially the urban poor, with radical rhetoric directed against imperialism, foreign capitalism, and the political establishment: "Populist movements promise to drastically raise the standard of living and make

<sup>1</sup> The term bazaar is a reference to the Tehran bazaar, the central point of the Iranian economy.

the country fully independent of outside powers. Even more important is 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, emphasize the importance, not of economic social revolution, but of cultural, national and political reconstruction” (Abrahamian, 1993: 17).

### **Social Justice and the Islamic Economy**

The Islamic tradition puts great emphasis on social welfare. According to a Hadith, “you should be merciful to people on Earth and God on high will be merciful to you”, whereby the personal salvation is connected to serving others. To find God, Islamic tradition says, is to help the poor and the needy, as a mean of spiritual progress. Many critics said it is futile to employ a 1400 year old way of social welfare in the modern world and they have criticized the Islamic Republic for doing so. The first Iranian *Rahbar*, Ayatollah Khomeini wrote in his political testament that “it is absurd to say that social justice, which was to be practiced from the beginning of creation, and fighting against crimes and cruelties, which were to be avoided, can no longer be exercised in the age of the atom. The claim that Islam is against modern innovations (...) is nothing but an idiotic accusation. If innovation and new features of civilization means inventions, new scientific discoveries, and industrial progress, it should be known that neither Islam nor any other monotheistic religion has ever opposed such things. On the contrary, Islam and the Holy Qur’an cultivate scientific and industrial development emphatically” (Khomeini, 1998: 29). In the same testament Ayatollah Khomeini warns that Islam does not support oppressive and uncontrolled capitalism “...which deprives the masses” (*ibid.*: 87). He continues: “The Book and the Tradition seriously condemn this type of capitalism and regard it as opposed to social justice. Although some have thought, wrongly, that Islam favors an uncontrolled form of capitalism, that is not true! Such malreasoning veils the shining face of Islam and paves the way for biased attacks by the enemies of Islam, who consider it as a capitalist regime on the order of the USA, England, and other Western plunderers. (...) Islam is neither a regime that opposes private property, like Communism, Marxism, and Leninism (...) Rather, Islam is a balanced and moderate regime that recognizes ownership and respects it in a limited form of production and consumption. If this is implemented, a sound economy and social justice will result from it, for social equity is a prerequisite for having a healthy regime.” Indeed, “the basic élan of the Qur’an – the stress on socioeconomic justice and essential human egalitarianism – is quite clear from its very early passages” (Rahman, 1984: 19).

One of the modern Islamic scholars, Fazlur Rahman, clearly states that the state has to fulfill the needs of people, and differs Islam from Communism pointing

exactly to the fact that it “...provides the best kind of prop for the communist slogan that religion is opiate of the masses” (*ibid.*). Dorraj calls the Islamic Republic a corporatist state, whereby corporatism is “...recognized as a populist strategy that reconciles class differences and incorporates the nation into an organic whole. The corporatist strategy encompasses integration of both realms of economic and cultural life. While negating both Marxism and capitalism, corporatism purports to present a third path of political development” (Dorraj, 1992: 149). Khomeini advises the institutions to “...reassure the nation so that private and creative initiative proliferates in order to make the country and government reach self-sufficiency in all areas including light and heavy industries. I advise those who lawfully acquire wealth to invest their justly earned gains for innovative development works in agriculture, rural development, and industries (...) I advise all people to make every effort for the welfare of the deprived classes. (...) It is far from fairness that one person owns scores of buildings while scores of other people of his community lack a single room in which to live” (Khomeini, 1998: 88, 89).

Social justice is also evident with the famous Islamic revolutionary Ali Shari’ati who joined the “God-Worshipping Socialists’ Movement” as a student (Vakily, 1991: 11). Combined with the publications of Jalal Al-e Ahmad, and especially his idea of *gharbzadagi* or Occidentosis, which perceives westernization as an illness (Al-e Ahmad, 1983; Varzi, 2011), these were the core ideas of Muslim intellectuals for the revolution. Both Al-e Ahmad and Shari’ati, however, leaned to the communist side in the early stages of their careers. Thus, the Islamic tradition has been upgraded in the modern world with leftist ideas. It is very difficult to delineate what is an Islamic tradition and what is the influence of social democratic ideas from the West. The Islamic jurisprudence (*fiqh*) addresses mainly issues of private law and not public policy. *Fiqh* is not a unique body of jurisprudence, it is pertinent upon different schools and thoughts that explain in their own way the sayings from Qur’an and Hadiths. Although many critics warn there was no public policy as such in the Prophet Muhammad’s time, and certainly no will of his own to establish a political organization, others claim the Caliphate itself, made by his followers, is the main piece of evidence that supports the applicability of the Islamic *fiqh* in the realm of public policy. Post-revolutionary Iran had to wrestle with this debate in order to invent rules and regulations based on the jurisprudence that often did not even address the issues at hand.

The famous five pillars of Islam, however, focus on Islamic taxation, and it is based on the idea of social justice in the *ummah* (community of believers). Social justice is at the core of the Islamic Republic. Many observers say that support for the Shah regime in effect failed during the years of economic crisis and unequal distribution of the wealth. The Revolution had three generally acknowledged objectives:

“...democracy, national independence and social justice. (...) the third (objective was directed) against the uneven development of capitalism in Iran” (Amirahmadi, 2009: 92). It is often argued that the Iranian Revolution gained such widespread popular support precisely because it highlighted egalitarianism and social justice. At the same time, this notion is widely overlooked in the international community’s understanding of Iran and the Islamic Republic. Ayatollah Khomeini rightfully made a comparison between Islam and leftist ideologies in his testament, as the tenets of the Islamic economy are indeed fiscally left oriented. The major difference is the source from which this orientation toward economic egalitarianism comes.

In the Iranian case it is obviously religious practice, based on the Qur’an and the Hadith, as well as the other Islamic sources which place an emphasis on social justice and highlight the problems in society when there are great wealth gaps and stark differences in living standards. At the beginning of the Iranian Constitutional Law, there is a verse from the Qur’an that considers the development of social justice one of the Prophet Mohammad’s prophetic missionary goals: “Certainly we sent our apostles with clear arguments, and sent down with them the Book and the balance that men may conduct themselves with equity”. When coupled with the legal provisions in Shari’a law, it becomes not only a religious obligation, but a political one. The Constitution is full of these emphases. For example, article 20 of the Constitution states that “all members of the nation, both men and women, shall receive equal protection from the law and enjoy all human, political, economic, social and cultural rights, with due observance of the principle of Islam”, and in Article 3, Paragraph 12, that the government is obliged “to lay the foundations of a correct and just economy on the basis of Islamic rules for creating social welfare, removing poverty and eliminating any form of deprivation whatsoever in the fields of nutrition, housing, employment, health care and generalizing social insurance”. The previous, Pahlavi regime, set out to transform Iran into a “modern” industrial power using the West’s industrialization and social modernization model. After initial success, the model crashed, and the popular uprising gained its momentum, precisely on issues that were so important they became part of the Constitution. The Islamic Republic took the Pahlavi model as a brilliant example of failure, and commenced on a path to an independent and economically self-sufficient society that would abide the principles and laws of Islam: “This Islamic model, however, was strongly aligned with a populism that combined the radical language of anti-imperialism and egalitarianism borrowed from secular and religious Leftism” (Keshavarzian, 2007: 4).

The developing country was at that time experiencing a huge demographic and socioeconomic boom, which was especially encouraged by the Islamic clerical elite. The end result was a system deeply characterized by social populism and Islamic economic tradition, which is officially based on moral entrepreneurship:

“...what is not permitted in Islam is to acquire wealth and assets through illegal means and violation to others. In addition, morally it is not accepted for mankind to consider wealth and assets as its ultimate goal. In fact, wealth is only an instrument but not a goal” (Sadeghi Neshat, 2009: 99). One of the instruments in achieving the goal of fairness and reduced inequality are the taxes. The basic Islamic taxes are *zakat* and *khoms*, whereby *zakat* is used traditionally as tax on wheat, barley, dates, raisins, gold, silver, camels, cattle and sheep, and as an obligatory precaution, upon the wealth in business. *Khoms*, on the other hand, is an Islamic tax applied to profits or a surplus of income, legitimate wealth which is mixed with some illegitimate wealth, mines and minerals, precious stones, treasure, “spoils of war” and land purchased by a non-believer (al-islam.org, 27.7.2014), and involves at least 2.5 per cent of annual assets (Davis, Robinson, 2006: 172). Muslim charity is based upon verses in the Qur’an, saying: “You will never attain piety until you spend something of what you love” (Qur’an 3/92), and “Charity is for the poor, the needy, those working at collecting it, those whose hearts are being reconciled, for freeing of captives and debtors, and in striving alone God’s way, and for the wayfarer, as a duty imposed by God” (Qur’an, 9/60). Throughout the centuries, collecting *zakat* has varied, but there has been great flexibility in adapting to social and political circumstances. There is some doubt whether these taxes are really obligatory by Iranian law, as the Constitution argues that people are required only to pay taxes to support the poor, not the state, with a footnote which quotes that the Shi’as are expected to part willingly with one-fourth of their surplus worldly goods, *zakat*, and one fifth of their surplus liquid cash, *khoms*, each year, to meet the needs of the poor and the needy. In fact, *khoms* is mandatory only for Shi’a Muslims: “...*khoms*, one fifth of residual income, payable to the *marja*’<sup>2</sup>. Half of *khoms* goes to Sayyids, descendants of the Prophet; the other half is *sahm-e emam*, literally the ‘Imam’s share’, considered to be the Imam’s inheritance from the Prophet and a *marja*’ receives it in his capacity as representative of the ‘Imam of Time’; he is free to spend it as he deems suitable. The *sahm-e emam* is thus a major source of independent wealth and power for the religious leaders” (Mir-Hosseini, Tapper, 2006: 11).

The rise of the Islamic Republic coincided with the rise of social and economic populist reforms, which were in accordance with the proclaimed goals of the Revolution. Such reforms are known throughout the world, especially in the Latin American countries. They involve “a set of economic policies designed to achieve specific political goals. Those political goals are (1) mobilizing support within organized labour and lower-middle-class groups; (2) obtaining complementary backing from domestically oriented business; and (3) politically isolating the rural oligarchy, fo-

<sup>2</sup> Lit. source of emulation; a title for a grand Ayatollah with the authority to make legal decisions within the confines of Islamic law.

reign enterprises, and large-scale domestic industrial elites. The economic policies to attain these goals include, but are not limited to: (1) budget deficits to stimulate domestic demand; (2) nominal wage increases plus price controls to effect income redistribution; and (3) exchange rate control or appreciation to cut inflation and to raise wages and profits in non trade-goods sectors” (Kaufman, Stallings, 1991: 16). In Iran, these populist policies were taken through several processes: “(a) through the expansion of the public sector and state institutions; (b) through speculative commoditization of urban land as a result of both populist state policies and local land grabs; and (c) through the etatisation of the economy, whereby direct involvement by the state in the production and distribution of essential goods led to the emergence of new state clients who accumulated wealth through their political connections” (Ehsani, 2009: 45). The Islamic Revolution successfully incorporated the rural and provincial inhabitants in the decision-making processes, it united “declining traditional social groups (the *ulama* and the *bazaaris*), some of the upwardly mobile social groups (a sector of the alienated lay intellectuals supportive of the regime), as well as the downtrodden of the city and the countryside” (Dorraj, 1992: 154).

After the 1979 revolution there were many ideas how to make the economy work. The Islamic Republic embarked upon wide subsidies programs involving basic needs: housing, nutrition, medical treatment, education and facilities necessary for setting up a family. The economic system is divided in three sectors: public, cooperative and private. The public sector consists of all large-scale industries, foreign trade, large mines, banking, insurance, power supply, dams and large irrigation channels, radio and television, post, telegraph and telephone, aviation, shipping, road, railroads, which all are in the hands of the government. The cooperative sector includes cooperative production and distribution companies and institutions established in the cities and villages on the basis of Islamic principles. The private sector is related to agriculture, husbandry, industry, trade and services that supplement the economic activities of public and cooperative sectors. The public sector more than doubled after the Islamic Revolution. People were employed in ministries, municipalities, government organizations and bureaucracies, and most important, the new Islamic revolutionary organizations. As the state assumed a greater role in the economy, it was vital to form a path to economic growth, in accordance with the principles of Islam. To do so, a consensus should have been accomplished within the ranks of the Islamic Republican Party. This political party was formed in 1979, as the biggest political force in the post-revolutionary period. It consisted of many political factions, views and thoughts. Because of that the party could not work as a coherent and institutionalized political party: it was dissolved in 1987. After that no new party emerged in Iran, and it practically became a non-party state. This does not mean, however, that there is no political arena. Instead of considering

Iran as a monolithic regime, the world should see Iran as a place of vicious political debates, with several big factions and completely different worldviews. The system works on formal and informal power structures (Rakel, 2008: 51; Thaler, Nader *et al.*, 2010: 40). The formal structures consist of the state institutions (Office of the Supreme Leader or Rahbar, President, Government, Parliament, military and security forces, and the national security offices)<sup>3</sup> and the aligned institutions including the religious supervisory bodies (the Guardian Council, Expediency Council, Assembly of Experts), the republican institutions, and the religious foundations. The informal power structure resembles the political party life in the West. It consists of the different political factions of the political elite, notably the Conservatives, the Pragmatists, the Principalists and the Reformists. They cut across the state institutions and present various ideas in the economy, society, culture and politics. Additionally, there are individuals who have power, influence or particular discourse that build their own personal networks.

This basic introduction to the bases of power is necessary to understand the practical social welfare in contemporary Iran, as the religious foundations form the basis of the political-economic system of the country (Rakel, 2008). Called *bonyads*, they have a large impact on the economy of Iran. The origins of bonyads goes back to the period of the Shah, when they provided humanitarian aid to the poor and other populations in need, but also served as slush funds for the elite and helped deliver patronage (Thaler, Nader *et al.*, 2010: 57). The most important bonyads are the Foundation for the Oppressed and Disabled (*Bonyad-e Mostazafan va Janbazan*), the Martyrs' Foundation (*Bonyad-e Shahid*) and the Imam Reza Foundation (*Bonyad-e Astan-e Quds*). Mostazafan is the largest foundation in Iran and well integrated into the Iranian economy. It allocates 50 per cent of its profits to "...providing aid to the needy in the form of low-interest loans or monthly pensions, while it invests the remaining 50 per cent in its various subsidiaries (as it) owns and operates approximately 350 subsidiary and affiliate companies in numerous industries including agriculture, industry, transportation, and tourism" (Wehrey *et al.*, 2009: 57, 58). Bonyad-e Shahid, because of its close contact with the IRGC, gives home loans to thousands of Basijis<sup>4</sup> and the families of martyrs. The heads of these foundations are appointed by the Rahbar. They have tasks to safeguard the Islamic and revolutionary principles of the Islamic Republic and often work as charities, especially for low-income groups, families of martyrs, former prisoners of war, rural dwellers, guardian-less households, and the disabled. Effectively, they act as a state in a state, as they work parallel to state institutions. Many bonyads look

<sup>3</sup> For more information on the political system of Iran, see: Obućina, 2010.

<sup>4</sup> A paramilitary volunteer militia, an auxiliary force engaged in internal security, providing the social service, organising religious ceremonies etc.

like state ministries, but with more religious and revolutionary zeal. For example, "...the Housing Foundation (*Bonyad-e Maskan*) operates along with the Housing Ministry providing housing to families in need. The Literacy Movement (*Nehzat-e Savad-Amoozi*) acts along with the Ministry of Education. The Supreme Council of Cultural Revolution (*Shoura-ye Ali-Ye Enqelab-e Farhangi*) competes with the Ministry of Culture and Islamic Guidance in setting the cultural policy" (Rakel, 2008: 57). Additionally, they are responsible only to the Rahbar and have no public accounts and are tax exempt, which gives them a great advantage. Many of them look like private monopolies, and they account for 35 per cent of Iran's total gross national product and over 40 per cent of the non-oil sector of the Iranian economy (Arjomand, 2009). They were especially successful during the Rafsanjani presidencies, when they "...controlled and disbursed billions of dollars and greatly enriched those associated with them, using their own wealth to gain patronage, invest in a wide array of business interests, and generally advance their own power and influence" (Thaler, Nader *et al.*, 2010: 57). Bonyads form the bulk of the social justice programs in Iran, albeit with a strong message of loyalty to the Islamic Republic. Their money is used for supporting the schools, universities and research centers, the publication of books and journals, the production of films, the organization of art and book festivals, and donations to museums. According to its own statistics, only during the 1979 and 1980 bonyad Crusade for Construction (*Jehad-e Sazandegi*) built 1.934 houses, 1.997 schools, 48 mosques, 1.464 public baths, and 80 hospitals, all in the countryside, as well as digging more than 2000 wells, distributing over 4 million books and holding more than 3000 literary classes (Dorraj, 1992: 155). They are able to give social welfare to various deprived segments of Iranian society, and in doing so bonyads gain strength vis-a-vis the different factions of the political elite. Each of the factions has to take into account the strength of the bonyads, as they can influence many domestic policies. They often do it together with the Army of the Guardians of the Islamic Revolution (IRGC, usually known as the Revolutionary Guard, Pasdaran or Sepah), "...a key institution in Iran due to its role as guardian of the revolution, and because many senior Revolutionary Guard officers have close personal and family ties to key members of the Iranian political elite" (Rakel, 2008: 57; also Arjomand, 2009; Wehrey *et al.*, 2009; Thaler, Nader *et al.*, 2010: 109). The IRGC controls 70 per cent of Iran's state-run economy (Morady, 2011: 51), and through the mobilization of the deprived rural and lower-class population they offer technical job training, scholarships and other financial benefits. The IRGC's reconstruction headquarters *Ghorb* or *Khatam al-Anbia*, Iran's largest contractor in industrial and development projects, is also very active in the oil industry and is said to be operating as "the sole contractor for Iran's gas industry" (Wehrey *et al.*, 2009: 61). Although the IRGC can be considered to be involved in a social populism in their own style, giving social welfare and asking for political

support of the masses, in time they became also synonymous for corruption and nepotism. In the clash of two social populisms, Ahmadinejad rose as part of the avant-garde to this system, blaming “economic mafias” and “a gentleman who still today has an important post at the centre of power”<sup>5</sup> as the causes of the country’s economic problems (Thaler, Nader *et al.*, 2010: 110). Ahmadinejad’s campaign was viciously directed against other candidates in the presidential races, amongst whom were politicians closely connected to various bonyads and especially former president Rafsanjani, although Ahmadinejad himself comes from an IRGC background.

After the Revolution, the government started a broad program of social welfare and social justice, consisting of subsidies in virtually every corner of the economy. Housing and agriculture were very important at the time. A movement called “revolutionary housing” (*maskan-e enqelabi*) transformed the social geography of urban life in Iran: “Rigid zoning laws and urban gentrification during the 1970s had pushed the swelling urban poor to the margins of large cities. (...) After the collapse of the monarchy, (...) the way opened for spontaneous occupation of vast tracks of urban land, often in collusion with the new local revolutionary organizations” (Ehsani, 2009: 56), which doubled and tripled big cities in Iran. Ehsani argues the city living may become predominant, but existing cities lost their shape and urban life became increasingly chaotic and difficult to manage. This intense populist demand even ended up in the Constitution; Article 31 stresses the access to decent housing as a citizen’s right and the state’s obligation. The government could confiscate vacant and undeveloped land, and it could use it for housing facilities. Housing residences doubled between 1976 and 1986 (*ibid.*: 57). This housing policy continued after the Iran-Iraq war, amidst all the expenses, international isolation and frozen capital abroad. In the second Ahmadinejad administration, the government introduced the Mehr housing scheme, with several thousand units of housing facilities, as an affordable populist measure. But, it seems the Mehr initiative was so poorly mismanaged that these buildings now lack water, gas and sewage (*al-monitor.com*, 9.8.2014). The Iranian economy has suffered throughout the Iran-Iraq war and later from rationing, inefficiency, and corruption. In 1982 the government created the Urban Land Organization (ULO), which helped to distribute land to the people, but also to individuals, state employees and cooperatives, and converted public land into private property (*ibid.*: 61). The benefit was more to the recipients with strong institutional ties to the ruling regime. Ehsani makes a critique that refugees and residents who could not master political connections, and had few resources of their own, had to rent housing or find other forms of shelter.

Agriculture was another major policy of the new government. The declining living standards in the rural areas and increasing poverty during the Shah era resulted

<sup>5</sup> Meaning Rafsanjani.

in massive migrations of the rural poor to the cities. In order not to provoke the further deterioration of rural areas, the Islamic Republic introduced a combination of "...subsidization/controlled pricing and two-tier pricing, with coupon allocation for certain categories of the population" (Shakoori, 2001: 119). But, the reasoning was somewhat difficult to follow. Wheat was considered a major staple food and the government purchased whatever the farmers produced, while controlling the prices of wheat and making it as low as possible: "The government subsidizes bread in the towns at a price far below that fixed for wheat, which induces the peasants, especially those in villages close to towns, to become customers of the municipal bakeries, which in turn drives up the demand for wheat and allows farmers to sell more wheat to the state" (*ibid.*: 120). Another staple food in Iran is rice, but it has very little subsidization, and is mostly based on open market fluctuations. Overall, essential items' prices were reduced as much as 75 per cent.

### **Threats to the Socioeconomic System in Iran**

#### *The Sustainability of Economy*

A rise in the birthrate, an economic boom after the Iran-Iraq war, and under the Rafsanjani presidency the gradual opening of Iran to the world market, made the Islamic Republic system possible. But, after some time, Iran started to apply more capitalist measures to bolster the economy, but also to lower the pressure of the subsidies and social welfare. The consequences of the sanctions were higher unemployment and soaring inflation which was tamed at 20 per cent annually. The consequence of war, the collapse of oil revenues and governmental mismanagement of the economy, especially after the initial success of Rafsanjani's reform and reconstruction, which collapsed in just two years in the beginning of the 1990s, are problems which the Islamic Republic may face in the long run. However, after an initial recovery during the Khatami years, the real improvement in people's welfare came in the early 2000s. In times of Ahmadinejad's rise to power, the newly elected president was chosen on a platform of a "return to the Revolution". It was not primarily a political affair, but a social and economic one: "The election was fought on the recurring political theme of redistribution and helping the poor. Ahmadinejad's appeal was his promise to fight high-level corruption and to bring oil money to people's dinner table" (Davis, Robinson, 2006: 186, 187; Salehi-Esfahani, 2009: 3), although the poverty was quite low by international standards. Reducing poverty succeeded, but inequality is still a big issue in the country, especially amongst the younger generations. It raised questions over the use of the oil reserves. Namely, Iran is second only to Saudi Arabia in oil and gas reserves. According to OPEC, Iran has 157,30 billion barrels of proven crude oil reserves and 33,780 billion cu.m. of proven natural gas reserves ([http://www.opec.org/opec\\_web/en/about\\_us/163.htm](http://www.opec.org/opec_web/en/about_us/163.htm), 30.7.2014).

Ahmadinejad's idea was severely populist, and although it might have been his genuine idea, it was an economic myth, as Salehi-Esfahani argues: "an equitable distribution of oil revenues – or for that matter, all government spending – is a desirable end in itself, but oil revenues by themselves are not large enough to eradicate poverty or improve income equality by much. (...) No doubt effective use of oil income to promote economic growth can reduce unemployment substantially, but foreign-exchange inflows from oil are generally not good for job growth, as they cause real appreciation, which places the tradable sectors (agriculture and manufacturing in particular) at a disadvantage" (2006: 4, 5). So, in effect, the policy of taking oil money to people's dinner table could cause serious calamities in the national economy, but it is a good populist catch-phrase. As the average citizen cannot be sure how the distribution of oil wealth is carried out, accusations of corruption are ever present, and the electorate is especially prone to distributive justice. The Ahmadinejad government still did not listen to economic experts, as "about one-third of the oil production is allotted for domestic use, which is sold at such low prices that it functions very much as direct payments to citizens, except that it goes mostly to those who own cars, homes, and electrical gadgets. Imported goods that help keep the prices of essential items low – food and medicine – are also similar in effect to direct payments, but these are more progressively distributed" (*ibid.*: 5, 6), while the rest is divided into investments and consumption, especially for the vast civil service and losses of public enterprises. As the process is not transparent, there are all sorts of ways to foster corruption and the suspicion of corruption. Nevertheless, the sectors related to the oil revenues started to grow, especially manufacturing and construction, while agriculture continued to be affected by the weather. But, as Salehi-Esfahani rightly points out, the economy that bases its sustained growth only on oil resources cannot have long run stability, as the fluctuations in the oil market are constant. The slower economic growth in the last few years, caused by the global financial crisis, has resulted in slower global energy consumption. In 2012 China and India alone accounted for nearly 90 per cent of the net increase in global energy consumption, while OECD countries declined for the fourth time in a row, led by a large decline in the US. The consumer states are trying to reduce dependency on any single region, and the world is increasingly becoming regionalized in (1) United States, Canada and Mexico, (2) Western Europe and Russia, (3) East Asia, and (4) Persian Gulf, which make interdependence and not dependence the cornerstone of today's global energy markets (Bahgat, 2003: 26). Additionally, the growing population in Iran, and growing domestic consumption will likely cause the oil exports to decline in the future. Salehi-Esfahani argues that "(t)he ascent of populist politics has – at best – delayed the plan to increase energy prices in Iran to bring them closer to cost. (...) Iran's oil wealth is no longer sufficient for economic

growth because its oil revenues are too small relative to the investment needs of a fast-growing labour force, especially the young” (Salehi-Esfahani, 2006: 9, 10). Although the Oil Stabilization Fund was created in 2000, the pressure on it from populist politics did not give the Fund a chance to work properly, as the Parliament gave the government permission to withdraw money for current and future expenditures. The result is lack of direct and foreign investment, a rise in inflation, but also the existence of a good electoral base.

The years of mismanagement, however, have recently posed an unprecedented challenge to the populist politics. Subsidies are undergoing a major reform from 2010. The Iranian targeted subsidy plan was passed by the Majles in January 2010 and involves major changes in government policy. The subsidies on food and energy will be replaced with targeted social assistance, and move to free market prices in a 5 year period, which was later postponed by the new Rouhani government. Most of subsidies is food; more than 60 per cent of the government’s subsidy program goes to basic needs for food and medicine. Some 15 per cent of the GDP covers energy subsidies. International pressure is also a large factor. Iran cannot become a full member of the World Trade Organization (WTO), necessary for the expansion of its non-oil exports, as the subsidies encourage waste and pollution, and because of the lack of transparency in the subsidies program. The General Council of the WTO established a Working Party to examine the application of Iran in May 2005, and the Iranian government submitted its Memorandum on the Foreign Trade Regime in November 2009, but the Working Party has not yet met. Some progress, mainly on agriculture, was noticed in December 2011. Iran spends 90 to 100 billion USD on annual subsidies, but Ahmadinejad’s government tried to phase out subsidies for fuel, water, flour, bread, wheat, rice, oil, milk, sugar and postal and transportation services, seen as one of the most important undertakings in Iran’s economic history. Instead of subsidies, both Ahmadinejad and Rouhani governments aim to increase targeted social assistance. In the report from 2011, one year after the new subsidy reform plan started, the World Bank group reported reduced poverty and income disparities in Iran (*Tehran Times*, <http://www.tehrantimes.com/index.php/economy-and-business/2830-subsidy-plan-reduces-poverty-and-income-disparities-in-iran-world-bank>, 17.8.2014). In its 20-year vision document and the 5<sup>th</sup> Five-Year Development Plan, Iran, as the second biggest Middle Eastern economy and country with social indicators relatively high by regional standards, will foster a transformation of its current system towards a market-based economy.

Although the move towards the market economy is obviously necessary, the move might jeopardize the support for the government, increasingly seen as the social protector. This move, moreover, has been tried two times before, in the Constitutional Revolution and the White Revolution. History tells us the changes in

society in Iran have always been carried out in a close alliance of the bazaaris and clergy (Rahman, 1984: 104; Shakoori, 2001: 48). This traditional alliance was based on a simple connection: the bazaaris were the main source of religious taxes, which enabled the religious establishment to be financially independent of the state. As the bazaaris lacked the power to oppose the state, they were interested in being morally, intellectually and politically connected with the clergy. They have formed a traditional middle class (*tabaqeh-e motavasateh-e sunnati*), a coalition that can be traced back to the 19<sup>th</sup> century, and opposed to the Western educated new middle class *rowshanfekran* (Abrahamian, 2008: 35). Some authors in fact claim that Islam in general and the Islamic Republic in particular have survived because of their ability to adapt to differing class interests, especially because of the financial support of tradesmen, the bazaaris, landowners, industrialist and the bureaucrats, who consolidated their role through building seminaries and recruiting students (Morady, 2011: 42). Although Iran has never been a colony, it was still dominated by the European powers, and thus the policies of Iranian rulers "...were not independent" (Rahman, 1984: 44). The increasing presence of diplomats and military personnel from Great Britain, France and Russia, coupled with corruptive Qajar dynasty resulted in what history calls "the Great Game" or "the Tournament of Shadows" (Morgan, 1973; Hopkirk, 1992; Abrahamian, 2008; Walberg, 2012). In the strategic battle between London and Moscow, Qajar rulers like Naser al-Din Shah (1848-1896) and his successor Mozaffar al-Din Shah (1896-1907) compromised the position of the Shah and provoked the reaction of the clergy and people (see: Amanat, 2008). The arrival of the new ideas, but also direct threat of Big Powers to the vital tobacco industry in the country, resulted in the Constitutional Revolution of 1905. Regarding the elements involved, this revolution shared a remarkable resemblance to the Islamic Revolution of 1979; it consisted of the merchants, clerics, Muslim reformist intellectuals, secular liberals and nationalists, with an overall aim to "...limit the despotism of the Shah through a constitution, an elected legislature and an independent judiciary" (Mir-Hosseini, Tapper, 2006: 12). The revolution was triggered in 1904-05 by an economic crisis brought about by government bankruptcy and spiraling inflation. When Muzaffar al-Din Shah tried to raise land taxes amid acute inflation, the revolution prompted the last Qajar Shah Muhammad Ali to sign the fundamental Laws and open a short-lived parliament. After the First World War an army general and a fierce secular nationalist Reza Khan toppled the Qajar dynasty and soon thereafter proclaimed the Pahlavi dynasty, organized as westernizing secular, nationalist, centralized and militarized rule. His rule was full of reforms that were welcomed by the people, but he deprived the clergy of former resources and established a dictatorship, closely attached to rising Nazi Germany. In the early stages of the Second World War, British and Soviet forces occupied Iran and forced Reza Shah to abdicate in favor of his son Mohammad Reza. His style of governing was

the same as his father's, and after the Mosaddeq affair, he became a US-supported autocrat. His basic reform was labelled the "White Revolution", or the "Revolution of the Shah and People", in 1962, which included economic and land reforms, as well as a secularizing program. It "...eliminated the remaining independent local power held by the major tribal and provincial landowning class and turn(ed) them into clients of the central state" (Ehsani, 2009: 43). Local associations, political organizations and social groups that existed throughout the counties lost any ability to survive. The wealthy class of urban and highly educated Iranians lost any contact with Iran outside Northern Tehran, a residential area, and indeed with the feeling of the country itself. The White Revolution was in many ways a complete failure: "Most peasants received no or little land. Most villages were left without electricity, schools, piped water, rural roads, and other basic amenities. What is more, government imposed prices on agricultural goods favored the urban sector at the expense of the countryside" (Abrahamian, 2008: 142). Again, the same elements of society, headed by merchants, clergy, nationalists, Muslim intellectuals, nationalists and leftists, formed a broad anti-Shah coalition, ending in the Iranian Revolution. Among different ideas of the new state, popular democracy, socialist state, strong nation-state and Islamic government occurred, but the overwhelming influence and charisma of Ayatollah Khomeini gave way to the Islamic Republic. It was heavily backed by the bazaaris. The first Islamic Majles consisted of mostly young teachers, students and seminarians, coming from rural backgrounds and provincial towns, as a direct opposition to the Shah's urban elite. The bazaaris were the driving force in every revolutionary movement in the 20<sup>th</sup> century, but after the Islamic Revolution something totally unexpected happened: the political disenfranchisement and economic marginalization of the bazaar. The Revolution weakened the bazaar, making it dependent on state regulated networks; self-governance, which was the symbol of the bazaar, vanished. On the other hand, rise of the bonyads left little space for the bazaar to play a key trading role in the society. Ahmadinejad's contesteer in 2009 elections MirHossein Mousavi had a pretty similar populist message in the early days of the Islamic Republic when he acted as prime minister. He increased state control of Iran's economy and imposed government rationing to feed the poor, what he called the Islamic social justice and preservation of the revolution. But, the bazaaris felt it otherwise. It was obvious already in 1984, as the bazaaris paid only 2 per cent of all tax receipts, in contrast to the 76 per cent coming from government employes (Morady, 2011: 47).

### *The Requests of the Ethnic Minorities*

In many ways, Iran resembles the civic nation-state, as seen in France or Greece. Effectively, all citizens of Iran are Iranians. However, there are 100 different ethnic groups living in Iran, with two basic backgrounds: Indo-European and Turkic.

The main ethnic groups in Iran are: Persians (51%), Azeris (24%), Gilaki and Mazandarani (8%), Kurds (7%), Arabs (3%), Baluchi (2%), Lurs (2%), Turkmens (2%), Qashqai, Armenians, Jews, Georgians, Assyrians, Cherkez, Tats, Pashtun and others (1%). The official state religion is the Twelver Shi'a branch of Islam, to which adheres 90 to 95 per cent of the population. Between 4 and 8 per cent belong to the Sunni branch of Islam, mainly Kurds and Baluchi, while another 2 per cent of the population are various non-Muslim religious minorities, like Christians, Jews, Zoroastrians, Yazidis, Baha'i and others. Armenians, Assyrians, Jews and Zoroastrians are recognized as *ahl al-dhimma* (protected people) or *ahl al-kitab* (people of the Book) and possess some special rights, like the ability to vote for their own deputies, the right to assemble, the right to practice their religion freely, but cannot stand for many electoral posts, as these are reserved for Muslim Shi'a (Tohidī, 2009: 302). The Iranian government has been systematically accused for being "racist" and running a vicious campaign of nationalistic politics. In his rather subjective study on Persian (Farsi) nationalism, Iranian Azeri scholar Alireza Asgharzadeh claims that for the last 80 years the Iranian government, Pahlavi dynasty and Islamic Republic alike, have continuously forbidden every possibility for the social, political, cultural and economic development of non-Persian communities in Iran, and especially non-Farsi speaking communities, such as Arabs, Azeris and Kurds. As an outcome, the Islamic Republic has not put much effort into developing the provinces where these populations are dominant, which is also evident in the lack of education, lower literacy, poor economic conditions and constant centralisation and control of the area (Asgharzadeh, 2007). The author is missing a few relevant facts. He points to the Iranian (Persian) elite, while not acknowledging that the "...Islamic Republic should be characterized as much by its provincial character as by its Islamist ideology" (Ehsani, 2009: 39). Ehsani rightly points that the revolution against the Shah was backed by provincial communities exactly because of the authoritarian and highly centralized actions of the court: "One of Reza Shah's initial strategies in consolidation was the systematic subjugation and eventual elimination of all autonomous local power centers; the intent was to concentrate administrative, coercive, and political decision-making in Tehran" (*ibid.*: 43). After all, the founder of the Islamic Republic Ayatollah Khomeini himself was disgusted by nationalism (Taheri, 2010). However, the rising pan-Turkism and pan-Arabism helps the indigenous communities of different ethnic background to raise claims against the Islamic Republic, based on human rights and rights of expression. The practical discrimination notwithstanding, they lack a point concerning the Constitution of the Islamic Republic, which recognizes the rights of ethnic and linguistic minorities: "The official Language and script of Iran, the *lingua franca* of its people, is Persian. Official documents, correspondence, and texts, as well as textbooks, must be in this language and script. However, the use of regional and tribal languages in the press

and mass media, as well as for teaching of their literature in schools, is allowed in addition to Persian” (article 15). Also, article 19 claims that “all people of Iran, whatever the ethnic group or tribe to which they belong, enjoy equal rights; color, race, language, and the like, do not bestow any privilege”. And indeed, although the pan-Turkic and pan-Arab propaganda wants to show it differently, Iran has media publications in minority languages and Arabic is thought as compulsory language in schools. It goes to the point that many cultural and political officials, including the Rahbar himself, are non-Persian and yet consider themselves Iranian and use Farsi. These policies continue the support of the ethno-linguistic minorities for economic and cultural reforms, which is evident already in the aggregate nature of the electoral results in these peripheral provinces (Gheissari, Sanandaji, 2009: 290).

Today, with the idea of permanent state borders evidently already shattered in Europe, ideas of pan-Arabism and pan-Turkism can pose a direct threat to the Islamic Republic. Pan-Turkism is an irredentist Turkish idea with the “...guiding objective (...) to strive for some sort of union – cultural or physical, or both – among all peoples of proven or alleged Turkic origins, whether living within or outside the frontiers of the Ottoman Empire” (Landau, 1995: 1). Azeris, next to Volga Tatars, Crimea Tatars, Kazakhs, Turkmens, Uzbeks and Kirghiz, are among the most prominent Turkic groups prone to the idea of pan-Turkism. Since the inauguration of the idea in the Young Turks Revolution, the pan-Turkists have involved Tabriz as one of the main focal points of the movement. The irredentist tendencies continued after the First World War and the establishment of the Republic of Turkey. In 1930 Reşit Saffet, a pan-Turkic writer, claimed “...the Iranian authorities were annihilating (the Turks in Iran). Saffet declared that he did not demand any of Iran’s territory, but that something must be done immediately to rescue the Turks there” (*ibid.*: 85). In 1940, that number, according to Ahmet Caferoğlu, was five million in Iran, when the population of the whole country was ten million (*ibid.*: 86). It is considered today that some 8-10 million Azeris live in Iran (*ibid.*: 197), helping form a continuously populated area from Azerbaijan proper, today an independent republic, to northwestern Iran. Interestingly enough, Baku voices no considerable irredentist movement toward the shaping of a united Azerbaijan, but Turkish nationalists do. The area of Central Asian republics, in their rediscovering of national and Islamic identity, became a subject of several different geopolitical influences. Russia still plays a dominant role in the economy, but politically and culturally, these states are divided between their proximity to Iran and their proximity to Turkey. Iran borders Azerbaijan, Uzbekistan and Turkmenistan, while Turkey shares only a small border with Azerbaijan. Yet, only Tajikistan has a special relation with Iran, as it shares a similar cultural tradition and the Persian language, while others are more culturally close to Turkey. And while Azerbaijan wants ever more political ties with Ankara,

Azeris are still religiously closer to Tehran, as they are, like the majority of Iranians, Shi'a Muslims.

Another minority which has an impact of the stability of the Islamic Republic are Arabs, especially in the oil-rich province of Khuzestan and in the Persian Gulf. In the long-term Iran will have to take a bigger role in the Persian Gulf: "Iran is a country with significant resources and potentials, including a large population (...), with a unique geographic position in the strategic Strait of Hormuz. If past experience is of any indication, Iran will continue to preserve its national security interests in the area. Thus, it is likely that Iran will re-emerge as a pivotal country in shaping the contours of regional politics in the twenty-first century" (Amirahmadi, Entessar, 1999: 3). This Iranian role is deeply distrusted and possibly feared by Iran's Arab neighbors, which is visible also in the name dispute over the Persian Gulf itself (whether it is Persian or Arab, or something else). Iranian Ambassador to UN Kamal Kharrazi demonstrated the importance of security for Iran and the Persian Gulf countries: "From a strategic point of view, peace and security in the Persian Gulf are indivisible, a perspective which became clear in the course of the Iran-Iraq war... Iran continues to promote the concept of indivisibility of peace and security among its neighbors... All the littoral states of the Persian Gulf... depend on safety and security... to maintain their single-product (oil) export and their large volume of imports. Thus, cooperation amongst regional states can only enhance peace and security in the region. The establishment of a mechanism by the states in the Persian Gulf region for dealing with security issues, threat perception, and other concerns will be a positive first step in this important endeavour" (Marshall, 2003: 151). This regional cooperation, however, does not include the foreign presence, whether the West (Europe, USA), or the East (India, China). The fear of the Islamic Republic, the Shi'a Persian nationalism and the Iranian domination of the Persian Gulf still govern most of the political, security and even trade relations between the Persian Gulf countries. American support to oil kingdoms favors this climate and makes every move forward impossible. This fear is evident already in the efforts to rename the Persian Gulf the Arabian Gulf and to point to the oppressed Arab citizens in Iran.

Many presidential candidates stressed the importance of answering the ethnic and religious minorities' requests. They have travelled extensively in these areas to claim their support, both from the reformists and conservative camps. It is interesting that only Ahmadinejad did not talk about ethnic issues or make special promises to ethnic minorities, but he "...emphasized the need to decentralize the state bureaucracy and empower the provincial governors, this was seen in line with his election platform of 'social justice' and change in distributive policies, as Ahmadinejad promised he would put national wealth at the service of the masses and not the economic elite concentrated in the central part of Iran" (Tohidi, 2009: 318). It is interesting thus, that Ahmadinejad in fact softened a large amount of attitudes

and standpoints of ethnic minorities, focusing on his populist appeal of return to the revolutionary ideas of equality, justice and anticorruption, highlighting his own humble background, austere lifestyle, visible already in his clothes, named *khak-sari* (down-to-earth), like his notorious five-dollar shirts, his rejection of Western clothes and his condemnation of wearing neckties, as a sign of submission to the Crusaders (David, Robinson, 2006). This notion is quite ridiculous in Iran, as Iranian historians point to the fact that Iran invented the necktie and that merchants from Yazd brought it to Europe, and spread it primarily among Croatian soldiers (Avarzamani, 2013: 48, 49). On the other hand, the issue of ethnic minorities is often used to accuse the Western world, particularly the United States and Great Britain "...of plotting to 'dismember' Iran by aiding ethnic insurgent and separatist groups, such as the Baluchis in the southeast, the Arabs in the southwest, and the Kurds in the northwest" (Thaler, Nader *et al.*, 2010: 11).

### *Social Policies for Women and Youth*

While the ethnic disturbances might destabilize the Iranian state, the more serious challenge to the Islamic Republic is rising youth and their demands. Since the Revolution, Iran has experienced massive social changes: Iran's population has "more than doubled to 70 million, of whom 80 per cent are below 40 years of age, 70 per cent under 35, and 50 per cent under 25. The literacy rate has also rocketed, from 48 per cent at the time of the revolution to 90 per cent now, with 60 per cent of young Iranians attending college or university" (Morady, 2011: 42). It goes especially for women. The massive expansion of female schooling and professional education after the Islamic Revolution is often shown as one of the great achievements of the revolution for Iranian women. Education is also at the core of the Islamic belief, and devoted Muslims should always seek more education and knowledge. After the revolution, the number of the ISI-recognized scientific publications soared: from 398 in 1979 up to 5.423 in 2005, and rising (Khosrokhavar, 2009: 212). More than half of the university educated citizens of Iran are women and they can play a vital role in the support of the regime. Before the Revolution, most women were employed for low-pay or unpaid family work, but especially after 2000, employed women oriented to the professional service occupations, "...increasingly working in the private sector and taking on managerial and entrepreneurial roles, (going away from the) carpet and cottage industry workforce, which was the main source of an increase in female employment in the 1960s and 1970s" (Bahramitash, Salehi-Esfahani, 2009: 78). According to the census in 2006, "...33% of Iran's female labour force was in professional jobs, concentrated in education, healthcare and social services, with slightly over half of all teachers in Iran being women; however, the female share of the labour force was less than 20%, considerably below the world average of 45%" (Mehdizadeh, 2012: 245). In this way, women have been gradually shifting away

from agricultural and manufacturing sectors, and settling in the service sector, predominantly education, health and social services. Bahramitash and Salehi-Esfahani also show a decline in overall female employment after the revolution, but do not connect it to the “Islamization” process. The downfall of employment occurred mostly in handicraft manufacturing, where westernizing patterns did not even occur. The effect of the Islamic Revolution in the sense of depriving women of their jobs affected only a relatively small number of middle-class and elite women in the urban areas (Bahramitash, Salehi-Esfahani, 2009: 119). The “Islamization” role of women as “wife and mother, the agent of peace and stability in the family” (Mehdizadeh, 2012: 246) has been surpassed by the socio-economic activities, which also made a significant progress in the early childhood education. Rising education, a lower birth rate, marrying at a later age and increasing job demands will make a particular impact in the future. As the private sector is still too weak, the coming years will see much effort of women in Iran to make their demands heard in the government. Their political voice may not be direct, but “president Khatami’s landslide election of 1997 is generally deemed a result of the active participation of women and youth” (Haeri, 2009: 126). The contested issues regarding Iranian women are not, as widely believed in the West, veiling or practicing an Islamic lifestyle, they are structural and legal, in terms of basic rights, which are often contested, although the state itself pushes the rhetoric of respect for women and propagates the model of ideal womanhood. Educationally superior and increasingly self-aware, women of all backgrounds and beliefs (including the conservative women) will increasingly contest their male counterparts in legal, social, political and economic spheres.

The young generation is challenging the revolutionary leaders who are now in their 60s and 70s, and getting increasingly vulnerable to the physical demands of their jobs. The middle and younger generation of politicians, those who were students at the time of the revolution, like Ahmadinejad, are likely to become key personalities in Iran. Economic equality in Iran before the industrialization in the 1960s was very high, and it in fact increased with the rapid capitalist industrialization, but after the Islamic Revolution economic equality has been reduced, although only to the 1960 level (Arjomand, 2009: 121). It is one of the major impacts of bonyads.

## **Conclusion**

Throughout the 20<sup>th</sup> century Iranians cared for social justice and welfare. From the liberating movement against the Qajars to the Islamic Revolutions, Iranians were triggered by an unjust economic system to raise a revolution. Now, this desire for better living may end in a major political, social and economic change in the short-to middle-range future in Iran. It will not be revolutionary change, nor is it likely it will mean the downfall of the Islamic Republic. Indeed, in many ways the Islamic

Republic raised the living standards and wellbeing of Iranians. It was more a social revolution than a political one. It successfully encouraged an increase in education and social welfare. The economy, whatever the sanctions, has gradually become better. The demands, however, are rising. These demands are seen in voting patterns, the rise of youth and women, the use of social networks. While the social conditions are better, the question of more democracy has come to the fore. Student organizations, NGOs, the protection of civil, political and social rights – this is the current discourse in Iran today. It is not necessarily a question raised by the reformists. The bulk of the Iranian political elite is formed by conservative forces, but of different factions, competing among themselves even more than with reformists.

The change of the economic system proved to be a prelude to the change of the political one. The bazaaris, now excluded from the main economic trends, had the overwhelming influence in this change. But, the government's decision to turn more towards a market economy in Iran may well change this. Bazaaris were always numerous and heterogeneous, but still capable to unite in solidarity against external threats, but today their networks are less integrated and, due to the power of bonyads, lack a strong connection to the informal political structures and a say in the state policies, often regarded as unstable and causing market distortions. Although they have not been impoverished, the bazaaris have been put aside to make place for a new middle class, consisting of state-affiliated traders. The bazaaris' shared interest can be met only if they again enter political action, and this time they may well choose a non-conservative faction to align with. It is ironic that Ahmadinejad gave them this opportunity, in an unprecedented move towards the market economy. Nevertheless, the bazaaris' move toward a better future and the return of the private economy will have to wait for a major transformation of the bonyads, as the informal power structure will have to willingly approve of the government privatization scheme, in which, no doubt, the IRGC and conservative forces will have a major influence.

The issues concerning the ethnic and religious minorities are vast. In comparison to neighboring countries, Iran is still an oasis of stability in the Middle East. There are many problems in the government's approach to the country's minorities, especially to those who are under a pan-Turkic and pan-Arabic sway. Given the ever turbulent neighborhood, Iran will have to give at least populist concessions in order not to distort the fragile ethnic balance, especially on its western and south-eastern borders.

Overall, social justice and welfare have been at the core of the Islamic Revolution, and the populist chant of "return to the Revolution" means exactly changes in economic and social policies. It is highly unlikely it will mean the change of the regime; more likely it will cement the people's approval of the Islamic Republic.

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