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TÍTULO: Situación económica de Irán durante el reinado del primer ministro Hoveyda (1973-1978).

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RESUMEN: En este trabajo se estudian variables económicas y se revisan infraestructuras involucradas en el desarrollo económico del desarrollo del país con énfasis en el período del primer ministro Hoveyda en los años cincuenta. Además, se investigaron parámetros económicos importantes, como la inflación y el producto interno bruto, utilizando histogramas relevantes. Esta investigación es descriptiva-analítica y utilizamos métodos de análisis estadístico para evaluar la situación económica existente en el momento. Los resultados de este estudio mostraron que la situación económica en ese momento no era la razón principal del derrocamiento del régimen de Pahlavi, y más bien, se debía a las razones religiosas y al pensamiento ideológico.

PALABRAS CLAVES: Amir Abbas Hoveyda, Economía, programas económicos, situación económica.

TITLE: Economic situation of Iran during the reign of Hoveyda's prime minister (1973-1978).

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ABSTRACT: In this study, economic variables and the economic five development plan theories are studied. Subsequently, major infrastructures involved in economic development, such as agriculture, industry, services, and oil and energy sectors are reviewed, reflecting the developments in the country with an emphasis on the Hoveyda's prime minister period in the 1950's. In addition, important economic parameters such as inflation and gross domestic product were investigated using relevant histograms. This research is descriptive-analytic and we used statistical analysis methods to assess the economic situation at the moment. The results of this study showed that. The economic situation at that time was not the main reason for the overthrow of the Pahlavi regime and rather it was due to the religious reasons and ideological thinking.

KEY WORDS: Amir Abbas Hoveyda, Economics, Economic programs, Economic situation

INTRODUCTION.

More than 150 years from the innovative actions of Abbas Mirza and Amir Kabir, 80 years since the formation of the modern-day government of Reza Shah and more than 50 years since the planning, systemization and development of various economic development programs has passed (Abbasi 2004).

In the opinion of economists and sociologists, a healthy society shapes up in a safe and decent economy. To the reviewing of history, it can be understood that human beings have never been able to deny the importance of economics in life and society (Sharifi, 2005).

From the past till now, there has been a close connection between the economy and human life, the impact of economics on human livelihood has been very tangible, and it has a bearing on social and psychological issues in society. Interestingly, economics has even a relation with history, so that it is possible to interpret the history of that nation by examining the economic situation of each nation (Rahbari, 2004).

In various societies, economic activities and decisions have a great impact on the upcoming and present days' economics and lifestyle. History has proved that the collapse of many governments has occurred because of their inability to meet the needs of their people. Today, the growth and development of advanced countries is due to the lessons learned from historical events and the application of sound and consistent economic policies (Rahmani, 2001). One of the key words of success before studying is obtaining investigation and knowledge about its subject; therefore, in this research, the economic situation of the Pahlavi regime during the period of Amir Abbas Hoveyda was studied from 1973 to 1978 and economic measures were taken. Afterwards, the role of those measures in the society of that time and the current problems of the country were studied.

At present study, we have been trying to identify the root causes of the current economic problems in the country and use the positive points of its economic programs to reduce the risk of mistakes. Considering that the era of Amir Abbas Hoveyda coincided with the fourth and fifth economic plans of the Pahlavi regime II, it was considered as one of the most vital periods of the Pahlavi regime. Therefore, taking into account this issue with regard to its convergence with global economic developments and the unprecedented increase in oil prices on the one hand, and the formation of the Islamic Revolution, on the other hand, has been added the importance of this study.

Economic situation during the second Pahlavi.

Contemporary with the occupation of Iran by the Allies, he resigned on September 25, 1941, and after his resignation, Mohammad Reza, the crown prince of twenty years, came to the reign. At this time, the situation of the country was very unorganized due to its occupation by foreign troops and the ominous effects of the war (Madani, 1999).

The government of Mohammad Reza, from 1941 to 1978, was immersed in a long period of thirty-seven years in economic and political fluctuations (Madani, 2004). Important events during the Reza Shah era, which had important effects on the economic situation of the society, including: the entry of the United States into Iran in various political and economic sectors, the nationalization of the oil industry, the implementation of five development programs, and leap of Iran towards industrialization and modernization, the land reforms, the White Revolution and the unprecedented increase in oil revenues in the 1950s (Malek Mohammadi, 2002).

According to Keynes's theory of inflation, rising prices and inflation have contributed to steadily increase the production costs due to the demand for wage increase (Rahmani, 2001). On the other hand, according to Uorkinson, in order to determine the optimal capital stock, it is not necessary to resort to unrealistic assumptions such as the fixed proportion of capital to production, but the optimum capital stock can be deduced using the principles of optimization in the economy (Rahmani, 2001).

Political and economic structure of the second Pahlavi.

One of the important tasks in the economic sector in the second Pahlavi government was the approval of five development programs. We will review the fourth and fifth programs (1969-1979).

Fourth development plan (1969-1973).

The purpose of the fourth development plan was to accelerate economic growth and increase the national income by raising the production capacity with a greater reliance on industrial development,

using leaky methods for the growth of all activities and with a preliminary credit of 480 billion rials as of April 1, 1969. The most important seasons of the fourth program in terms of paid credits, the season of industries and mines with 22.3%, followed by seasons of transportation and communication with 41.1%, oil and gas with 11.3%, water with 8.3% %, Housing with 8.2, and agriculture and animal husbandry with 8.1% (Razaghi, 1989). The planning and objectives of the program were not based on gaining economic autonomy, but to make profound and fundamental economic dependence. Likewise, to develop the selected formal purposes had not offered the fit costly coverage. The credits in the fourth program were about 2.5 times the credits in the third plan, and in the change of credits approved to pay, the credits for the agricultural season fell sharply.

While we have observed a significant increase in credits in industries such as oil, gas, telecommunications, construction and housing. In this program, the industry sector surpassed agriculture and received a larger share of program payments (Razaghi, 1997). In fact, the intended development in this program was to industrialize Iran and abandon agriculture.

In the fourth plan, according to the transformation of the industrial facilities of the centralized capitalist countries and the emergence of new theories regarding new colonial development, the Rousto's point of view was applied in Iran. The important actions that were taken into account including: increasing oil revenues due to the conclusion of a contract with the consortium and a sharp crude oil exports rise, conducting currency reforms in the third plan, opening the economic village gates to foreign markets, migrating cheap labor to cities, expanding relatively the economic infrastructure network and expanding the domestic consumption market and the so-called industrialization of Iran (Razaghi, 1997).

Fifth development program (1973-1976).

The fifth development plan was launched to pursue the same overall development strategy in the past programs. Although the program had higher investment targets, with the increase in oil prices and continued high exports of crude oil, new financial resources were provided to the country, which was far from waiting. For this reason, the fifth development plan was revised in August 1985 and its credits were increased. As a result, in the first three years of the fifth program, the development costs were much higher than in all areas of the program (Toghrol Al-Jerdi, 2002).

As compared to previous program credits, the relative importance of public affairs increased, while the relative importance of social affairs and economic affairs diminished. The program also emphasized the industrialization of Iran and imposed large amounts on the economic infrastructure of the country and particular attention to building and housing.

Regarding the lack of housing due to the severity of migration to cities and the lack of proper growth in construction and the existence of oil revenues, the plan has made the building at the top of its profitable business. Construction measures, including the creation and expansion of roads and communication devices, damming and establishment of industries, were also more needed to provide the necessary tools and facilities and the desired growth pattern. The basis for thinking was that the revenues would have been applied in activities that could have restored the capital principle as soon as possible, also focused on the parts of it abroad and provided a solid footing for the day. Based on such a pattern of consumption, the community wanted goods and services that were less related to domestic production.

Economic sector.

It is logical to consider the economic country sectors that include agriculture, industry, services and energy, before we review the economic situation during the prime minister period of Hoveyda.

Agriculture.

During the fourth development plan (1969-1973), the total amount 65 billion riyals of development credits were allocated to this department in order to carry out the programs and to achieve the goals of agricultural production and animal husbandry. According to the fifth development plan, the agricultural sector credits increased up to 267 billion rials.

The studies carried out by Dadgar and Saif Allah (1995) on the economic crisis of the 1960's, the political pressures, inflation, and recession along with social crises led to the implementation of socio-economic reforms called the White Revolution. Land reform caused agricultural production to be got out from the traditional livelihoods modes and disrupted lord - farmer capitalist relations and it governed capitalist relations. Mechanized farms of cultivation and industry, agricultural poles, cooperative companies, and agricultural corporations came up with a new agricultural method gradually and achieved the production of agricultural products in relation to global markets, and this new era of social-economical engagement emerged in peasant relations. The goal was to attract the villagers to open the way for the process of capitalist development and the attempt to modernize.

The overall result is that the implementation of agricultural sector policies required a large amount of capital. Iran's agricultural industry paid a heavy price for changing its foundations and without achieving an optimal production system, with the loss of its former backing, it was converted one of the most problematic sectors in the country's economy.

The simplest cost-benefit analyses suggest that large-scale agricultural operations did not yield results that would match the great costs that the government had. The policies of the Pahlavi government created many changes in the economic situation. The advancement of Iran towards the industrial community led to a decline in the traditional economic sector, especially agriculture. This phenomenon has led to the migration of villagers to cities and the diminution in agricultural production (Malik Mohammadi, 2002).

Industry sector.

Among the government's intended purposes in the industrial sector can refer to provide the industrial goods needed by the people inside the country, partial diversify towards the country's export goods, the expand of existing markets and access to new markets.

The government expected industries such as petrochemicals, aluminum, tractor assemblies, arms and crafts from the heavy industry used in the agricultural sector to grow a lot, and the growth of handicrafts and carpet, wood and textile industries were also the targets of the government (MalekMohammadi, 2002). The industry sector can be divided into two sectors, light industry and heavy industry. Most of the development programs credits were allocated to the heavy industry, which included the steel, chemical, petrochemical and mechanical industries; for example, 77.7 percent of the industry sector credits during the fifth development program were devoted to heavy industry (MalekMohammadi, 2002).

In the year 1975, the index of total output of the selected industries increased by 20% compared to the previous year. Increasing production in petrochemical, basic metals, spinning and weaving materials and automobile was the main factor in selected industry index growth. In this year, about 4.5 billion rials were invested in the purchase of machinery, tools and equipment, and the development of buildings in selected industries. In the year 1993, the country's industries had significant growth. During this year, the value added of the industrial and mining sectors increased at a constant price of 16.9 percent, and its share in gross national production reached a constant price of 16.5 percent in 1993, and equivalent to 3% increase.

In 1976, the industrial and mining sector experienced a significant growth of 16.9 percent at steady prices and as a result, this part of GDP has continued. In 1979, industrial activities remained practically stagnant, especially in the second half of the year, due to strikes of industrial workers. While the industrial production index showed an increase of about 17 percent in the first half of the

year, it decreased by 42 percent in the second half. Industrial investment also fell due to a special situation this year.

In general, in the field of industrial and mining, the era of Amir Abbas Hveida, it should be said that, in fact, the policies of country industrialization were the production of consumer goods for the growing population through the introduction and installation of assembly plants. Industrial growth was not harmonious and even in the 1970's. On the other hand, the development of heterogeneous industrial activities in different parts of the country, which caused the less region or regions to contain the full power of the industry, and a large part of the country to deprive from its revenues such as reducing unemployment and developing urban components.

The move toward industrialization in Iran, in fact, changed the consumption patterns of the people, and was encouraged by the consumption of goods that could not be produced in the country, and the same thing, the entire economic, social and cultural life of Iran was linked to foreign products. In fact, the general profile of the industry and mining sector in the years before the Islamic revolution drew up a multilateral dependency plan, the consequences of which were inattention the agricultural sector and its sections, the neglect of the essential and general requirements, the widespread discrimination, the assembly of industries and permanent emphasis on the single-product economy (Dadgar, 1990).

Services.

Since 1974, this sector has had the steadily grown in the economy. Between the years 1962-1978, the share of trade, restaurant and hotels in the gross national product reached from 6.9% to 11%. Education and health can be mentioned in the following sections of the service sector. In the education sector, while increasing oil revenues, government expenditures increased in education and became more important than other social services. Of course, it is worth noting that much of the education budget was spent in urban areas and especially in big cities. Another service that the Pahlavi regime provided to a large number of its affiliates was free education in all primary and secondary schools -

even private schools. In this way, the government thereafter paid the heavy tuition fees paid until this date by the high-income median groups (Katouzian, 1998).

In the case of health, the provision of public and private health services also increased rapidly during this period. Investing in private hospitals, as one of the most prosperous business activities, earned huge money amounts for public services. Exporting, producing and distributing drugs was nothing more than theft and extortion that businessmen, chemical companies and most of all the authorities were involved in it (Katouzian, 1998).

However, with an increase in government revenues in 1974 due to the explosion of oil revenues and the high growth of this sector in the economy, works were carried out in the education, health and social welfare sector, but did not satisfy the people and improve the conditions of the community.

Oil and energy.

Oil is the primary source and motive engine of the Iranian economy and its study is important as one of the significant economic sectors. One of the important events that took place about oil in the Pahlavi II period was the nationalization of the oil industry. This was of great significance, so that after the nationalization of the oil industry, in 1955, the oil consortium started its activities. This led to an increase in Iranian oil production from 120 barrels in 1956 to 1.8 million barrels in 1973. In addition to the oil extraction, the gas company was established in 1976, and other that the export of gas, from which was used by the people (Malik Mohammadi, 2002). The highest oil revenue in the history of the Pahlavi regime coincided with the prime minister of Hoveida (see Figure 1).

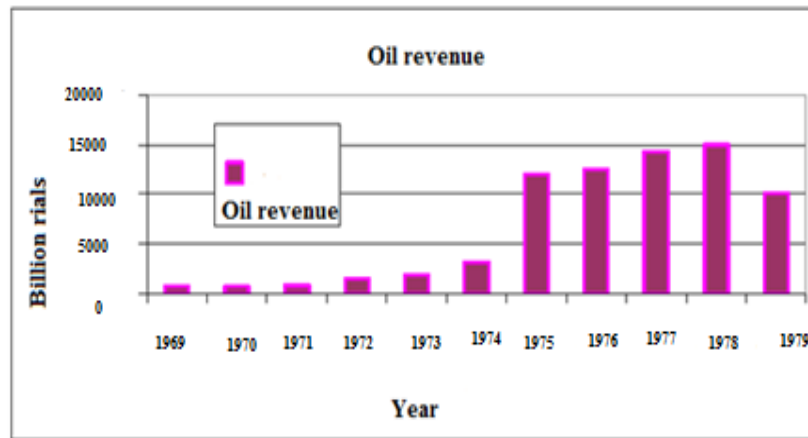


Figure 1. Oil revenues in Iran from 1977- 1987 (MalekMohammadi, 2002).

Oil revenues increased in the years of 1974, 1975 and 1976 by 65.5%, 85.5% and 79%, respectively. On the other hand, the share of oil in GDP in the 50s grew rapidly. In this decade, Iran's gross national product was divided into four sectors: agriculture, industry and mining oil, and services. The rise of oil price raised its share of GDP.

In 1972, the value added of the national oil rose at a current price of about 38% and at constant prices by 22%, and its share in gross national product reached about 20%. The year 1974 was an important year in terms of developments in the oil industry. This year, the value added of the oil industry at the commercial price became 815.6 billion rials, which was 147.2 percent higher than previous year. In 1979, the country's crude oil production in the first half of the year reached an average of 5.9 million barrels per day, an increment of 8% compared to the same period of last year. The second half of the year following the strikes of the oil industry staff, it gradually decreased.

The increase in oil revenues spurred investment costs in urban areas, and rural areas migrated to cities and, as these industries were relatively new, they did not have much employment. On the other hand, the increase in oil revenues decreased the importance of traditional sectors, especially agriculture (Malek Mohammadi, 2002).

Examining some of the economic status parameters.

Gross national product (GNP).

The results show that in the period 1977-1962, the gross domestic product has been relatively stable, but no stable fluctuations occurred in growth rates. According to the Figure 2, from 1994 to 2003, gross national product (GNI) has grown rapidly, with the GDP growth rate fluctuating substantially over the course of the past nine years. The GDP growth rate in 1971 reached its highest level during the past 17 years. Then, the GDP growth rate declined, and in 1979, it reached its lowest level in past 17 years and became negative. Except for the last two years of this period (1975-57), which has declined GDP, over the past 15 years, GDP has grown with a relatively stable trend and has arrived at a high growth rate.

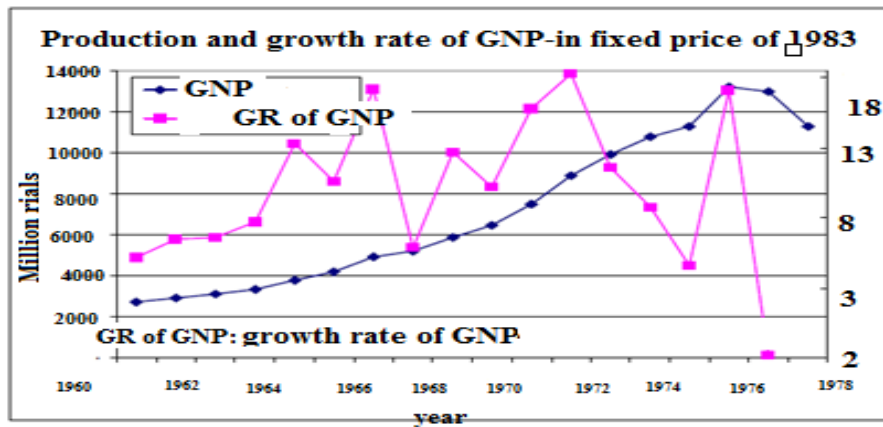


Figure 2. Production and GDP growth rate from 1962 to 1979.

Inflation.

Until the late 1962's, prices were almost constant, with an average inflation rate of 1.7% per year. As shown in the Figure 3, in the early 1972's and after year 1974, inflation accelerated to 11.2% following the developments in the global oil market. In the years 1972-1978, the increase in foreign exchange earnings resulting from the sharp increase in oil prices led to an increase in liquidity. This issue accompanied by increasing the credits to various sectors increased the domestic demand. But because

of the limited capacity of the country to attract oil dollars and the imbalance between the total supply and demand, eventually inflation was created.

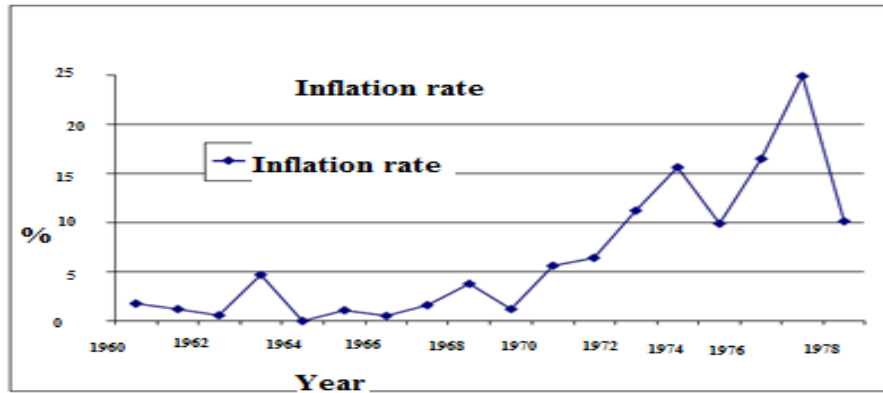


Figure 3. Inflation rate from 1962 to 1979 (Mousapur, 1998).

Liquidity.

According to Figure 4, the volume of liquidity has grown with a relatively stable trend. In the years 1962-2013, the increase in liquidity has been almost constant. But since the year 1974 onwards, as the global oil price rose, a large jump in liquidity showed that this leap in the volume of liquidity was due to oil revenues and the increase in the volume of banknotes and money at access of people.

The highest amount of liquidity was obtained in the year 1979. In general, liquidity has always been rising over the past 17 years, but its growth rate has gone down in the four years of the end period.

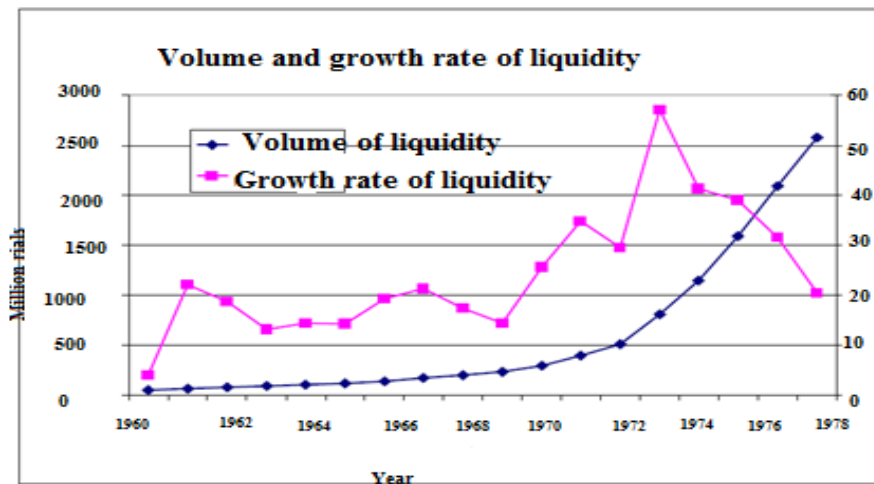


Figure 4. Volume and growth rate of liquidity in the years 1962-973 (Mousapur, 1998).

Comparison of the contribution of important economic situation parameters during the Hoveyda period.

Based on the results and statistics recorded in the years 1993-94, the share of agriculture, industry and mining was almost similar and slowly progressed. But from 1972 to 1978 (as the Figure 5), the share of agriculture to the industry and mining declines, which reflects the government's policy over the years that was focused more on industries than the traditional agricultural sector and the society was progressing towards industrialization. In 1978, with a sharp rise in oil revenues, this sector has the largest share of GDP than other sectors. In the service sector, by the year 1972, the share of this sector was larger than the other parts, but declined from 1972 onward.

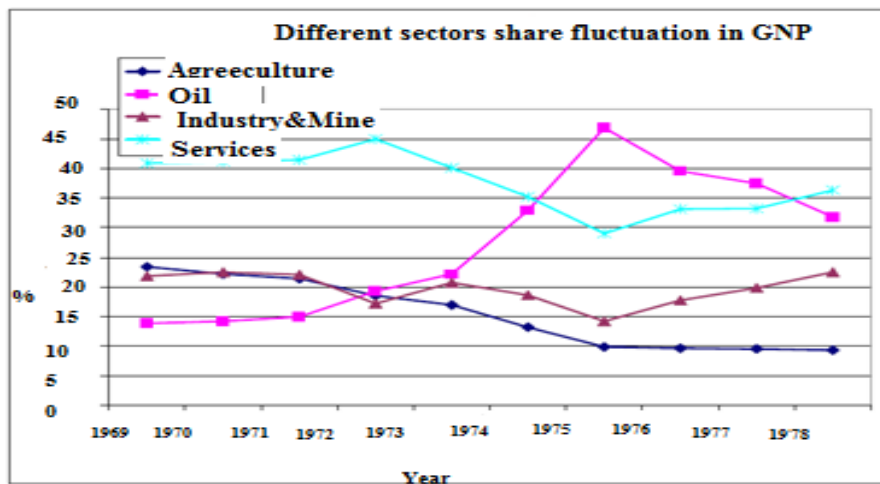


Figure 5. Different sectors share fluctuation in GNP (MalekMohammadi, 2002).

Budgetary fluctuations and the share of oil and non-oil revenues.

Based on the results and Figure 6, the share of oil and non-oil revenues in current budgets of the country is approximately one-tenth of the period 1974 to 2013, but since 1974, oil revenues have increased sharply, as it continued until 1978. In general, non-oil revenues since 1972 have increased more than in previous years, and this increase continued with the same trend until 1979.

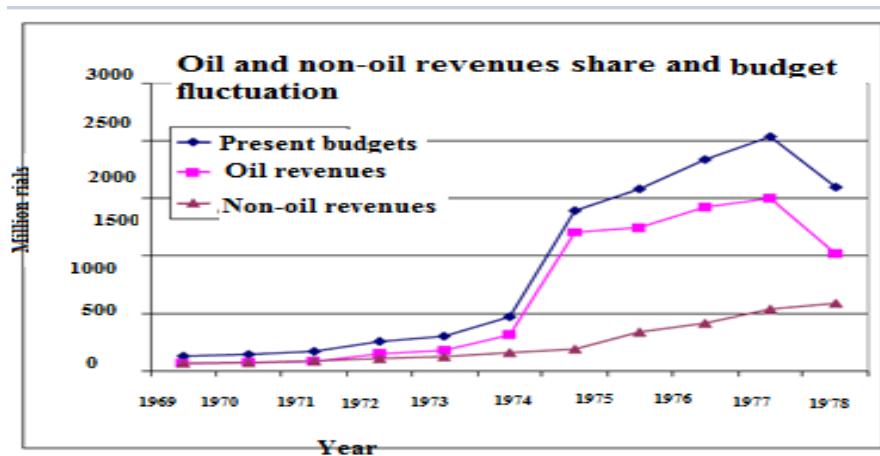


Figure 6. The budget fluctuations and the share of oil and non-oil revenues from 1977-1979.

Compilation.

After World War II and the changes that took place in the world, American imperialism entered a global arena, world was converted two poles and the developments occurred in situations of Iran. Due to the specific geographical location of the country as well as the huge resources of oil and gas, Iran became the attention focus and competition of foreign powers.

With the increase in oil revenues in 1974, contrary to warnings by a number of experts, the country's first dictatorship made it extremely hasty to ignore these warnings, and this hastily changed the economic situation of the country.

With the rise in oil prices and its outright exodus, the Pahlavi regime was thinking of economic transformation, but more important than the economic transition, the priority of the regime was to preserve political legitimacy and reach the gendarme goal of the Persian Gulf. Military development strategies became more intense in those years, and the Shah, which was intended to become the first military and economic power in the region, bought many military weapons from the United States. The implementation of land reform policy as well as the allocation of more funds to the industry and services sector than agriculture, especially in the fifth development plan of the country, caused

problems in this area, its most important were the massive migration of villagers to cities and the increase of unemployment.

In industry sector, heavy industries such as steel and aluminum were the first priority, and there were made many factories that were mostly assembled and mostly were dependent on foreign aid, which undermined agriculture. With increasing oil revenues, actions were performed in the education, health and social welfare sectors, but did not satisfy the people and improve the conditions of the community.

In the energy and oil sector, the unprecedented rise in oil prices was led to changes in development plans, and the Pahlavi regime intended to make the spread changes in development and economic growth of country; nevertheless, these changes were not based on a detailed study.

In general, the second Pahlavi economic development can be characterized by the disorderly and uncoordinated economic growth, which causes problems such as inflation, cultural problems such as consumerism and the promotion of western culture in traditional Iranian society.

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