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The 1st Pahlavi Dynasty and Development of Governmental Capitalism in Iran.

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ABSTRACT

Due to incomes centralization in the 1st Pahlavi Dynasty, the government was more than ever drawn into interfering in the field of economy. The government lacked the capability to develop the institutions required for a dynamically complicated economy and for the personalism governing the society, it gave an abnormal shape to the formation of capitalism which can be named dependent capitalism in Iran.

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INTRODUCTION

Despite development of capitalism in Europe, the government in Iran in the 1930's directly undertook the responsibility of capitalism development the result of which was a bureaucratic type of capitalism (Amjad, M., 1384), and the possibility to transfer from the Qajar precapitalism dependent development to the capitalism dependent development was only provided after world war II (Foran, J., 1388).

The results of this study show that by the implementation of the state & guidance economic policy, development of the industrial sector economy was encouraged; due to its own specific features, it led to Iran's dependence intensification.

The 1st Pahlavi Dynasty economic development model fundamentals: The most important fundamentals of Iran's economic policy in Reza Shah's period was the implementation of the state & guidance economic policy in a mixed economic system frame. Therefore, through the 1920's reforms, the Iranian community was transferred in the 1st phase from a tribal state to land lordship, and in the 2nd phase, from land lordship to bank management and industrialization. As the founder of capitalism, the government encouraged the industrial sector into the course of economic development employing different methods and instruments including:

1. Making of supportive policies such as the ratification of the machinery import act for 20 years with no customs license, the customs full facilities act for machinery import, the act of no-tax payment by newly established factories, grant of special discounts for the freight of national products carried by the railway, etc, (Khalylykho, M.R., 1373; Issavi, C., 1369) and the 50-fold increase of the industries budget (Catozian, M.A., 1374).
2. Financial support of new factories through ministry of industries and grant of low-interest bank loans to factory owners. In the meantime, establishment of Agricultural & Industrial Bank in 1933 and Mortgage Bank in 1939 beside Bank Melli undertook the lion's share of investments for industrial, commercial & transportation purposes.
3. Establishment of governmental monopolies.

The 1st Pahlavi Dynasty industrial development strategic achievements: The result of governmental interference in economy is the increase of modern factories from below 20 industrial factories in 1925[6] to 346 in 1943 including 146 large installations and 200 small factories & workshops, of which %21 belonged to the government, %55 to the private sector, %24 to the private-public joint sector and %1 to foreigners.

Assessment of the 1st Pahlavi Dynasty development strategy:

The following can be mentioned as the results of this strategy:

- Domestic dependence intensification
- Increase of economic vulnerability to the world's market fluctuations

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- Threatening of independent(traditional/modern) bourgeoisie life
- The agricultural sector's having been forgotten
- Intensification of national solidarity rupture & incoherence
- Formation of a long-term inflectional economy after 1933 (Foran, J., 1388), and..

Conclusion:

As observed, in the period of guidance tropism and etatism up to the end of Reza Shah’s government, the state economic policy remained the same (Tabari, E., 1356), and adoption of supportive policies, factories financial budgeting and establishment of governmental monopolies led to the industrial sector development. Due to internal reasons ie, despotism, and to external reasons, ie, the existence of the global governance system (Eyvazi, M.R., 1380) however, the possibility of the capitalism system evolution was not provided in Iran.

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