

Bazaar and State in Iran

The Politics of the Tehran Marketplace

Arang Keshavarzian



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The Tehran Bazaar has always been central to the Iranian economy and, indeed, to the Iranian urban experience. Arang Keshavarzian's fascinating book compares the economics and politics of the marketplace under the Pahlavis, who sought to undermine it in the drive for modernization, and under the subsequent revolutionary regime, which came to power with a mandate to preserve bazaars as an "Islamic" institutions. The outcomes of their respective policies were completely at odds with their intentions. Despite the Shah's hostile approach, the Bazaar flourished under his rule and maintained its organizational autonomy to such an extent that it played an integral role in the Islamic Revolution. Conversely, the Islamic Republic implemented policies that unwittingly transformed the ways in which the bazaar operated, thus undermining its capacity for political mobilization. Arang Keshavarzian's book affords unusual insights into the politics, economics, and society of Iran across four decades.

ARANG KESHAVARZIAN is Assistant Professor of Government at Connecticut College.

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The Politics of the Tehran Marketplace

Arang Keshavarzian

Connecticut College, Connecticut



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Cambridge, New York, Melbourne, Madrid, Cape Town, Singapore, São Paulo

Cambridge University Press

The Edinburgh Building, Cambridge CB2 8RU, UK

Published in the United States of America by Cambridge University Press, New York

www.cambridge.org

Information on this title: www.cambridge.org/9780521866187

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First published in print format 2007

ISBN-13 978-0-511-27619-4 eBook (Adobe Reader)

ISBN-10 0-511-27619-2 eBook (Adobe Reader)

ISBN-13 978-0-521-86618-7 hardback

ISBN-10 0-521-86618-9 hardback

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For Fahimeh Azadi and Ali Keshavarzian, my parents

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Acknowledgments

“‘Doctor,’ the bazaar is kind of a university,” mentioned a *bazaari* as he explained the ins and outs of his trade. “Well then, I am the student and you are the professors,” I responded. I would like to express my deep gratitude to my “*bazaari* professors,” who taught me through sharing their experiences, fears, doubts, criticisms, memories, and aspirations. Since I pledged that our conversations would remain confidential, I cannot mention them by name. Many were hospitable, forthright, and over time trusting. This project would have been impossible without their knowledgeable participation and extraordinary patience.

Equally critical was the support and guidance of my dissertation committee, “my university professors.” Nancy Bermeo’s encouragement, forbearance, and insightful comments during all stages of my graduate studies have been invaluable. Like so many graduate students at Princeton’s Department of Politics, I am thankful to have had such a motivating and respectful advisor. Atul Kohli and Ira Katznelson helped me reevaluate and refine my thoughts at various stages of the project, always in ways that challenged me to reflect on the principal concerns of the project and fundamental analytical issues of studying politics.

I would like to acknowledge the critical support of several others who helped shape my research and analysis and have read parts or all of various versions of this manuscript. These include Ervand Abrahamian, Ahmad Ashraf, Asef Bayat, Keith Donoghue, Ellis Goldberg, Erik Kuhonta, Charles Kurzman, Evan Lieberman, Mazyar Lotfalian, Tamir Moustafa, Vahid Nowshirvani, Misagh Parsa, Setrag Manoukian, Naghmeh Sohrabi, and Deborah Yashar. I want to thank Homa Hoodfar, in particular, for her intellectual support and the generous way that she and Anthony Hilton made me feel welcome in Montreal. Two anonymous reviewers provided perceptive comments and suggestions, which I have tried to address and incorporate.

I am grateful to many individuals who helped in gathering information and sources and shared with me their insights into Iranian politics and society. Azam Khatam and Kaveh Ehsani have shared with me their immense knowledge and original research on Iran. Hadi Semati, Bijan Afsar-Keshmiri, and Siavash Moridi kindly advised me and provided valuable input while I was in Iran. I wish to thank Nazanin Shahrokni for her energetic help with many facets of the

research, including gathering some critical data. I would like to thank Siamak Namazi for sharing with me his knowledge and information about Iran's economy. The librarians at the Faculty of Social Science, Fine Arts, and Law and Political Science at Tehran University, Shahid Beheshti University, the Iranian Carpet Company, the Public Relations office at the State Tea Organization, and other research institutes all proved very helpful. Fariba Adelkhah, Mohammad Reza Ashouri, Reza Azari, Abbas Bolurfrushan, Mohammad Eskandari, Ramin Karimian, Ali Reza Karimi-Shiraznia, Mohammad Maljoo, Mohammad Masinaei, Mohammad Moeini, Jim Muir, Jahanbakhsh Nouraei, Soad Pira, Fatameh Pira, Ali Rezaei, Ahmad Tabesh, and Kian Tajbaksh all generously helped me negotiate the difficulties of field research and provided essential insights for developing the project. At Princeton University's Firestone Library, Ms. Azar Ashraf professionally and cheerfully guided me through the library's resources. Katayon Kholdi-Haghighi provided diligent research assistance and made preparing the manuscript surprisingly enjoyable. Dominc Parviz Brookshaw fielded and addressed questions regarding transliteration with much patience and humor. I am deeply grateful to Michael Braun, Adrian Dumitru, and Heather Fussell for their research and editing assistance. Various stages of this project were generously supported by the Social Science Research Council's International Predissertation Fellowship Program and the Fonds Québécois des recherche sur la société et la culture. My colleagues at the Department of Political Science at Concordia University provided a stimulating environment to revise my manuscript, and the university granted research support. I thank Marigold Acland, Isabelle Dambricourt, John Fine, and Viji Muralidhar for their expert guidance and support in preparing this book for publication.

I have been fortunate to share the travails, and even joys, of being a graduate student with Adam Becker, Sven Vahsen, and Yuen-Gen Liang. I believe this book is better thanks to their intellectual generosity and their friendship. I have profited from conversations with Narges Erami, or what she may call "bazaar speech." She has kindly shared with me her unique knowledge of Qom, its bazaar, and the carpet producers; I look forward to reading her work.

Laleh Khorramian has drawn maps, listened to and indulged my idiosyncrasies, and waited for me to return from libraries and research trips, but she did all of this (and much more) with exceeding care and love. Her companionship and her art have shaped how I see the world and are an inspiration. I trust that by the time she reads these words, she is fully recovered and making plans to travel around the world, as well as dancing as often as possible. I hope I will have

many opportunities in the future to express my appreciation and love for her.

I was too young to grasp the distinction between objectives and outcomes from the events surrounding the 1979 Revolution, which I believe are so essential for making sense of Iran and politics more generally; instead my understanding of this matter was initially shaped by football of the early 1980s. In 1982, I abruptly learned that to focus on an outcome (a final between Italy and Germany) would distract me from the complete story, which can be far more profound. The glorious French and Brazilian teams of the World Cup have remained for me a spectacular example of how football can and should be played, but also a lesson that I will overlook much if I direct my attention too narrowly on score lines and results. Thankfully, at this same time I also realized that my dreams of vanquishing Red Devils and overturning Boring, Boring Arsenal are realizable possibilities. By watching the mesmerizing teams of Liverpool and Tottenham Hotspurs I discovered that one's dreams sometimes can recoup trophies and be enshrined as outcomes.

Ghazal Keshavarzian has been a patient and understanding editor, a supportive and concerned commentator, dear friend, and generous sister. My family and relatives scattered across the world helped me to conduct research and opened their homes to me. Hengameh and Afsaneh Keshavarzian, Kaveh and Sara Nili, Baharak and Yasaman Zarbafian, and Majid Zarbafian and Kamran Nili made stays in Iran joyful and unforgettable. My four grandparents – Ani and Maman Ashi, and Baba and Madar – have all been influential, powerful, and loving in their own unique ways; I am very thankful to have talked to them about many of the issues in this book (even if neither I nor they always realized that was what was taking place). While encouraging me to be inquisitive and to follow my interests, Fahimeh Azadi and Ali Keshavarzian have been adoring parents. This book is dedicated to my parents as a small token of my sincere respect and immense love for them.

Note on transliteration

Transliterations of Persian words follow a modified version of the transliteration system used by the *International Journal of Middle East Studies*. For simplicity no diacritical marks are used except for the ayn (‘), and in order to render words as they are pronounced in Persian, short vowels follow Persian rather than Arabic pronunciation (e.g. “e” instead of “i” and “o” instead of “u”). Common names and terms, such as Khomeini, Koran, and Shiite, follow their established English spellings.

Map of Iran



Source: This map was adapted from a map courtesy of the General Libraries, The university of Texas at Austin.

1 The puzzle of the Tehran Bazaar under the Pahlavi monarchy and the Islamic Republic

We have a saying, “There is one Iran and one Tehran and only one Sara-ye Amin (Amin Caravanserai),”¹ meaning that anything that happens in Iran can be captured right here in the Tehran Bazaar.

Fabric wholesaler in the Amin Caravanserai, Tehran Bazaar

A year after his fall from power, Mohammad Reza Pahlavi, the last Shah of Iran, recalled, “I could not stop building supermarkets. I wanted a modern country. Moving against the bazaars was typical of the political and social risks I had to take in my drive for modernization.”² Meanwhile, three years after the establishment of the Islamic Republic, Ayatollah Ruhollah Khomeini stressed that “We [the Islamic Republic] must preserve the bazaar with all our might; in return the bazaar must preserve the government.”³ Given this drastic change in the state’s outlook toward the bazaar, it is not surprising that the Tehran Bazaar had radically different experiences under these regimes. What is startling, however, is that the transformation is not as we would expect – the Bazaar survived and remained autonomous under the modernizing Pahlavi regime (in fact so much so that it was one of the leading actors in the Revolution), while it was radically restructured and weakened under the unabashedly “traditionalist” Islamic Republic.

By comparing how the last Shah of Iran sought to “move against the bazaar” and how the founder of the Islamic Republic “preserve[d] the bazaar,” it will be the burden of this book to depict these outcomes and to examine why they followed these counterintuitive trajectories. The Pahlavi regime’s policies during the 1960s and 1970s did not dismantle the Tehran Bazaar’s economic institutions; the modernization scheme formed an autonomous setting for members of the Bazaar, or *bazaaris*, to regulate their economic lives and prosper. Conversely, while many individual merchants may have prospered, the Islamic Republic’s policies radically

¹ The Amin Sara is one of the main caravanserais in the Tehran Bazaar.

² Mohammad Reza Pahlavi, *Answer to History* (New York: Stein and Day, 1980), p. 156.

³ *Asnaf* no. 22 (Ordibehesht 1373 [May 1992]), 47. This statement was made in 1982.

altered relations within the Bazaar, altered its institutions (i.e. laws and policies), and reduced its capacity to mobilize against the state. The irony is that while the overthrow of the monarchy was in large part a response to the exclusionary and clientilistic practices that alienated groups such as the Bazaar (along with the working class, the middle class, the clergy, and the urban poor), large segments of the very same social classes that it professed to champion are currently discontent and politically dislocated.

This is why today if you talk to *bazaaris*, you hear statements such as the one made by Hajj Akbar, a carpet wholesaler in the Tehran Bazaar. When I told him that I had come to Iran to analyze the Tehran Bazaar, Hajj Akbar, probably in his sixties and not one to mince words, responded, “You mean this Bazaar? This Bazaar doesn’t need any analysis. It doesn’t even exist any more; it’s dead!” During the course of my research I discovered that when *bazaaris* mention that the Bazaar has “died” or “changed” or “is not like the past,” they are referring to its restructuring and political marginalization.

Transformation and change are essential both to politics and to the study of politics. Political activists and normative thinkers have imagined and acted on their impulse to better the world around them by transforming the minds of the people who inhabit it and the rules that govern it. Within the social sciences, change forces observers to critically appraise the relationships between various factors comprising complex societies and polities in order to identify the forces behind this transformation. Once change is detected, observers are invited to question how and why it transpired. Scholars must move beyond labeling and categorizing objects in order to contemplate what leads to abrupt reconfigurations or gradual evolutions away from particular constellations and social forms. Consequently, the reconfiguration of Iran’s state and the refiguring of the Bazaar, as sensed by Hajj Akbar, are the wellspring of this book. Thus, I ask: How and why has the Tehran Bazaar had such disparate and counterintuitive experiences under these two regimes? More precisely, why was the Pahlavi monarchy, a regime that was openly hostile toward bazaars as a group and an institution, unable to restructure the Bazaar? Conversely, why was it that since the establishment of the Islamic Republic, a regime that came to power with the support of *bazaaris* and with the specific mandate to preserve “indigenous and Islamic” institutions, state policies have unwittingly reconfigured the organization of the Bazaar’s value chains (i.e. commercial networks tying together import-exporters, wholesalers, and retailers) and their position in the political economy? And finally, what political impact did these transformations have on the Bazaar’s capacity to make claims against the state? Since Tehran’s central marketplace is

an economically powerful and potentially politically potent group, the experience of this social microcosm under these two regimes reflects the larger dynamics of state–society relations and forces of social change and continuity over the past four decades.

To foreshadow the arguments of the book, I contend that the two regimes, varying in terms of their development policies and their normative agendas, led to different incorporation strategies, which reshaped the institutional setting and physical location of the networks that constitute the organization of the Tehran Bazaar and engender its commonly noted capacity to mobilize. In the case of the Pahlavi monarchy, the regime followed high modernism that tended to downgrade the state's incorporation of the Bazaar.⁴ This approach fostered the Bazaar's autonomy and a concentration of commercial value chains within the physical confines of the marketplace. Under the Islamic Republic's populist transformative agenda, the state was caught within a complex matrix of objectives and agendas, which resulted in the incorporation of *bazaaris* as individuals and the cooptation, regulation, and reterritorialization of commercial value chains physically dispersed beyond the Bazaar. In the former case relations in the Bazaar constituted a series of cooperative hierarchies (long-term, multifaceted, and cross-cutting ties) fostering a great sense of group solidarity despite differences in economic power, social status, and political proclivities. In the latter period this mode of coordinating actions and distributing resources and authority, or what I term "form of governance," was transformed into coercive hierarchies (more short-term, single-faceted, and fragmented vertical relations) with a diminished sense of collective solidarity. Finally, this shift from cooperative to coercive hierarchies limited the Tehran Bazaar's capacity to mobilize against the state and explains its relative quietism since the Revolution. This study reminds us that state policies and institutions shape social cleavages, empower and constrain political organizations, and restructure socioeconomic relations; however, they often do so in indirect and unforeseen ways. In fact, these outcomes may go so far as to undermine the political agendas of those rulers and policymakers who initiated these programs in the first place.

⁴ By "state incorporation," I am referring to the Colliers' concept of the legal and bureaucratic mobilization and control of a social group (in their case labor, and in mine the bazaar) with the goal of repressing and depoliticizing that group. Ruth Barins Collier and David Collier, *Shaping the Political Arena: Critical Junctures, Labor Movement, and Regime Dynamics in Latin America* (Princeton: Princeton University Press, 1991). On political incorporation of economic elites see David Waldner, *State Building and Late Development* (Ithaca: Cornell University Press, 1999).

Continuity, revolution, and state–society relations

The Pahlavi monarchy and the Islamic Republic differ on many fronts: foreign policy, social agendas, ideological sources to legitimate their rule, and state relations with the religious establishment, to name just the most obvious. However, they share important similarities in method of rule, socioeconomic trends, and position in the world economy. In the words of one scholar:

[L]ike the Shah the ruling Muslim fundamentalists are trying to preserve their dictatorial regime by resorting to the suppression, imprisonment, and execution of their political opponents and are quite prepared to rule by terror. Just as the Shah tried to foster the idea that loyalty to the monarchy and national patriotism were the same, Khomeini has been adamant about the view that loyalty to the Velayat-i-Fagih and Islam are identical. Any opposition to Khomeini as the Fagih (just jurist) or his regime is regarded as anti-Islamic in the same way that opposition to the Shah used to be treated by the old regime as unpatriotic and treasonous. The state-owned propaganda networks have been used by the Islamic regime to develop and sustain the “cult of personality” and charismatic leadership around Khomeini in much the same way as was done for the Shah under the monarchy. Dictatorship, either in the form of the Shah’s patrimonial system or Khomeini’s government of theologians, when combined with oil wealth, is most likely to create and perpetuate the system of dependent capitalism which possesses all the evils and very few of the alleged benefits of a competitive market economy.⁵

Furthermore, both regimes have highly transformative programs. The Shah was an arch-proponent of developmental planning, what David Harvey refers to as “high modernism.”⁶ He set out to transform Iran into a “modern” industrial power by implementing a stylized and linear developmental model of Western industrialization and social modernization. In part as a response to what many viewed as the blind imitation and idealization of the Western model by the *ancien régime*, the Islamic Republic has sought to establish an independent and economically self-sufficient society – a society, moreover, that abides by 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.⁷ These two projects have radically different objectives, yet they

⁵ M. H. Pesaran, “The System of Dependent Capitalism in Pre- and Post-Revolutionary Iran,” *International Journal of Middle East Studies* 14 (1982), 518–19.

⁶ David Harvey, *The Conditions of Post-Modernity: An Enquiry into the Origin of Social Change* (Oxford: Basil Blackwell, 1989).

⁷ Ervand Abrahamian, *Khomeinism: Essays on the Islamic Republic* (London: I. B. Tauris & Co., 1993); and Val Moghadam, “Islamic Populism, Class and Gender in

share the belief that the state is a force that can, and indeed should, engineer a new society – a “modern” and “Islamic” society respectively. As referred to in the quote above, the two regimes also share the quality of being oil exporters, which bestows on both the imperial and the revolutionary state a high level of autonomy from social forces. With oil revenues flowing directly to the state, this factor allowed these regimes to remain financially independent from domestic social groups.⁸ Therefore, the Tehran Bazaar, as one of the foremost economic institutions in Iran, was susceptible to the transformative demands of these state agendas.

In addition, as in most developing countries, in the past half-century, Iran’s demographic and socioeconomic variables have gone through dramatic changes. The level of urbanization and rates of literacy have increased and the relative share of the agricultural sector and the pervasiveness of ascribed identities (e.g. tribal, kinship, and ethnic identities) have waned. Yet these changes began in the first half of the twentieth century and have generally exhibited the same fundamental trends and pace during the past seventy years. Representing various indicators of urbanization, literacy, industrialization, and modern banking and education, Figures 1.1, 1.2, 1.3, 1.4, and 1.5 show that these trends began decades before the 1970s and that there is no dramatic escalation or shift in these indexes after 1979. Thus, the socioeconomic transformations in and of themselves cannot explain changes in the structure of the Bazaar across these two regimes or the particular timing of this rupture after the Islamic Revolution.

Therefore, this project investigates the transformative agendas of states by focusing on the variations between the Pahlavi monarchy and the Islamic Republic and their relationship to a particular physical space, economic form, and social class – the Tehran Bazaar. The analysis, therefore, will move back and forth between the caravanserais of the Bazaar and the ministries of the government, to emphasize the interaction between state and Bazaar. And, in a larger sense, I shed light on state–society relations under the two regimes.

Marketplaces are important institutions in Middle Eastern and North African societies for a number of reasons. Bazaars and *sucs* are an economic focal point where both retail and wholesale commerce takes place and large sums of credit circulate among members of the private

Postrevolutionary Iran,” in *A Century of Revolution: Social Movements in Iran*, ed. John Foran (Minneapolis: University of Minnesota Press, 1994).

⁸ Hootan Shambayati, “The Rentier State, Interest Groups, and the Paradox of Autonomy: State and Business in Turkey and Iran,” *Comparative Politics* 26 (April 1994), 307–31.

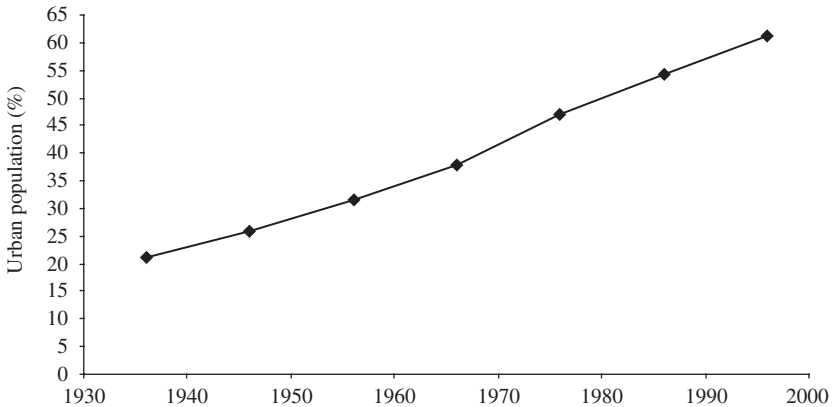


Figure 1.1 Urbanization: percentage of total population living in urban areas, 1936–1996

Sources: Julian Bharier, *Economic Development in Iran 1900–1970* (London: Oxford University Press, 1971), p. 27; Statistical Centre of Iran, *Iran Statistical Year Book* (various years).

sector. Large and internationally oriented marketplaces, like Tehran's central bazaar, house many import–export trade houses. Also, as states in the region have rolled back their distributive and redistributive roles, private and informal sectors have played increasingly important roles in providing jobs and credit and distributing goods and services.

In the case of the Tehran Bazaar, despite the Shah's hostility, it played a very significant and central role in Iran's prerevolutionary economy. At the time of the Revolution it was estimated that the Bazaar controlled two-thirds of national domestic wholesale trade, at least 30 percent of all imports, and an even larger portion of consumer goods.⁹ In terms of credit, in 1963 the bazaars in Iran loaned as much as all the commercial banks put together,¹⁰ while in 1975 the Tehran Bazaar was believed to control 20 percent of the official market volume, or \$3 billion in foreign exchange and \$2.1 billion in loans outstanding.¹¹ Also, sources suggest that there were 20,000–30,000 commercial units and 40,000–50,000

⁹ Robert Graham, *Iran: The Illusion of Power*, rev. edn. (New York: St. Martins Press, 1980), p. 221.

¹⁰ Richard Elliot Benedick, *Industrial Finance in Iran: A Study of Financial Practice in an Underdeveloped Economy* (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1964), p. 52.

¹¹ Alan D. Urbach and Jürgen Pumpluen, "Currency Trading in the Bazaar: Iran's Amazing Parallel Market," *Euromoney* (June 1978), 116.

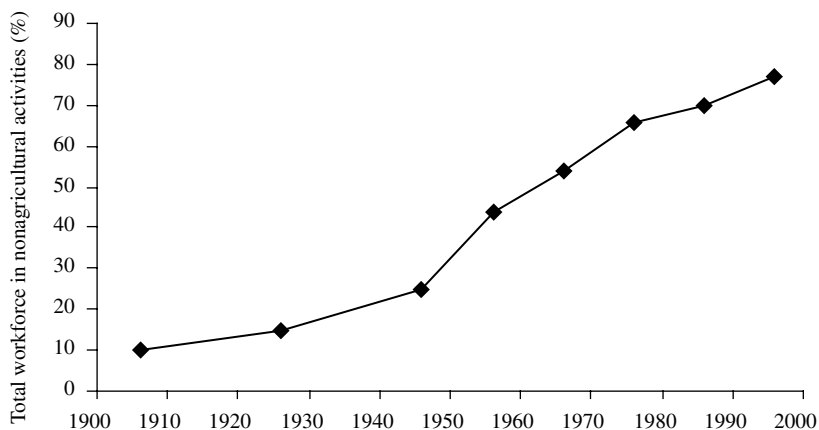


Figure 1.2 Industrialization: percentage of total workforce active in nonagricultural sectors, 1906–1996

Sources: Julian Bharier, *Economic Development in Iran 1900–1970* (London: Oxford University Press, 1971), pp. 34–5; Statistical Centre of Iran, *Iran Statistical Year Books* (various years).

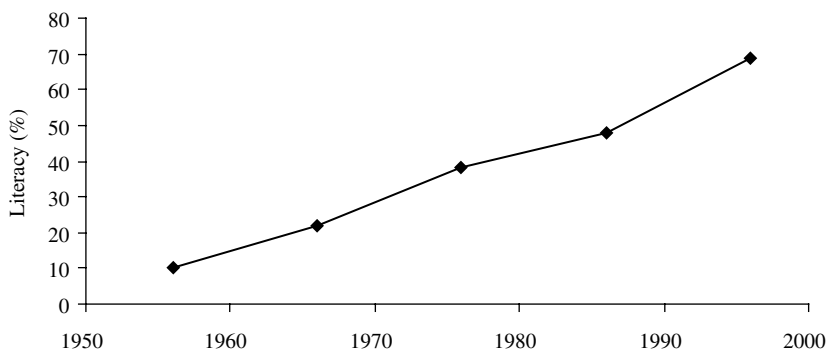


Figure 1.3 Literacy: percentage of total population that is literate, 1956–1996

Source: Statistical Centre of Iran, *Iran Statistical Year Book* (various years).

employees within the Bazaar and the immediately surrounding streets during the 1970s.¹² The Tehran Bazaar functioned as the national commercial emporium for the import of almost all consumer goods and

¹² *Asar* nos. 2, 3, 4 (1359 [1980]), 22 and 25; and Misagh Parsa, *Social Origins of the Iranian Revolution* (New Brunswick, NJ: Rutgers University Press, 1989), p. 92.

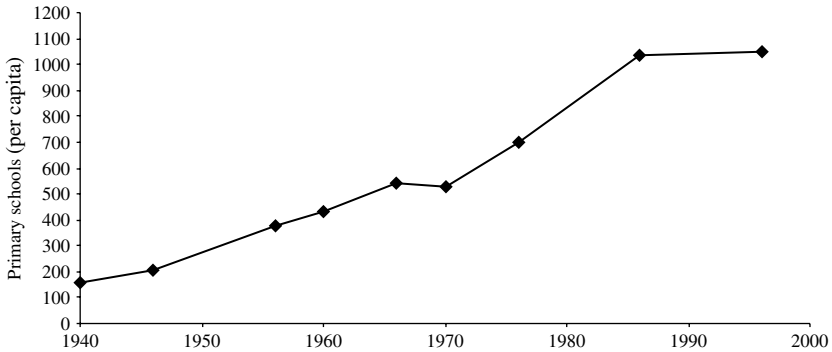


Figure 1.4 Education: number of primary schools per capita, 1940–1996
 Source: Statistical Centre of Iran, *Iran Statistical Year Book* (various years).

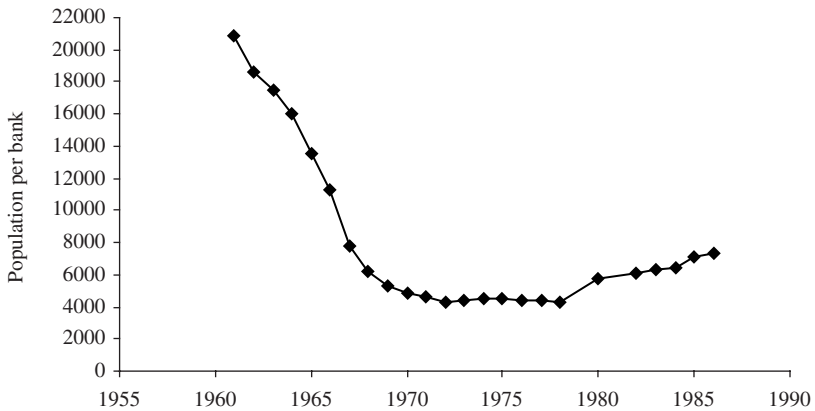


Figure 1.5 Commercial and financial development: population per bank, 1961–1986
 Source: Statistical Centre of Iran, *Iran Statistical Year Book* (various years).

many intermediary goods into Iran, as well as the export of many non-oil goods (e.g. hand-woven carpets, dried fruits and nuts, and some textiles). Thus, wholesalers in the provinces, retailers in Tehran, private manufacturers, and many others relied on the Bazaar for inventories and credit. The Tehran Bazaar, possibly unlike the provincial bazaars,

prospered during the oil boom of the 1970s.¹³ One indicator of the Bazaar's wealth and the value of its property is "key money" (*sarqofli*). Key money is the market-determined sum of money paid by an incoming renter of a space. The amount depends on the location, size of the property, and wares sold, but it is also a measure of the commercial potential of the property. All the *bazaaris* I talked to agreed with Martin Seger's finding that during the late Pahlavi era the value of key money increased greatly in the Bazaar (surpassing the rate of inflation) and reached several hundred thousand dollars for spaces as small as ten square meters.¹⁴

Yet bazaars are not simply economic institutions; they are a fundamental part of the urban morphology. The older bazaars are also typically located in the heart of the city, and often neighbor government offices, courts, major religious institutions, and traditional social gathering places such as coffee shops and public baths. The hustle and bustle and central location of bazaar areas make them a major public forum, attracting diverse people who in the process of conducting their personal affairs exchange and overhear information, rumor, and opinions about economic conditions, family affairs, and political disputes. In certain contexts this socioeconomic *mélange* was a base for political organization and mobilization. The political dimension of bazaars is particularly important in the Iranian context, where *bazaaris* have consistently played an active and central role in major political episodes, including the struggle for constitutionalism (1905–11), Mosaddeq's movement to nationalize the oil industry and strengthen democratic rule (1953), the protests against the Shah's "White Revolution" (1963), and the overthrow of the monarchy and establishment of the Islamic Republic (1978–9).

Given the multiple dimensions and prominent position of bazaars in the region, it is unfortunate that they have not received scholarly attention. Clifford Geertz introduces his study of Sefrou's bazaar by pointing out:

What the mandarin bureaucracy was for classical China and the caste system for classical India – the part most evocative of the whole – the bazaar was for the more pragmatic societies of the classical Middle East. Yet ... there is only a handful of extended analyses ... seriously concerned to characterize the bazaar as a cultural form, a social institution, and an economic type.¹⁵

¹³ Parsa, *Social Origins of the Iranian Revolution*, p. 101.

¹⁴ Martin Seger, *Teheran: Eine Stadtgeographische Studie* (New York: Springer-Verlag Wien, 1978), pp. 164–5.

¹⁵ Clifford Geertz, "Suq: The Bazaar Economy in Sefrou," in *Meaning and Order in Moroccan Society*, ed. Clifford Geertz, Hildred Geertz, and Lawrence Rosen (Cambridge: Cambridge University Press, 1979), p. 123. European travelogues on Iran and the Middle East often discuss bazaars as essential components of Middle Eastern society. For example, "To see Persia without knowing its bazaars is seeing it like a small boy watching a

Almost three decades since his remarks, Geertz's dismay at the lack of research on Middle Eastern bazaars continues to resonate.¹⁶

Furthermore, despite the universal acceptance that bazaars are fundamental socioeconomic and political loci in Iranian society, intensive empirical research on bazaars has been very limited since the Revolution. Thus, scholars have tended to assume that the organization of the bazaars, their relationship to other social groups, and their political efficacy have remained unchanged. Two important analyses of postrevolutionary politics, however, speculate that the bazaars have undergone important transformations. Ahmad Ashraf's history of bazaars includes a suggestive paragraph: "On the whole . . . the bazaaris have been threatened by such unprecedented radical governmental measures as nationalization of foreign trade and elimination of brokerage junction through the development of cooperative societies."¹⁷ Meanwhile, in his political history of the first decade of the Islamic Republic, Shaul Bakhash points out: "In the bazaar, the old merchant families were edged out by the new men with connections to the clerics in the government."¹⁸ In the chapters that follow, I extend Ashraf's and Bakhash's astute, but unelaborated, observations to show that state policies have not simply threatened the Tehran Bazaar or changed its composition, but have radically restructured its internal organization and its relationship to the state and economy – a restructuring, moreover, that has consequences for the political efficacy of the Bazaar.

Studying transformative states

This initial observations take us away from the alleys and shops where the Bazaar's bargaining and trade takes place and moves us to the political architecture where policies are formulated and conceptions of development and social transformation are enacted. That is, to understand the organization of the Bazaar we must consider the policies of the state.

The state was recovered from relative analytical obscurity by political scientists and sociologists in the 1980s.¹⁹ Positioning themselves in

circus through a hole in the tent." Fred Richard, *A Persian Journey* (London: Jonathan Cape, 1931), p. 39.

¹⁶ A recent exception is Annika Rabbo's *A Shop of One's Own: Independence and Reputation among Traders in Aleppo* (London: I. B. Tauris Press, 2004).

¹⁷ Ahmad Ashraf, "Bazaar-Mosque Alliance: The Social Basis of Revolts and Revolutions," *International Journal of Politics, Culture, and Society* 1 (Summer 1988), 564.

¹⁸ Shaul Bakhash, *The Reign of the Ayatollahs: Iran and the Islamic Revolution* (New York: Basic Books, 1990), p. 290.

¹⁹ Atul Kohli, "State, Society, and Development," and Margaret Levi, "The State of the Study of the State," in *Political Science: The State of the Discipline*, ed. Ira Katznelson and Helen V. Milner (New York: W. W. Norton and Co., 2002).

opposition to pluralism, structural-functionalism, and modernization theory, which tended to see social and economic processes as the mechanistic engine for change, both macrostructural and rational choice scholars turned their attention to the state as an autonomous force and critical factor in withstanding revolutions,²⁰ fostering economic growth by reducing transaction costs,²¹ and influencing a whole host of policy options and outcomes.²² The object of study for this literature was the state's interests and institutions, with scholars considering both causes and consequences of variations of these factors.

These early works, however, had serious shortcomings in that they tended to conceptualize the state as an overly unitary, coherent, and omnipresent structure or actor. More recently a group of scholars have advocated important modifications to the state-centered approach of the 1980s. Scholars have increasingly cautioned against exaggerating the state's autonomy from society and its capacity to restructure society. Instead they have advocated greater attention to the dialogical process in which state and social forces shape one another. In turn, state effectiveness is based on particular state-society relations, with more effective states tapping into social resources and institutions. For example, the volume edited by Migdal, Kohli, and Shue offers a more modest and nuanced perspective on the role of the state in development. They critique the more dogmatic state-centered approaches, proposing a shift in focus from "the state" to the "state-in-society frame of reference."²³ First, they posit that variation in state effectiveness is a function of the scope and type of ties it enjoys with society. Second, they call upon scholars to disaggregate the state and view it more as a diffuse set of institutions with permeable boundaries. Also, the form and capacity of social forces are dictated by empirical conditions. Finally, these scholars claim that the relationship between state and society is not zero-sum.

²⁰ Theda Skocpol, *States and Social Revolutions* (Cambridge: Cambridge University Press, 1979).

²¹ Robert H. Bates, *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies* (Berkeley: University of California Press, 1981); Margaret Levi, *Of Rule and Revenue* (Berkeley: University of California Press, 1988); Douglass C. North, *Structure and Change in Economic History* (New York: Norton, 1981); and Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990).

²² Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985).

²³ Joel Migdal, Atul Kohli, and Vivienne Shue, eds., *State Power and Social Forces: Domination and Transformation in the Third World* (Cambridge: Cambridge University Press, 1994).

This “state-in-society frame” is part of an emerging trend in social science scholarship seeking to explain variation in policy choices, success, and origins as a product of the form of engagement and mode of interaction between state and society. Peter Evans devised the concept of “embedded autonomy,” for instance, to explore the variation in ability of states to industrialize and develop comparative advantage.²⁴ For Evans “embedded autonomy” captures the institutional configuration enjoyed by coherent autonomous states and their enabling network of ties with knowledge- and resource-rich groups in society, a coupling which is necessary for successful development. Like Evans, Theda Skocpol has expanded and refined her earlier state structuralist perspective to what she more recently has called a “polity-centered” approach.²⁵ While analyzing the development of welfare policies in the post-Civil War United States, she argues that the origins of state policy choices are contingent upon the “fit” between politicized social groups and the organization of states. In all these frameworks state–society boundaries are neither fixed nor clearly demarcated, but are formations of multiple, often competing, institutions.

My approach follows the outlook of recent works on state–society relations by claiming that the transformation of the Tehran Bazaar is a product of specific state policies and the manner in which they interact with the existing social order. I make this argument by incorporating two critical addenda. (1) Not only do we need to disaggregate the state, but we must also analyze state transformative projects as circumscribed, incomplete, and nonomnipresent master plans. (2) Political scientists must not treat the internal governance of groups as a black box, as something that happens automatically or is static. If the state’s authority is incomplete or partially effective – what is referred to as the state “fail[ing] to penetrate”²⁶ or the state being “disengaged”²⁷ – then the contours of social order should not be treated as a given, but are determined through a process of negotiation between existing social institutions and state institutions.

²⁴ Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press, 1995).

²⁵ Theda Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States* (Cambridge: Harvard University Press, 1992).

²⁶ Joel Migdal, “The State in Society: An Approach to Struggles for Domination,” in *State Power and Social Forces*, ed. Joel Migdal, Atul Kohli, and Vivienne Shue (Cambridge: Cambridge University Press, 1994).

²⁷ Michael Bratton, “Peasant-State Relations in Postcolonial Africa: Patterns of Engagement and Disengagement,” in *State Power and Social Forces*, ed. Joel Migdal, Atul Kohli, and Vivienne Shue (Cambridge: Cambridge University Press, 1994).

What is beyond the state's vision?

State efficacy can be tempered by revenue and legitimacy constraints, historical legacies, relations between central and local authorities, and disjunctions between institutions and organizations, parties, and social groups. Yet, most political scientists still assume that states' transformative projects are all-encompassing. For instance, Migdal proposes that transformative states seek to "dominate in every corner of society."²⁸ However, it is apparent that states are selective in their engagements and often leave many realms of social life to their own devices, however limited or elaborate.²⁹

Why do states, even highly authoritarian ones, have difficulty in devising complete domination over all dimensions of society? In *System Effects*, Robert Jervis helps us address this question in a more general manner.³⁰ He argues that political complexity and indeterminacy has its roots in its systemic nature. We cannot understand systems (e.g. the ecosystem, the international state system, a social system, or a system of production) by examining the attributes and goals of individual elements of that system (e.g. species, states, individuals, or classes). This is because many effects are delayed, indirect, and unintended, relations between units of a system are determined by third parties, and decisions and actions are based on multiple agendas. Therefore, Jervis concludes that regulating the entire system is particularly difficult, and this is especially true of highly complex and aggregate systems such as "political systems." More directly related to the nature of the state, James Scott's work on the failures of development projects considers the incompleteness of state reach and vision. A state's capacity to implement its schemes is restricted by what Scott calls "tunnel vision."³¹ Modern nation-states, argues Scott, focus on limited segments of an intricate and multifarious reality. They simplify societies in order to make the world more "legible" and to fine-tune their administrative methods, focusing on specific sectors, locations, and factors of production. These simplifications are like maps. "That is, they are designed to summarize precisely those aspects of a complex world that are of immediate interest to the mapmaker and to

²⁸ Joel Migdal, *State in Society: Studying How States and Societies Transform and Constitute One Another* (Cambridge: Cambridge University Press, 2001), p. 114.

²⁹ Deborah J. Yashar, *Contesting Citizenship in Latin America: The Rise of Indigenous and the Postliberal Challenge* (Cambridge: Cambridge University Press, 2005).

³⁰ Robert Jervis, *System Effects: Complexity in Political and Social Life* (Princeton: Princeton University Press, 1999).

³¹ James Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1998).

ignore the rest.”³² Scott is interested in what is of “immediate interest” to the state *cum* mapmaker – their projects for a better society, and their failures. In addition, this portrayal is useful because it reminds us that even the grandest state projects necessarily disregard some elements of social life. What states ignore is just as important as the focus of their concentration; what is ignored is likely subsequently to haunt the planners.³³ Just as Hausmann’s plans for Paris did not envision the vibrancy of Bellville, the Brazilian government may have planned and built Brasilia, but the unplanned “Free City” escaped its vision and has a larger population than the planned city.

Framing the issue of state transformative projects in terms of scope directs us to important new questions for the study of state–bazaar relations in Iran and for understanding the consequences of state policies. What was the state’s developmental program during the respective periods? What were the institutional instruments established to implement these visions? And finally, what place did the Bazaar have in these programs and what were the direct and indirect consequences of these policies for the Bazaar?

What generates governance when a group is beyond the state’s vision?

Scholars focusing on state–society nexuses argue that power is distributed and operates beyond state institutions. Migdal states: “My emphasis will be on process – the ongoing struggles among shifting coalitions over the rules for daily behavior. These processes determine how *societies and states create and maintain distinct ways of structuring day-to-day life . . .*”³⁴ The bulk of Migdal’s collection of essays carefully delineate the limits of the state’s transformative powers and illustrate how social forces pattern state actions. The question of how quotidian life is organized and how exactly societies might structure day-to-day life in the absence of the state, however, is left unaddressed. Contrary to Hobbesian outlooks, it is assumed that without the state, social order spontaneously occurs. Questions about social order and governance are deemed relevant only when the state is involved. In this sense the approach continues to be state-centric, and politics remains the exclusive domain of the state.

Area studies experts, especially those who have conducted field work on marginal groups, have continually shown that the state–society

³² Ibid., p. 87. Emphasis added.

³³ The increasing interest in informal sectors is an explicit acknowledgment of social worlds outside the complete purview of states.

³⁴ Migdal, *State in Society*, p. 11. Emphasis added.

dynamic is not a simple choice of whether to engage or disengage, resist or acquiesce, dominate or be dominated, transform or fail to transform. Rather, contingencies, strategic interactions, and incomplete or inaccurate information often lead to struggles and unintended consequences surpassing planned goals being the main cause of outcomes. Those who are economically marginal, ethnic and religious minorities, women, and those who are on the legal margins have developed multiple repertoires to pattern state–society relations, and to negotiate their social position and political plight. The individual and collective techniques include manipulation, avoidance, defensive movements, and daily encroachment.³⁵ As such, politics takes on an “expanded form to signify the interactions that shape ideas, behaviors, constraints, and opportunities – the realm of power relationships on all levels, and not only the actions of governments or political parties.”³⁶

Social groups confront state initiatives with a set of associations, resources, and repertoires of action that complicate, and even subvert, institutional designs. Thus, before understanding the dynamics of state–society relations we must decipher the prevailing structures of given groups and societies. The Bazaar’s practices and ongoing relations are just as pertinent as the state’s policies and institutions. Therefore, our investigation must ask: What is the Bazaar? How are transactions conducted, contracts enforced, and credit distributed? Given that the Bazaar was on the margins of the Shah’s plans and was cut off from direct state patronage, why did the Bazaar survive and even prosper? And how was it governed, given that the state did not see it and *bazaaris* ignored state institutions (e.g. the Chamber of Commerce and the Chamber of Guilds) designed to represent them and control commercial activities? Conversely, since the Bazaar entered the vision of the state under the Islamic Republic, how has the state influenced it? How has it transformed the Bazaar’s self-governance and the way *bazaaris* have related to one another?

³⁵ Since the 1970s this has been the bread and butter of most “area studies” work in the social sciences, a rich literature has developed discussing subaltern resistance within hegemony and under colonialism. In the context of the Middle East see Asef Bayat, *Street Politics: Poor People’s Movements in Iran* (New York: Columbia University Press, 1997); Guilain Denoeux, *Urban Unrest in the Middle East: A Comparative Study of Informal Networks in Egypt, Iran, and Lebanon* (Albany: State University of New York Press, 1993); and Diane Singerman, *Avenues of Participation: Family, Politics, and Networks in Urban Quarters in Cairo* (Princeton: Princeton University Press, 1995).

³⁶ Arlene Elowe MacLeod, “The New Veiling and Urban Crisis: Symbolic Politics in Cairo,” in *Population, Poverty, and Politics in Middle East Cities*, ed. Michael Bonine (Gainesville: University Press of Florida, 1997), p. 305.

Variation in forms of governance

The discussion brings us to the question of how to specify the exact meaning of “the social order of the Bazaar,” “transforming the Bazaar,” or “changing the economic structure of the Bazaar” – that is, the central dependent variable of this project. As I argue in Chapter 2, the Bazaar is best conceptualized as a series of socially embedded networks within a bounded space that is the mechanism for the exchange of specific commodities. This approach treats markets as constellations of economic relations and roles and not mere aggregations of isolated and interchangeable transactions. It also contends that actions in the Bazaar are the results of relationships among multiple individuals who may or may not share a common set of cultural attributes or structural positions. Thus, the bazaar’s structure is an articulation of ongoing, patterned relations within the group, rather than the product of static attributes and attitudes of entities or macrosocial structures.³⁷ These networks aggregate actions of individuals, who have specific roles and statuses that emerge in relation to others in the group. These roles and relationships connote duties, expectations, obligations, and powers. Therefore, as capillaries that distribute power and situate individuals, networks comprise a form of governance. By the “form of the governance of the Tehran Bazaar,” I mean the pattern of ongoing interactions and distribution of authority and resources throughout the commercial networks that comprise the Bazaar. The form can be defined along a continuum between communal and hierarchical relations.³⁸

A group is said to have “communal governance” when it is characterized by long-term relations and multiplex interactions, and when the ties within that group are crosscutting. Long-term, stable relations exist when actors relate to one another repeatedly over time and believe that their interactions will persist. In the language of game theory, play is iterated and is not one-shot.³⁹ Continuity in relations provides opportunities to assess the actions of others in order to reward good behavior and punish uncooperative behavior. This potential for sanctioning also helps even up power relations because subordinates are given an opportunity to admonish, if not punish, their superiors by resisting or exiting in the

³⁷ For a discussion of the distinction between structures as relations and structures as attributes see David Knoke, *Political Networks: The Structural Perspective* (Cambridge: Cambridge University Press, 1990).

³⁸ My typology is adopted from and parallels Michael Taylor, “Good Government: On Hierarchy, Social Capital, and the Limitations of Rational Choice Theory,” *Journal of Political Philosophy* 4 (1996), 1–28.

³⁹ Note that in Prisoners’ Dilemma games a high probability for future interactions is a necessary (not sufficient) condition for cooperative play.