

Iran's Quest for Economic Autonomy: Foreign Trade, Banking, Companies and Industry, 1921–1946

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IIEA Panel #19

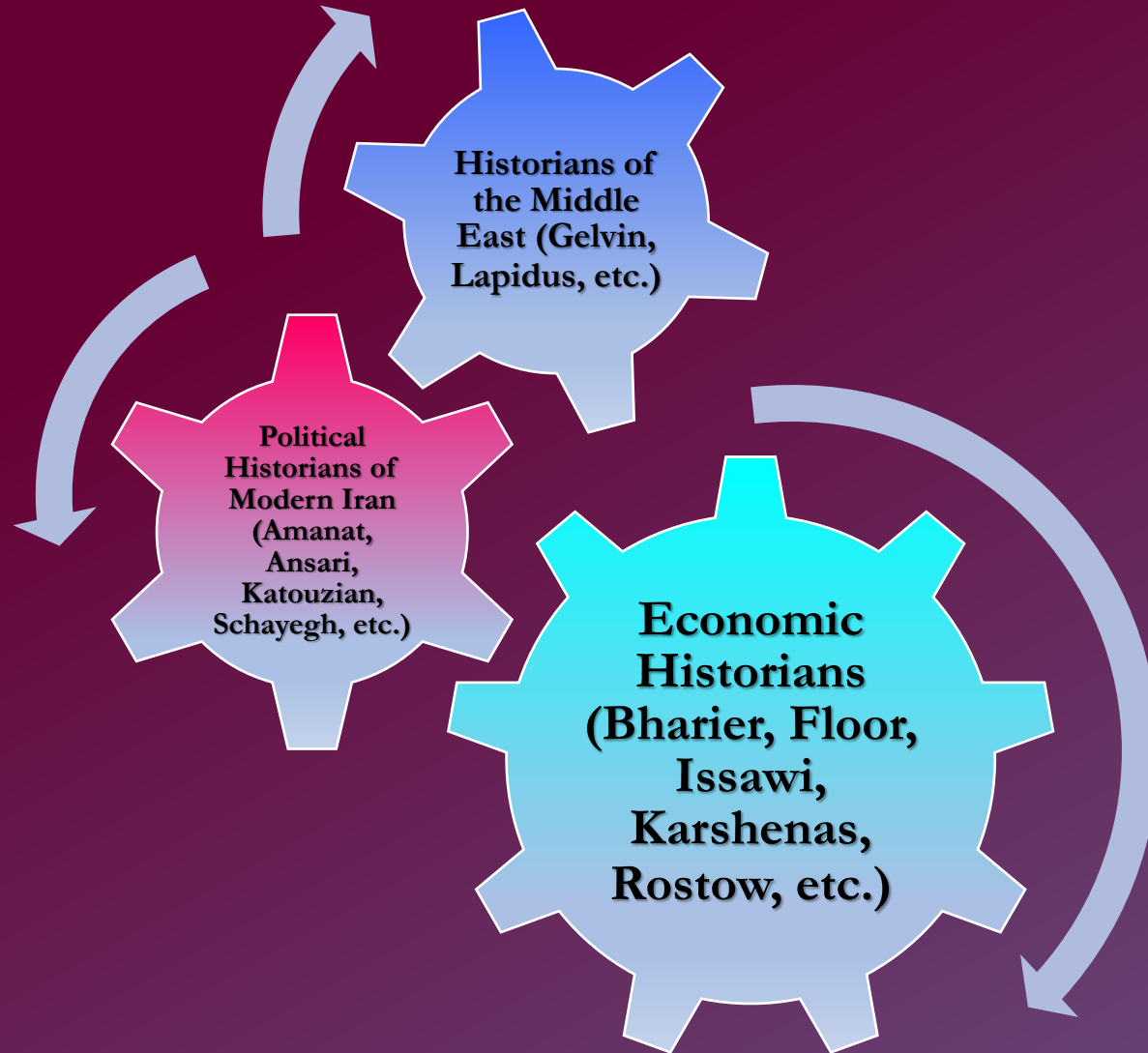
A Historical Analysis of the Iranian Economy,

1920s-1970s

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Perspectives on Iran's Economic History



The topic of Iran's economic development has been merged and/or submerged within other historical narratives, such as the 'state versus society' paradigm. The occurrence of uprisings and revolutions in Iran since the late nineteenth century has infused these narratives with weighty teleological inevitability, leading up to 1978-79.

Another tendency in the historiography is a quantitative focus on statistical comparisons of Iran's economy with regional and international counterparts, rather than a deeper study of the conditions of development at a local level in a global context, aided by new archival research.

Alternatively, this presentation will address some important questions, most notably: how, when, why, where and by whom Iran's foreign trade monopoly, national banks, companies and factories came into existence during the 1920s-40s.

Dynastic periodization: 1925-1941 (Pahlavi I)

Drawbacks to this framework:

- Although this framework implies a sense of historical continuity with the previous dynastic periods, it does not fully capture the new dynamics of the modern Iranian state and political economy in the twentieth century
- Omits the crucial events of 1921-1925 and 1941-1946
- Suggests that Reza Shah was the only driver of economic modernization and thus overlooks the role of other state and private sector actors
- This concept, promoted by historians and dynastic rulers, has been normatized to the exclusion of alternative modes of periodization

State-centric periodization: 1921-1946

Benefits to this approach:

- Fills major gaps in the historiography, which has focused on the 1950s-1970s with a tendency to view the 1920s-1940s through the Pahlavi II lens
- Begins with the signing of the 1921 Friendship Treaty with the Soviet Union, and covers the economic developments of the Allied Occupation
- Widens the analytical scope to multiple economic actors, including Iranian and foreign ministers, diplomats, merchants, and other entrepreneurs
- Provides a more comprehensive and multifaceted understanding of Iranian economic development within changing local and global contexts

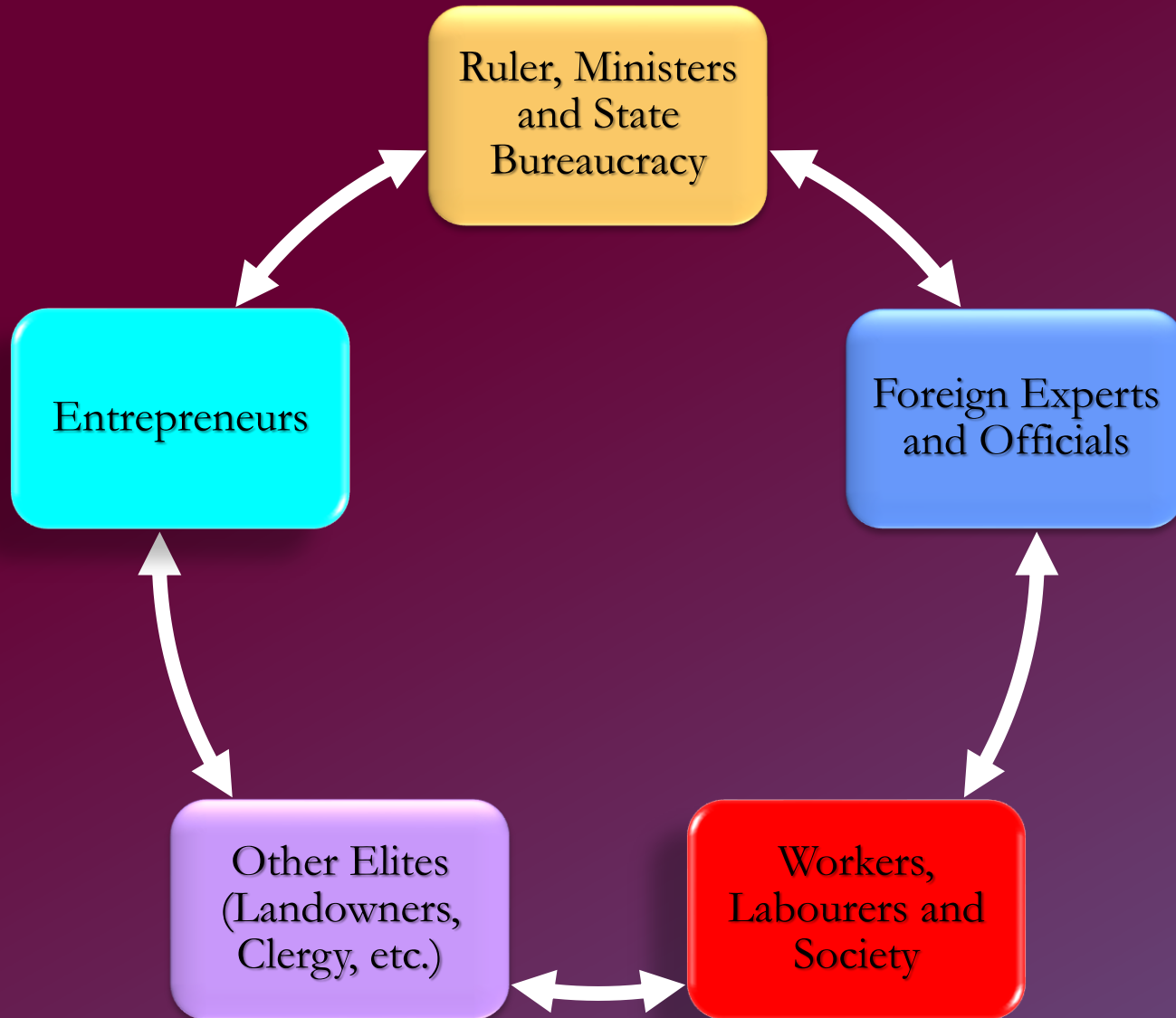
Iran's Foreign Trade

- Iran avoided British protectorate status, partly thanks to the Friendship Treaty, which helped to empower the Fourth Majles to reject the 1919 Anglo-Persian Agreement in June 1921.
- From 1921 until 1930, Great Britain remained Iran's number one trading partner. The Soviet Union held the number two position from 1924 onwards, finally overtaking the British in 1931. The Soviets maintained this ranking until they were usurped by the Germans in 1938. They had encouraged German trade at the expense of the British until confronted by the rise of Nazi expansionism within Iran.

See Table No. 8 for these statistics in "Le commerce extérieur de l'Iran pendant l'année 1317/18 (1938/39)," *Bulletin de la Banque Mellié Iran*, no. 42 (December 1939), 612.

Year	Germany	USSR	UK
1921/2	15	4	1
1922/3	13	4	1
1923/4	10	3	1
1924/5	11	2	1
1925/6	10	2	1
1926/7	8	2	1
1927/8	7	2	1
1928/9	7	2	1
1929/30	7	2	1
1930/1	4	2	1
1931/2	5	1	3
1932/3	5	1	2
1933/4	3	1	4
1934/5	5	1	2
1935/6	3	1	2
1936/7	2	1	4
1937/8	2	1	4
1938/9	1	2	3

The Role of Economic Actors



The Iranian economy began to take shape in 1921-26. The Majlis passed laws for economic development, including the hiring of American expert Arthur Millspaugh and his team for the modernization of state finances and taxation. But much more needed to be done, and Iranian society was growing impatient with the slow pace. One important outcome was a bill “embodying a permanent program of road construction and maintenance, and proposing new taxes to carry out the program,” approved by the Fifth Majles in 1925. Then, on September 28th, 1926, the Sixth Majles ratified the policy program of Prime Minister Mirza Hassan Khan Mostofi al-Mamalek’s Cabinet. This program included the founding of state and agricultural banks. Subsequently, on May 5th, 1927, the same Majles authorized the founding of the National Bank of Iran “for the advancement of commercial, farming, agricultural and industrial affairs.”

Source: Mary Yoshinari, “Iran’s Quest for Economic Autonomy: Foreign Trade, Banking, Companies and Industry, 1921–1946,” *Labour History and the Economy in Iran: Workers, Entrepreneurs and the State* (London: I.B. Tauris, forthcoming in 2024).

The Growth of Iranian Banks: New Branches, 1929-1936

Bank Name	1929	1936	New Branches	Closed Branches
National Bank	16	40	24	--
Agricultural Bank	0	8	8	--
Pahlavi Bank	7	12	5	--
Total	23	60	37	0

The Decline of Foreign Banks in Iran, 1929-1936

Bank	1929	1936	New Branches	Closed Branches
Rusiranbank	14	4	--	10
Imperial Bank	26	18	--	8
Ottoman Bank	3	2	--	1
Total	43	24	0	19

A 1937 Soviet report concluded: “[Rusiranbank’s] customers decreased in connection with the corporatization of [Iranian] trade.”

Examples of Primary Sources

Documents and newspapers from Iranian state archives (NLAI, Majlis, Foreign Affairs, etc.)

Persian-language print media (e.g., *Ettelaat*, *Chamber of Commerce Journal*, *Bank Melli Bulletins*)

Soviet documents from Russian state archives (RGAE, RGASPI) and British reports from *Iran Political Diaries*

Banks and Officials in Secondary versus Primary Sources

In *Modern Iran*, Ansari states that “the Imperial Bank’s financial stranglehold” was not broken until 1951. (Ali Ansari, *Modern Iran Since 1921: The Pahlavis and After* (London: Longman, 2003), 66-67.

However, the British reported in 1938 that the Imperial Bank “had to close down several of its branches owing to lack of business and the restrictions” of the Bank-e Melli, which planned on building over thirty new branches and “a more elaborate” headquarters in Tehran. By March 1939, the Imperial Bank had “severed its long connection with southeast Iran,” closing branches in Yazd, Kerman and Zahedan. (Burrell, *Iran Political Diaries*, vol. 10, 584-85, and vol. 11, 35.)

Ergo, this hegemony was already being broken in the 1930s.

Amanat refers to Teymurtash’s supposed “gambling, womanizing, and reckless drinking,” derived from “the tsarist army officers’ lifestyle to which he had been exposed” and “the modern hedonism that came with [the] breakdown of the traditional moral order.” Similarly, he reduces Davar to “the high priest of the [sic] Pahlavi etatism,” and scapegoats his modernization efforts, asserting that he “promoted the cult of state intervention, which in the long run deteriorated into a malignancy.” Abbas Amanat, *Iran: A Modern History* (New Haven, CT: Yale University Press, 2017), 449 and 451.

He also laments Takiyeh Dowlat’s replacement with a Bank-e Melli branch “in a faux Persian style,” but neglects to mention that this enormous, ornate theatre, formerly a key site in Iran’s public sphere, was razed in 1947—during Qavam’s tenure, not that of the above officials. He also claims that Iran’s “new banking network further strengthened the state’s hold over the market at the expense of the bazaar.” *Ibid.*, 483.

There is a lack of primary sources to back up either of these assumptions, which leads to distortions and shows that the economic side of modern Iranian history has not been thoroughly studied in its own right. For example, Nikpour came from the Tehran Bazaar, yet he and many other Chamber of Commerce merchants were intensively involved in the “statist” economic modernization of the 1930s.

Iranian Economic Actors, 1920s-1940s

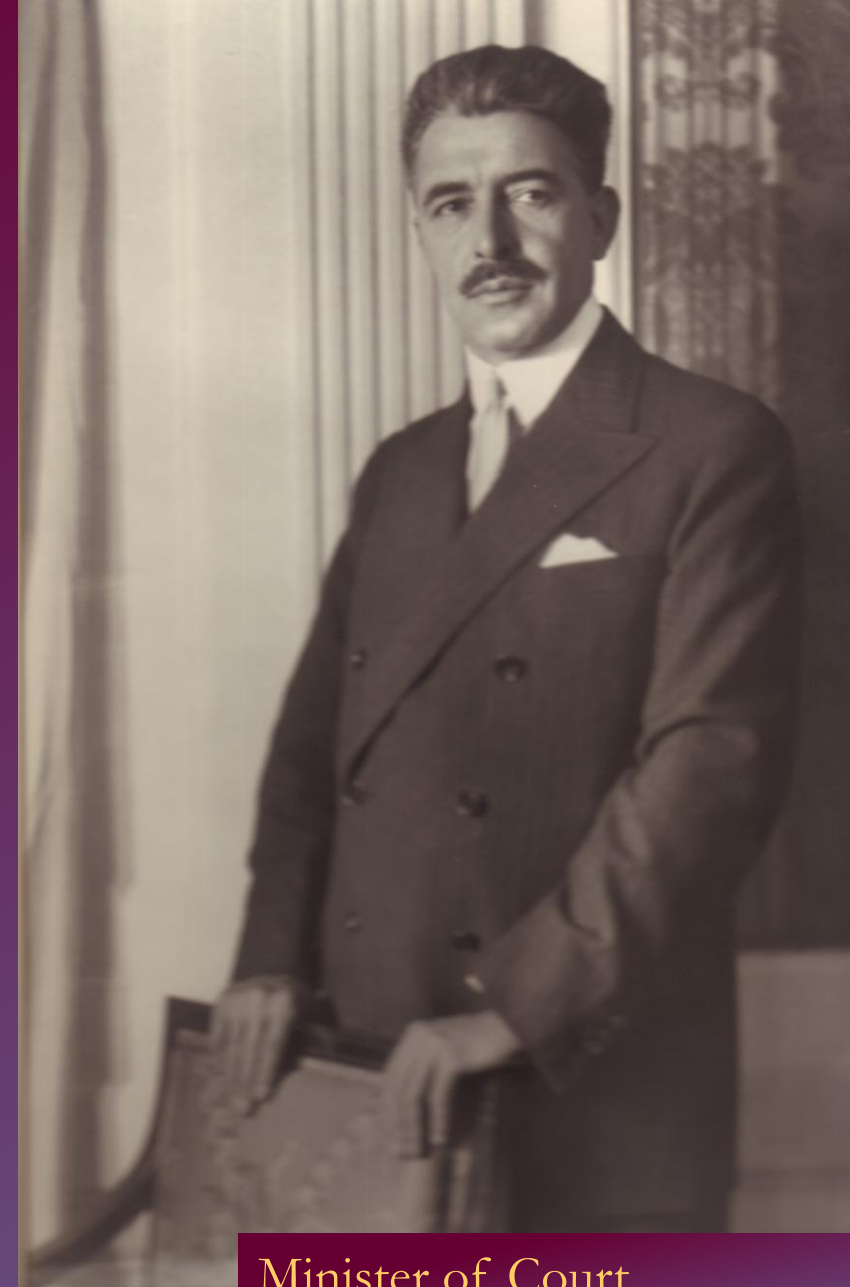


Minister of Finance,
Ali Akbar Davar



Tehran Chamber of Commerce
President, Abdolhossein Nikpour

Source: 'Hey' at-ye Ra'iseh-e Otaq-e Tejarat-e
'Tehran', *Majallah-ye Otaq-e Tejarat*, no. 87
(Ordibehesht 1313/April-May 1934), n.p.



Minister of Court,
Abdolhossein Teymurtash

Source: https://commons.wikimedia.org/wiki/File:Official_Portrait_of_Teymourdash.jpg

Women in Iran's Economic History: Gol Bangiz, Glassware Entrepreneur

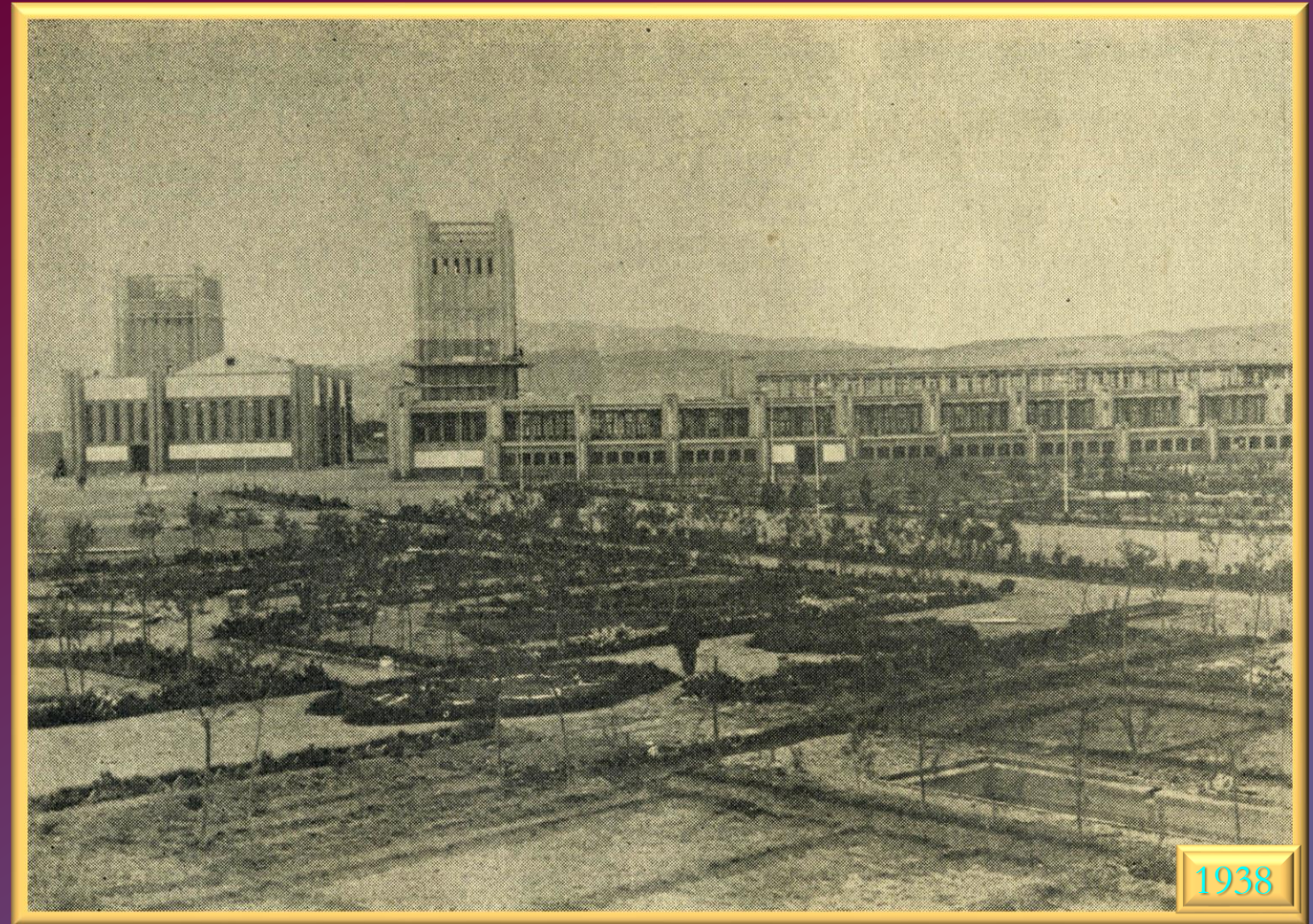


Among the entrepreneurs who participated in the April 1936 Exposition of Iranian Products in Tehran, there were two women. Gol Bangiz had founded the first factory and technical institute for the production of opaque and coloured glass in 1932, supplying offices, institutions, homes and shops. She employed eight workers for the production of mirrors, street lights, globe lights, tube lighting and small bottles, including those for medicine. Likewise, Betul Khanom Mohajer-Qarabaghi's imitation Damask roses and other artificial flowers were on display.

Haj Mirza Ali Gheissarieh, Founder of Qom Risbaf Factory

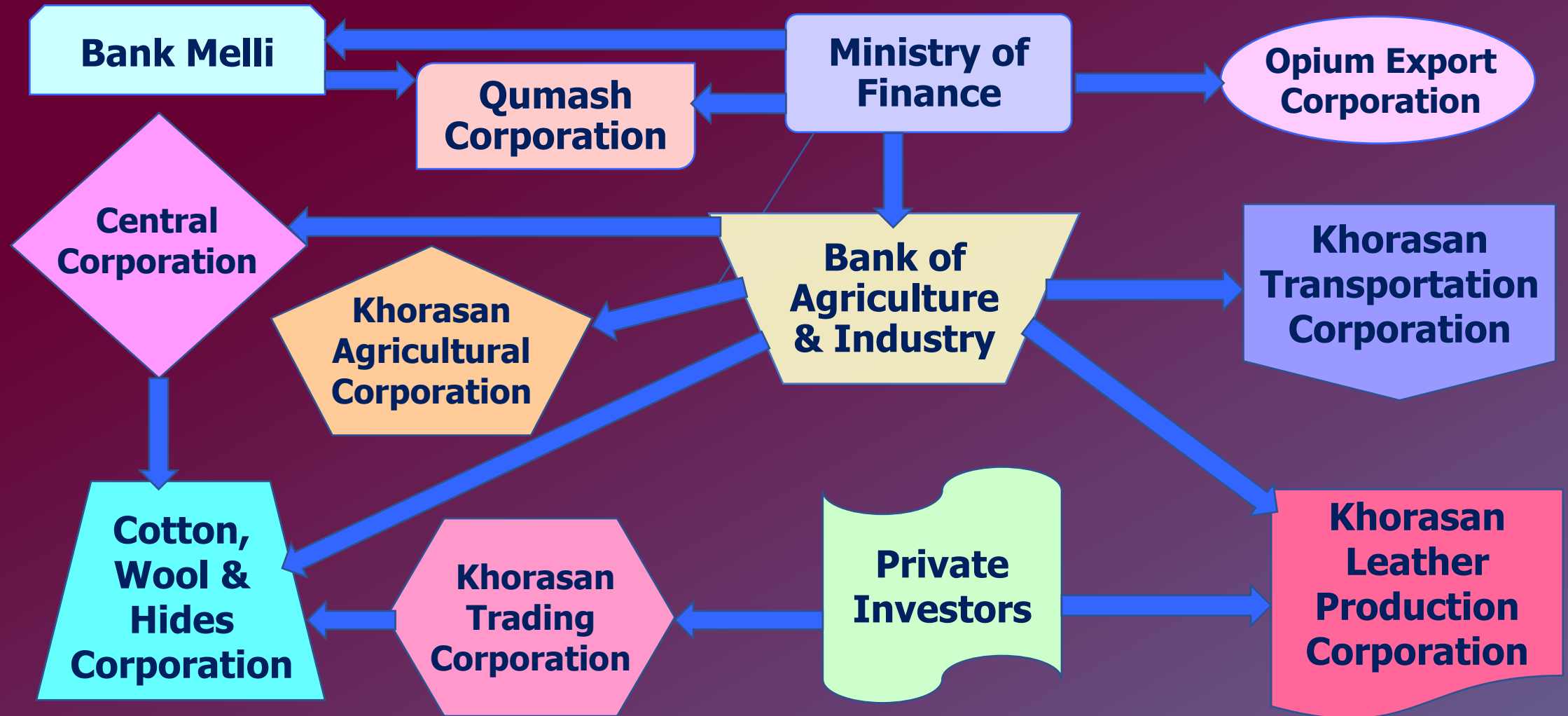


Image courtesy of Dr. Ali Gheissari.

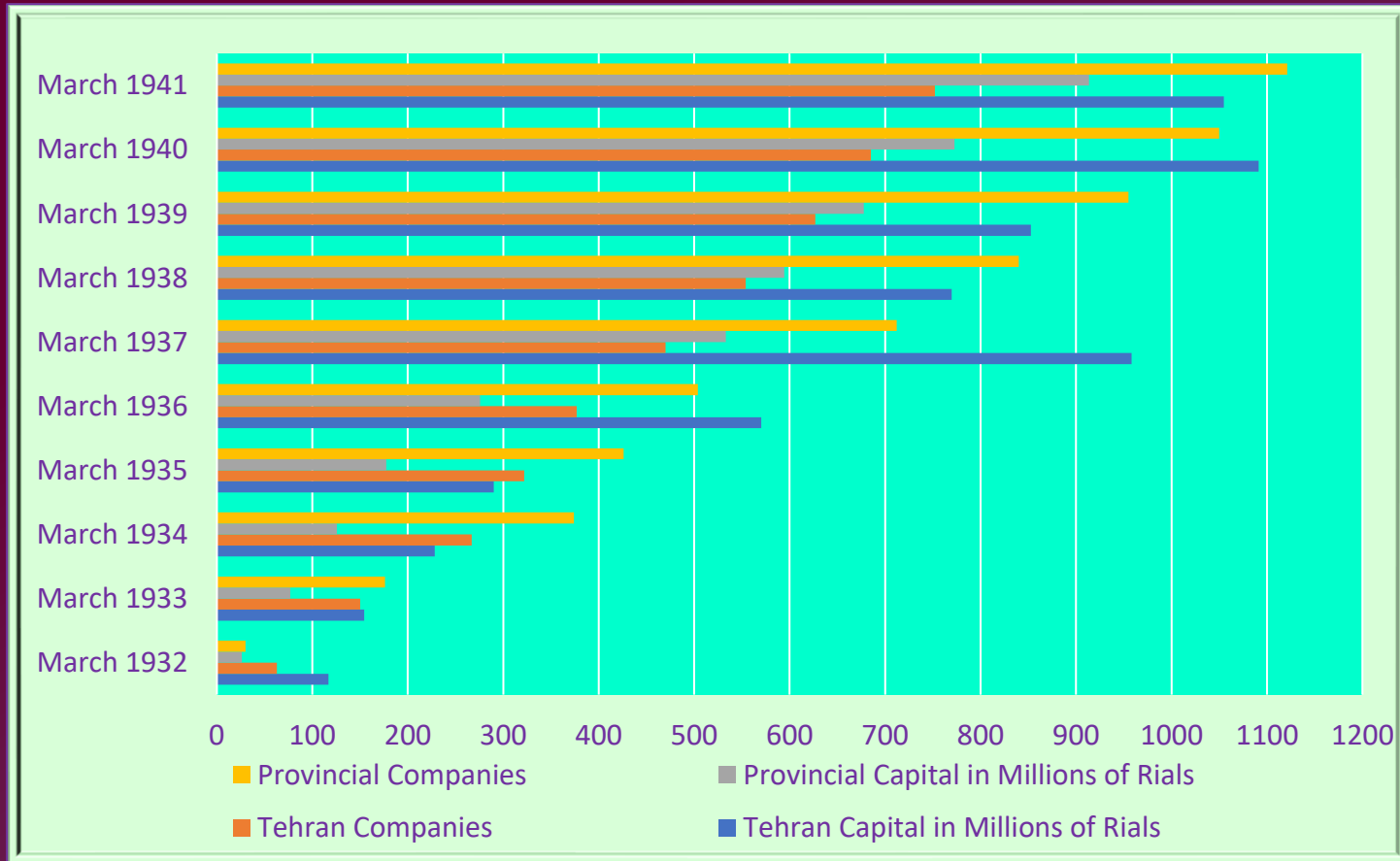


Source: Astaneh-ye Qom, *Rahnema-ye Qom* (Tehran: Chapkhaneh-ye Majles, 1317/1938), Figure 59.

Map of Investment in Khorasan Corporations of the 1930s



Growth of Registered Companies in Tehran and Provinces



The Law of Commerce, passed on February 14th, 1925, set the stage for the growth of Iranian companies during the 1930s. Teymurtash and Davar, as well as Nikpour, had major roles in the expansion of joint-stock companies (corporations) for foreign trade, agriculture and industry, which neutralized the hegemonic aims of the Soviet Union’s commercial organizations. Thanks to state legislation, including the laws supporting domestic factories of 1925/6, as well as the national banks, foreign trade monopoly and corporations, by 1936, “industrial centers... [were] arising in the country, where, 10-15 years ago, there had been no trace,” as noted by the Soviets.

Source: Ruznameh-ye Rasmi-ye Keshvar: Bahsh-e Ainal, 1300–12
 (Tehran: Ruznameh-ye Rasmi-ye Jomhuri-ye Eslami-ye Iran, 1388),
 89-110; RGAE, f. 413, op. 13, d. 1083, l. 45.

Source: “Statistique des sociétés enregistrées en 1319 (1940-1941),” Bulletin de la Banque Mellié Iran, no. 61 (September-October 1942), 256.

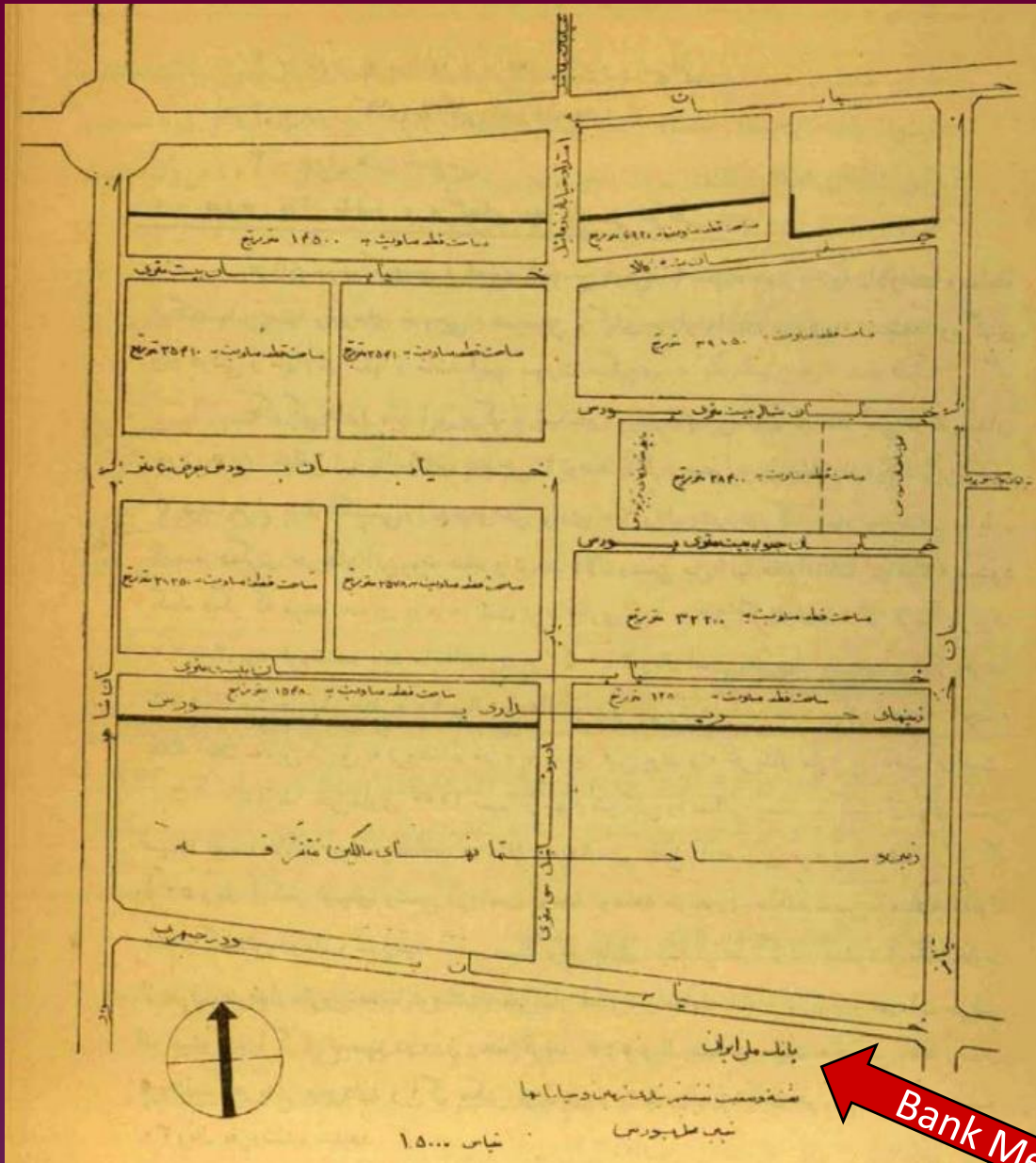
Iranian Companies and Their Statistics, 1940

Company Type	English Equivalent	Total (March 1940)	Total Capital (Rials)
sherkat-e sahāmi	joint-stock company (corporation)	592	1,478,130,000
sherkat-e nesbi	proportional liability partnership	486	142,040,000
sherkat-e tazamoni	general partnership	259	142,370,000
sherkat bā mas'uliyat-e mahdud	limited liability company	385	95,680,000
sherkat-e mokhtālet-e gheyr-e sahāmi	limited partnership	see below	see below
sherkat-e mokhtālet-e sahāmi	limited joint-stock partnership	“	“
sherkat-e ta'āvoni-ye toolid va masraf	manufacturing and consumer cooperative	13 (includes two above categories)	5,740,000 (includes two above categories)

Source: “Statistique des sociétés enregistrées en 1319 (1940–1941),” *Bulletin de la Banque Mellié Iran*, no. 61 (September–October 1942), 259–64.

Tehran Stock Market Plan

The 1940 plan for a massive stock exchange – said to rival New York’s – was a bold response to rising wartime inflation that anticipated the private sector’s future expansion. The fact that Iran’s stock market was to be built within the vicinity of the Tehran Bazaar indicated that the state considered the traditional marketplace to be the ideal hub for modern commerce and finance. This complex would include: 1) a stock market for the rial and foreign currencies, securities and currency exchange; 2) a commodity exchange and reserves; 3) a private stock exchange. It was interrupted by the 1941 Allied invasion.



Bank Melli

Iranian Industry of the 1940s

In spite of wartime inflation and the Allied occupation's severe disruption of the Iranian economy, there were at least 213 domestic factories operating in 1946; about half were cotton or wool processors. The Behshahr Chintz Factory was one of the largest, established in 1938, operating at nearly 80 per cent capacity with an output of 9,580,385 metres of fabric. Both operating at about 50 per cent capacity, the Shahi Linen and Chalus Silk Factories produced 1,952,000 metres of linen fabric plus 137,500 bundles of yarn, and 367,483 metres of silk textiles, respectively. The Kazeruni family's Vatan Factory in Isfahan had an output of 489,895 metres of woolen fabric and 31,727 wool blankets. Tehran and Rasht continued to be manufacturing hubs for socks and knitwear. Likewise, the Kahrizak, Karaj, Miandoab and Marvdasht Lump Sugar Factories, and the Khosravi Leather and Pashmineh Wool Factories in Tabriz had continued to operate throughout 1941-46. The two leaders among fifteen domestic producers, Tehran's Darugar and Mak, churned out 247,530 kilograms of laundry detergent and 1,171,000 bars of soap, respectively. Tehran also boasted thirteen glass manufacturers, whose output totalled 6,800,000 pieces of glassware and 1,800 kilograms of glass. Momtaz-e Iran of Tabriz and Saadat of Zanjan were at the top of the list of twenty-four match factories, manufacturing a total of 103,302,000 boxes. Rasht's gunnysack factories had an output of 36,200 kilograms of twine and 1,823,483 metres of burlap sacks, and Karaj's cardboard manufacturer produced 200,000 kilograms. Iranian industry continued to grow during the 1940s: six state tea factories and nine rice mills were founded in northern Iran from 1932 to 1945, processing 790 tonnes of tea and almost 12,600 tonnes of rice in 1946. In the same year, a refractory brick factory, which had opened in 1942, produced 1,332,555 kilograms of bricks, and the Rey Factory churned out 36,567 tonnes of cement. In 1943, the Varamin Oil-Extraction Plant, the Amin Abad Sodium Bicarbonate Factory and the Shahi Cannery were established, as well. In 1946, the first yielded 127,068 kilograms of cottonseed oil, the second was operating at full capacity and the third was among a group of domestic fish canneries that had turned a total net profit of 10,848,500 rials. Moreover, by this point, there were seven grain silos in Tehran, Tabriz, Isfahan, Ahvaz, Mashhad, Kermanshah and Shiraz.

Conclusions

- Iran's economy faced domestic and international challenges during the 1920s-1940s
- Due to the scarcity of foreign loans and currency, and its unequal foreign trade position and nascent industrialization, Iran monopolized domestic resources for rapid economic expansion
- By centralizing capital and resources, Iran was able to plan and expedite multiple projects for the railway, roads, ports, mines and factories simultaneously throughout the country
- By integrating foreign trade, industry, mining and agriculture into a centralized system with the support of the new national banks, Iran was able to displace the Soviet Union's commercial organizations and strengthen its financial autonomy in relation to Great Britain
- The diversification of economic relations with 'third countries', such as Germany and Czechoslovakia, was another effective way of curbing Soviet and British influence
- Apart from Reza Shah, economic development was advanced by merchants and other entrepreneurs, especially, the Chambers of Commerce, and Mostofi al-Mamalek, Teymurtash, Davar, Qavam, Forughi, Millspaugh, the Majles, and collectively, Iranian society

Thank you for your attention.

Watch for our forthcoming book,
Labour History and the Economy in Iran:
Workers, Entrepreneurs and the State (I.B. Tauris)