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**State, society and labour in Iran, 1906-1941 : a social history of Iranian industrialization and labour with reference to the textile industry**  
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**Citation**

Afacan, S. (2015, June 23). *State, society and labour in Iran, 1906-1941 : a social history of Iranian industrialization and labour with reference to the textile industry*. Retrieved from <https://hdl.handle.net/1887/33227>

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**Title:** State, society and labour in Iran, 1906-1941 : a social history of Iranian industrialization and labour with reference to the textile industry

**Issue Date:** 2015-06-23

## **Chapter Four: Industrialization and the Textile Industry in Iran: 1906-1941**

### **Introduction:**

Economic development and industrialization have always been among the primary concerns of Iranian reformers and of the larger population, particularly from the mid-nineteenth century onwards. As Chapter-2 illustrated, several steps had been taken during the 19<sup>th</sup> century in order to obtain factory-based industrialization and to promote craft industries. Nonetheless, the treaties signed with foreign governments, especially Russia and Britain, in the nineteenth and early twentieth centuries determined the basic framework of Iran's foreign trade. Although in the beginning the aim of Russia and Britain was to provide cheap raw materials from Iran they gradually came to treat it as an open market for their ready-made products. Especially from the late nineteenth century onwards, foreign imports began to dominate the Iranian markets to the detriment of domestic production. This subsequently prompted a popular protest against foreign goods and the resulting trade deficit. The subsequent protectionist and developmentalist tendencies which emerged during the 19<sup>th</sup> century proposed various solutions to the economic escalation which persisted well into the 20<sup>th</sup> century. It is safe to suggest that the increasing penetration of European commercial and political power into Iran substantially added to the complexity of economic development. On the one hand, crafts industries dominated the manufacturing scene of Iran and they were in need of protection and promotion to curtail the increasing imports of European commodities. On the other, the existing production capacity was, according to some, unable to counterbalance the ready-made imports which made factory-based industrialization a central economic policy. Nevertheless, in either case, European economic domination was the main question. While the government tried to secure as much cash as possible from customs duties and foreign investment, and a number of big merchants made huge fortunes from foreign trade, the popular classes, especially native manufacturers, had thoroughly negative perceptions regarding the foreign economic presence in Iran. Although these perceptions and the resulting debates on economic development played major and varying roles in the economic policies of several governments in Iran during the period under study, they have largely been insufficiently addressed in the existing literature.

Therefore, in the following section I will examine popular perceptions of economic development in Iran by referring such issues as trade balance, trade deficit and large-scale industrialization vs. crafts industries. This will demonstrate the complexity of the economic realm in Iran as a major field of state-society interaction. Following this, industrialization from the beginning of the twentieth century until the end of Reza Shah's reign will be discussed as two distinct periods. The first period which extends from the early twentieth century to the late 1920's was characterized by minimum tariff autonomy, lack of an industrial working class, and the coexistence of crafts industries with large scale industrial establishments. During the second period, late 1920's and 1930's, Iran largely reclaimed its tariff autonomy and experienced an industrial leap forward. Industrialization policy during this second period was almost invariably based on factory-based industrialization. Although other industries will be addressed throughout the chapter, the emphasis is on the textile industry.

## Foreign Goods and Native Consumption: Popular Reactions to Foreign Economic Domination

To the Honourable Ministers of the Majles may their Fortune Endure. Since we Iranians must do everything forcibly I present the following petition. As a humble servant [bandeh] I am not a shroud-seller or a *karbas*<sup>1</sup>-seller and I am presenting this only to help the unemployed and the poor. How long shall we continue to shroud our corpses in foreign fabrics? Besides, when mister draper recognizes that the fabric will be used for shrouding he gives one of a lower quality. Instead of a prayer there are Jewish or foreign words on the shroud: no. 17 from Manchester.

I request my proposal to be implemented if approved by you. When we are alive we do not use home-made clothes (*lebas-e vatan*) and we go around on foreign shoes. At least let our corpses be buried in Iranian fabrics (*lebas-e Iran*). Each year one million (*do karvar*) Iranians pass away and one shroud costs fifteen tumans (approx. £3). This way we can annually save one and a half million tumans. We do not need the foreign fabrics, Iranian *karbas* is enough. All we need is a law similar to the Registration Law.<sup>2</sup> If such a law is put into effect neither the gravedigger can bury the body nor can the gentlemen [the clerics] perform the prayer [if the law is violated]. I hope if Allah wills the use of *karbas* as shroud will soon be implemented. Mohammad Shafi' Nili.<sup>3</sup>

By the turn of the twentieth century the greater part of the foreign imports into Iran consisted of consumption items, of which textiles, tea, and sugar were the leading articles and only one percent could be classified as capital goods, which were mostly of minor significance.<sup>4</sup> The

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<sup>1</sup> Karbas is a white cotton fabric extensively produced in Iran at that time.

<sup>2</sup> He is referring to the laws of 1920-29 which required the registration of land and property. See: Nikki Keddie, *Roots of Revolution: An Interpretive History of Modern Iran* (New Haven: Yale University Press, 1981), 96.

<sup>3</sup> LMDCIP. 8/7/20/3/102-Gilan, "Mohammad Shafi' About Shrouds", 10 October 1931.

<sup>4</sup> Julian Bharier, *Economic Development in Iran: 1900-1970* (London: Oxford University Press, 1971), 9-10.

challenges posed by the inhospitable landscape were doubled by the low customs duties, lack of a nation-wide market, as well as unpopular economic policies. In the early 19<sup>th</sup> century the Treaties of *Golestan* (1813), and *Torkomanchai* (1828) signed with Russia after the two bitter defeats had set up a standard amount of 5% *ad valorem* duty for imports and exports between Russia and Iran. Britain soon obtained the same privileges in 1841 and in this it was followed by other countries during the next few years.<sup>5</sup> Against this 5% customs duty for foreigners, an Iranian was supposed to pay 7,7% on textiles and 14% on sugar while he was also subject to a road tax (*rahdari*) every time his goods passed through an Iranian town.<sup>6</sup> By the mid-19<sup>th</sup> century Iranian craft industries recovered from the shock created by the growth of imports and managed to find alternative ways to compete with ready-made European products by employing an inexpensive female and child workforce and using aniline dyes and yarns. Nonetheless, Iranian producers were still in acute need of effective protective measures.

Although foreigners enjoyed the lion's share in Iran's foreign trade through their offices and agents in the country, Iranians especially, but not exclusively, non-Muslims partook in foreign trade too. The British were active in the south while the northern regions were largely dominated by Russian firms. On British commercial influence Lord Curzon reports, for example, that in the late nineteenth century in southern Iran six large British firms were actively involved in mercantile activities.<sup>7</sup> He reports that "a good deal of trade is done by native merchants; but the bulk of mercantile transactions passed through the hands of what may indisputably be described as English firms, whose activity here is in pleasing contrast with the apathy that has been displayed in other parts of Central Asia".<sup>8</sup> The foreign domination over Iran's foreign trade in time reached such an extent that "many prosperous Persian traders were converted into the agents of Russian and British commercial firms, and lost their independence".<sup>9</sup> Regarding the Russian commercial presence in Iran E. Grant Duff, the Secretary of the British Legation in Tehran, anxiously commented in 1906 that "the end of Persia as an independent state is not far off".<sup>10</sup> He argued that such northern regions as

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<sup>5</sup> Charles Issawi, "European Economic Penetration: 1872-1921", in *The Cambridge History of Iran Vol. 7*, ed. Peter Avery, Gavin Hambly and Charles Melville, (Cambridge: Cambridge University Press, 1991), 596.

<sup>6</sup> Issawi, "European Economic Penetration", 600.

<sup>7</sup> George. N. Curzon, *Persia and the Persian Question* (London: Longmans, Green, and Co, 1892), 13.

<sup>8</sup> Curzon, *Persia*, 41.

<sup>9</sup> Ahmad Ashraf, "Historical Obstacles to the Development of a Bourgeoisie in Iran", in *Studies in the Economic History of the Middle East from the Rise of Islam to the Present Day*, ed., M. A Cook (London: Oxford University Press, 1970), 326.

<sup>10</sup> FO 371/111 "Situation in Persia, July 1906"

Azerbaijan, Gilan, Mazandaran, and Khorasan lied “within the shadow of Russia, and commercially are practically part of that Empire.”<sup>11</sup>

Along with foreigners non-Muslim Iranians greatly benefited from their contacts with Europe and were involved in foreign trade at high volumes. For example, in the early 20<sup>th</sup> century, Iranian Jews were prominent in the import of cotton textiles from Manchester through Baghdad and it is reported that at least eighty percent of the trade in Kermanshah and Hamadan was in the hands of Jewish traders.<sup>12</sup> In a few trades, however, Muslim Iranians dominated. For example the tea trade was almost entirely controlled by Muslim merchants.<sup>13</sup> This was largely true for the export of carpets and opium, too. In particular, the carpet trade, Iran’s main export item during late nineteenth century, was almost completely controlled by Tabrizi merchants.<sup>14</sup> Towards the end of the nineteenth century Iranian merchants started purchasing directly from Europe instead of buying from foreign firms established in Iran.<sup>15</sup> Some Muslim merchants, such as Hajj Hasan Amin al-Zarb, the famous 19th century Iranian merchant, made huge fortunes from foreign trade.

Importers, whether foreign or native, were the immediate targets of those who opposed foreign goods. The foreign and non-Muslim shops which sold foreign products were regarded as the agents of European economic hegemony.<sup>16</sup> In various occasions, such as the Russian ultimatum of 1911 against the Iranian Majles, foreign goods were boycotted but not always successfully. The curtailment of imports and the development of native industries preoccupied diverse classes of Iranian society. From the beginning there has always been a popular attention to and demands about curtailing imports in order to counteract the dismembering of crafts industries. As the Chapter 2 illustrated several attempts had been made during the nineteenth century to promote craft industries and to introduce factories in Iran. Yet, notwithstanding the extensive human and material capital mobilized for these nineteenth-century projects, they had fallen behind expectations. Many of the state-owned or private factories had to shut down not long after their erection. Thus when Curzon wrote in 1890 that

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<sup>11</sup> FO 371/111 “Situation in Persia, July 1906”

<sup>12</sup> MacLean Report, A and P 1904, pp. 36-39 quoted in Charles Issawi, *The Economic History of Iran: 1800-1914* (Chicago: The University of Chicago Press, 1971), 62.

<sup>13</sup> FO 248/1029 (1911).

<sup>14</sup> Willem Floor, *Guilds, Merchants and Ulama in Nineteenth Century Iran* (Washington: Mage Publishers, 2009), 39.

<sup>15</sup> *Ibid.*, 42.

<sup>16</sup> For example, based on an unauthenticated letter allegedly arrived from the great mullahs of Atabat (Najaf and Karbala) in 1903 Hajj Mirza Hasan of Tabriz urged the Governor of Tabriz abolish the tariffs and close the European and Armenian shops. The forgery soon became clear and Hajj Mirza Hasan of Tabriz was expelled from the city. E. G. Browne, *The Persian Revolution, 1905-1909* (London: Frank Cass & Co. Ltd, 1966), 107.

“factories as the term is understood and used in Europe do not exist in Persia and the multiplication and economy of labour-force by the employment of steam power or even water-power is hardly known” he was hardly exaggerating.<sup>17</sup> Similar remarks were made by Iranians too. For instance, at a meeting between the Shah and a group of merchants in 1893 Amin al-Zarb pointed out the lack of industries in Iran and the country's dependence on Western imports in the following words: “what do we have for manufactories and industries that we can say: we don't want European commodities?”<sup>18</sup> Apparently, crafts industries were simply incapable of meeting domestic demand. Besides, new consumption habits had developed in Iran, and people preferred more colourful and relatively cheaper foreign goods, particularly textiles, over native manufacturers. This, according to some contemporaries, was the main reason for the decline of the craft industries. For example Mirza Hosayn Tahvildar, a contemporary observer and the author of *The Geography of Isfahan*, makes the following observation about the weavers' guild in Isfahan in the 1870s:

For the past few years the cheap red and yellow European fabrics have been popular. Whenever their textile fabrics have had a new design, and have appeared different to the eyes, the people of Iran have given up their body and soul and have pursued the colour and scent of others. In doing this they have incurred losses which they do not realize. Especially now they are crazy about inexpensive clothes which, looked at wisely, are not at all economical or lasting. On the other hand when the merchandise of the weavers' guild lost the market, it began imitating European wares. Weavers paid more attention to appearance than to Quality. It was for the sake of elegant appearance and easy handling that they employed European yarn in weaving qadaks.<sup>19</sup> Their work became ugly and, as a result of mixing European and Iranian materials, it became progressively defective and tore and went to piece while worn: it also lost its stiffness, fluff, and durability. Spinners lost their jobs and gradually perished.<sup>20</sup>

For the bazaars ‘the foreigner’ had become a mutual enemy.<sup>21</sup> To this the ‘traitorous’ native merchants who, in the words of a petitioner from Azerbaijan in early 1920’s, “import into our glorious country the kinds of articles which are domestically produced on a scale great enough to meet people`s demands and by whose production craftsmen are saved from misery” were added.<sup>22</sup> Foreign imports persisted but industrialization attempts remained largely

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<sup>17</sup> Bharier, *Economic Development*, 13.

<sup>18</sup> Quoted by Willem Floor, "The Merchants (tujjar) in Qajar Iran," *Zeitschrift der Deutschen Morgenlandischen Gesellschaft* 126 (1976), 131.

<sup>19</sup> A tightly woven cotton fabric of fast color which was once quite a popular fabric.

<sup>20</sup> Issawi, *Economic History of Iran*, 280-81.

<sup>21</sup> Ervand Abrahamian, *Iran between Two Revolutions* (Princeton: Princeton University Press 1982), 58.

<sup>22</sup> LMDCIP. d4/k25/j12/-p52, “From Muhammad Ali Ayineh-saz To the Honourable Deputies of the Sacred Majles”, 19 March 1923.

unsuccessful. By the turn of the 20<sup>th</sup> century Iran had only a negligible number of large-scale factories with ten or more workers. Mohammad Ali Jamalzadeh, an employee of ILO, gives a list of 29 factories which were established in Iran but he believes that these factories whether owned by foreigners or Iranians have not provided the expected outcome “out of inexperience, lack of persistence and especially due to the competition of the two evil neighbours”, to wit, Russia and Britain.<sup>23</sup> Out of these factories nine were occupied with textiles and related industries such as silk reeling, and cotton ginning. According to Floor, on the other hand, between 1900 and 1914 about 30 modern large-scale factories were established.<sup>24</sup> Many of these enterprises were either gradually abandoned as failed projects or went into bankruptcy for a variety of reasons. Despite the failed attempts at factorization, however, many small-scale manufactures found a place in the market. By 1928 thousands of workshops were established in Tehran alone.<sup>25</sup>

**Table 4.1: Large Scale Factories in Iran and Their Labour Force 1890-1914**

<i>Type of factory</i>	<i>Number of workers</i>
<b>1890-1900</b>	150
Silk reeling factory/Amin al-Zarb	
Silk reeling factory/Birikadeh	20
Match factory/Tehran	50
Paper mill/Tehran	60
Sugar mill/Kahrizak	300
Glass and porcelain/Tehran	20
Brick-making/Tehran	20
Oil-refineries/Gilan (5 plants with 272 men)	54
<b>1900-1914</b>	
Yarn factory/Tabriz	100
Brick factory/Orumiyeh	30
Olive-oil mill/Rudbar	20
Cotton ginning (26 factories with 416 workers)	16 (average)
Timber mill/Rasht	15
Timber mill/Talesh	15
Tobacco factory/Mashhad	20
Brick factory/Tehran	20
Soap factory/Nezafat	20
Brewery/Orumiyeh	15
Brewery/Tehran	10
<b>Arsenal/Isfahan</b>	<b>15</b>

Source: Floor, *Labour and Industry*, 119-120.

<sup>23</sup> Hojjat Fallah Tootcar, “Social and Political Activities of Guilds and Artisans from the Iranian Constitutional Revolution to the Rise of Reza Shah, 1906-1925.” PhD diss., (in Persian), Tarbiyat Modarres University, 2003, 26.

<sup>24</sup> Floor, *Labour and Industry in Iran*, 119. In one occasion he lists thirty-seven of such factories (Floor, *Ibid.*, 119-120), while in another one he enumerates forty-five of them (Willem Floor, “Traditional Handicrafts and Modern Industry in Iran: 1800-1914”, *Zeitschrift der Deutschen Morgenländischen Gesellschaft* 141, 343.

<sup>25</sup> According to Bharier 5,000 industrial workshops had been established in Tehran by 1928 with which provided employment to 15,000 workers and produced a wide range of goods.” Bharier, *Economic Development*, 171. Floor is suspicious about this number for it includes the kind of enterprises that do not qualify as workshop such as services. Floor, *Labour and Industry*, 121, footnote 28.



Against the inflow of imports the production of such export-oriented items as carpets, shawls, woollen and cotton fabric, silk-stuff and leather recorded a major increase in the same period and accounted for nearly one quarter of the value of Iran's total visible exports.<sup>26</sup> Yet Iran continued to suffer a chronic trade deficit. The promotion and development of native industries and the curtailment of imports were emphasized in literary works, religious writings and petitions sent from the public to the Majles. *Ahmad's Book or the Talibian Vessel* which was written in 1900 by 'Abd al-Rahim Talebov, an Iranian intellectual and social reformer, is an example of such literary texts.<sup>27</sup> In the fictional conversations between the author and his fictional son, Ahmad, Talebov draws attention to the significance of promoting home industries in the following words:

“If we do not open schools our children will remain illiterate. If we do not establish companies, develop and promote our industries and wear home-made clothes we will need foreigners for everything from match to paper. We will then send orders to their factories every day and we will promote foreign goods none of which is among the necessities of our lives.”<sup>28</sup>

Also, during the late 19<sup>th</sup> century and the early years of the twentieth, several companies were established with the explicit objective of stimulating native industry. *Lebas al-Taqla* (Cloth of Abstinence) was written in 1900 by Seyed Jamal al-Din Va'ez Esfahani, a popular pro-constitutional preacher and writer, in support of such enterprises. Esfahani starts by urging Iranian not to use foreign textiles and to prefer home-made manufactures instead.<sup>29</sup> He argues that to support such enterprises is identical with helping Islam and the Prophet Muhammad. The following two verses from the Quran play particularly important roles in Esfahani's argumentation:

*O ye who believe! shall I lead you to a bargain that will save you from a grievous Penalty? That ye believe in Allah and His Messenger, and that ye strive (your utmost) in the Cause of Allah with your property and your persons: that will be best for you, if ye but knew! (61/10-11).*<sup>30</sup>

By using the metaphor of trade he suggests that two distinct capitals should be mobilized for this purpose. The first one, which is also the basis of all merits according to Esfahani, is faith

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<sup>26</sup> Bharier, *Economic Development*, 170.

<sup>27</sup> Abd al-Rahim Talebov, *Ketab-e Ahmad ya Safineh-e Talebi* (Tehran: Sazman-e Ketabha-ye Jibi, 1967), 98.

<sup>28</sup> *Ibid.*, 98.

<sup>29</sup> Seyed Jamal al-Din Vaez Esfahani, *Libas al-taqwa*, ed. Homa Rezwani (Tehran: Nashr-e Tarikh-e Iran, 1985), 10-11.

<sup>30</sup> A. Yusuf Ali, *The Holy Qur'an: Text, Translation and Commentary* (Brentwood: Amana, 1983), 1541-1542.

in God and the Prophet. According to him the second capital, jihad, entails fighting against the enemies of Islam. Nevertheless, he warns his audience that jihad should not be taken in the narrow sense of the word as to mean armed struggle and literal fight. Quite to the contrary according to him the real jihad is to work for uplifting the message of Islam and increasing its authority and to remove dependence on the enemy.<sup>31</sup> On this common objective Esfahani bases a de-stratifying argument which suggests that all Muslims are servants of Islam and there are no such classifications as poor vs. rich or master vs. servant. Overall, Esfahani's work presents an impressive argumentation where religious, nationalist and patriotic discourses are effectively blended together in order to reach as many audiences as possible.

### **To the Sublime Majles: State-Society Relations and the Economy in Iran**

The ineffective economic policies of the first two decades of the twentieth century, and World War I resulted in the further escalation of the Iranian economy for which imports were again held responsible. Although Iran remained neutral in WWI it suffered extensively from its consequences both as a battlefield of the Great Powers as well as due to the political instability created by the war. The increased unemployment in wartime conditions had a deteriorating effect on the lives of the lower classes as well as the businesses of the well-to-do. Thus the prohibitive and developmental approaches to economic development were voiced once again. Protectionists took a firm stand against the majority of imports, particularly consumption items, and argued that the economic collapse and the perennial trade deficit could only be reversed by an effective ban on imports. Developmentalists, on the other hand, argued that such a ban was not only against the basic principles of free market economy but also practically unworkable since home manufactures did not have enough productive capacity to substitute imports. Hence they urged for comprehensive economic planning and development. In the following paragraphs petitions which were sent in the early 1920's by diverse groups of the Iranian society to the Majles will be investigated in order to illustrate the grassroots dimensions of the debates regarding the trade deficit in Iran.

In October 1921 the Merchants Union of Tehran sent a petition to the Majles in which they attracted the attention of the deputies to the distressing economic conditions in the country where they cautioned about the inescapability of an irreversible devastation in case the

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<sup>31</sup> Va'ez Esfahani, *Libas*, 23-24.

economic situation continued as it was.<sup>32</sup> Based on an analysis of the customs statistics, it was recognized, argued the petition, that the reason for the widespread poverty and economic disaster was the excessive imports compared to the scarcity or even the absence of exports. As a remedy they proposed a list which contained luxuries and decorative items to be banned from importation (Appendix 2). It consisted of eighty one articles which included, but was not restricted to, candles, cacao, sugar, tea, carpets, felt, eggs, biscuits, cheese, salt, fish, meat, vegetables, wax, oil, and gramophone and glass and crystal products. As for the textile articles the list was rather detailed and included all sorts of fabrics made of any material such as woollens, cotton products, silk-stuff, and linens. Indeed there was a chronic trade deficit in Iran's visible trade throughout the 1920's, as before, which by the end of the decade added up to at least \$30 million which was mainly financed by the outflow of precious metals i.e. gold and silver.<sup>33</sup> Upon not receiving any reaction to the first petition, the Union sent a second one in November 1921 to the same effect.<sup>34</sup> Two days after the second petition the Ministry of Agriculture, Commerce and Public Welfare (MACPW) informed the President of the Majles that during the government of Moshir al-Dowleh between July 1920 and October 1920 the matter was investigated and a commission was set up at this ministry in order to consider the prohibition of the importation of luxuries and a report along with a list of such items had been sent to the Prime Minister.<sup>35</sup> It appears from the letter of MACPW that no effective measure was taken on the issue. This was apparently chiefly due to the treaties signed with Britain and Russia as the two major sources of imports.

After the Tehran merchants others too followed suit. The Merchants Union of Hamadan sent a petition in late November 1921 in which they argued that notwithstanding the good intention of the state the law regarding the prohibition of the outflow of gold and silver from the country did not produce the expected outcome due to the smuggling activities of those people who "[did] not care about the interests of the country".<sup>36</sup> By the law they were referring to the law passed by the Majles on 8 May 1915 concerning the prohibition of the outflow of gold and silver from the country. According to the merchants, a ban on the importation of

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<sup>32</sup> LMD CIP. d4/k25/j12/p14, "Merchants Union of Tehran to the Majles", 31 October, 1921.

<sup>33</sup> Massoud Karshenas, *Oil, State and Industrialization in Iran* (Cambridge: Cambridge University Press, 1990), 70. According to Moghadam this \$30 million was the deficit on the visible account including the oil sector. The invisible account was also in deficit during this period. See G. R. Moghadam, "Iran's Foreign Trade Policy and Economic Development in the inter-War Period." PhD diss., Stanford University, 1956, 60. Quoted in Karshenas, *Oil, State and Industrialization*, 70 footnote 11.

<sup>34</sup> LMD CIP. d4-k25/j12/p14, "Merchants Union of Tehran the Majles", 15 November 1921.

<sup>35</sup> LMD CIP. d4/k25/j12/p14, "the Ministry of Agriculture, Commerce and Public Welfare to the President of the Majles", 18 November 1921.

<sup>36</sup> LMD CIP. d4/k25/j12/p14, "From The Merchants Union of Hamadan to the Majles", 20 November 1921.

luxurious and ‘unnecessary’ items would be the most effective measure to obtain the balance of trade. The debate was further continued by Tehran merchants in a third petition which they sent in mid-December 1921 where they openly criticized the inattentiveness of the deputies to the issue.<sup>37</sup> They argued that, from a purely economic point of view, the proposal for a ban on imports was in fact against the interests of merchants. They further argued that only out of a feeling of patriotism (*vatan dusti*), and a sense of altruism they gave priority to the common good. Therefore, the deputies were also called to pay due attention to the matter. In the rest of the petition the merchants drew attention to the possible risks of widespread poverty and deprivation by warning the deputies that the persistence of the trade deficit carried the terrifying risk of producing a widespread poverty. Moreover they added that no powerful force could stand against the devastating consequences of widespread poverty and depravity. In an atmosphere of grave political instability and regional insurgencies this was an intimidating warning.

A series of correspondences between the Majles and various state departments followed this last petition. In February 1922 the Ministry of Finance sent a report to the Majles which was prepared by the commission which was set up at the Administration-General of Customs (AGC).<sup>38</sup> The report started by referring to the above-mentioned law concerning the banning of the export of silver and gold as well as of coins made from these metals. According to the report although the law aimed at protecting Iranian currency against unfavourable wartime conditions, any country which was incapable of reciprocating in kind to imports was obliged to pay in cash. It then stated that, as Josephn Naus, the former administrator of customs, had forecasted, as long as Iran`s imports remained more than its exports and it failed to develop its industries and proliferate its exports according to the principles of economics it was inevitable that it would spend its gold and silver stocks, which would result in poverty and bankruptcy. In another report AGC summarized its views on a proposed ban on imports under three articles.<sup>39</sup> Firstly, it was proposed that the government should examine the nation`s commercial treaties in order to ensure whether a ban on imports is legally feasible. Secondly, the Iranian government had a right to adopt countervailing measures in order to decrease imports and to obtain a positive trade balance, through which it would protect and promote its national industries. According to the report, in recent years many European states put extraordinary taxes on imports for various reasons, but primarily to protect the value of their

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<sup>37</sup> LMDCIP. d4/k25/j12/p14, “Merchants Union of Tehran the Majles”, 1 December 1921.

<sup>38</sup> LMDCIP. d4/k25/j12/p14, “From the Ministry of Finance to the Majles”, 14 February 1922.

<sup>39</sup> LMDCIP. d4-k25-j12-p14, “From the Administration-General of Customs to the Ministry of Finance”, n.d.

money. In this way they aimed at increasing their customs revenues as well as promoting their industries. Thirdly, as the Administrator General has suggested in earlier years, the government could put extortionate taxes on some luxuries, and apply prohibition to others.

From early 1922 onwards, merchants, guildsmen and workers in the provinces were more actively involved in the debates. In January 1922 Hajj Taqi Vakil al-Ro'aya of Hamadan, one of the prominent constitutionalist merchants and the sponsor of the sanctuary at Abd al-'Azim in 1906, sent a private petition to the Majles where he brought a new dimension to the issue.<sup>40</sup> After highlighting the importance of maintaining the balance between imports and exports he called the attention of the deputies to the significance of free trade and the possible risks of violating it. Based on this, he proposed that a law should be passed according to which those who wanted to import foreign manufactures into Iran should first export Iranian goods of the same value as their imports. Vakil al-Ro'aya was also the head of the Merchants' Union of Hamadan and his arguments should have influenced other merchants too. In the second petition sent to the Majles on 7 February 1922 the Union argued that prohibiting the import of luxuries would not save more than four million tomans.<sup>41</sup> Furthermore due to the principle of free trade as an important principle of international trade, such a measure would not produce the expected outcome. The Union then argued that balancing the trade through encouraging and increasing exports was the only viable solution. However, the merchants were aware of the fact that achieving such an economic leap forward in the near future was nearly impossible, since it would require the development and dissemination of trade, agriculture and industry, building streets and roads, exploitation of mines such as those in Kerman province, building dams, opening an agricultural bank and companies, establishing and supporting factories and materializing several other infrastructural projects. In order to achieve these developments, added the merchants, Iran would need much time which made this option impractical for the day. As an interim solution the one put forward by Vakil al-Ro'aya was repeated.

Nonetheless it appears that both Vakil al-Ro'aya and the Union abandoned this rather complicated solution and turned back to the simple one proposed by the merchants of Tehran. This shift becomes clear in a petition sent on to the Parliament on 12 January 1923.<sup>42</sup> After reproducing their account as to the economically harmful impacts of the trade deficit and the

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<sup>40</sup> LMDCIP. d4-k25-j12-p14, "From Hajj Taqi Vakil al-Ro'aya of Hamadan to the Majles", 2 January 1922.

<sup>41</sup> LMDCIP. d4-k25-j12-p14, "From The Merchants Union of Hamadan to the Majles", 7 February 1922.

<sup>42</sup> LMDCIP. d4-k25-j12-p14, "From The Merchants Union of Hamadan to the Majles", 11 January 1922. In order to draw attention to the issue in February 1927 the Union also published it as a proclamation (Appendix 3).

significance of the positive trade balance the merchants described the socially devastating consequences of the excessive imports which, they argued, hurt every sensible person. According to them the inflow of foreign goods into the country had gradually destroyed thousands of Iranian families who lived on handicrafts. These people who relentlessly worked for long years to meet the domestic demands resisted these unfavourable conditions to the greatest extent. However because of a lack of protective measures in support of their trades, they disappeared. The marks of this decadence and misfortune, they argued, could be seen in such craft centres as Kerman, Esfahan, Kashan, and Yazd, as well others. The merchants then warned the Majles that should they keep on tolerating this situation, the country would, due to the predominance of imports over exports, turn into a great beggar house and an irreversible decline would set in. Based on this, they reaffirmed their proposal for the prohibition of the importing of decorative, luxury, and unnecessary items into Iran. According to them, after inspecting national manufactures and textiles, which could become productive with little support, a law prohibiting the importing of goods equivalent to goods produced in the country should be passed.

As the Majles did not take any concrete measures, petitions were sent from the provinces, such as the one sent from the Merchants Union of Malayer in November 1922.<sup>43</sup> After criticizing the deputies for not paying attention to their previous petitions and for not discussing them openly in the Majles, they stated that the trade balance was a matter of life and death. Thus, they argued, instead of discussing issues of minor significance, the deputies were supposed to consider the trade of the country and the ways to obtain a positive balance of trade. Further, in December 1922 a certain Mahmud M. Ramez, a textile entrepreneur from Tehran, sent a petition in which he argued that the only way out of the widespread poverty and depravity was to use national textiles and manufactures. To this end, he added, a law for the encouragement of industrialists should be passed by the Majles.<sup>44</sup> According to Ramez this law would consist of three articles. According to the first article, the state would, through MACPW, allocate ten thousand tumans in order to develop the textile industry. The second article would state that the ministry would make sure that no penny was wasted. According to the last article, fifteen months after a factory started its operations completely, the entrepreneurs would annually pay back five hundred tumans to the ministry with a certain percentage of interest that the government would determine.

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<sup>43</sup> LMDICP. d4-k25-j12-p14, "From Merchants Union of Malayer to the Majles", 23 November 1922.

<sup>44</sup> LMDICP. d4-k25-j12-p14, "Mahmud M. Ramez to the Majles", 2 December 1922.

A close analysis of these protectionist and developmentalist opinions reveals that there was an observable accord of views as to the vitality of curtailing imports. Yet opinions do not appear to be clear enough about how domestic demand could be met once imports were effectively curtailed. On the one hand, one has the impression from the protectionist approach that the capacity of the then-existing home manufactures was self-evidently sufficient. Put differently, it was suggested that foreign manufactures did not fill in any gap in the market but only blocked the way of home-made goods. Therefore the sole prohibition of the importation of such articles was sufficient. Yet, the developmentalists approach acknowledged the insufficiency of domestic manufactures, but they disagreed on how to overcome it. According to some, the solution lay in the encouragement of crafts industries while others urged for large-scale industrialization accompanied with infrastructural projects. Generally speaking, however, the issue of a ban on imports and the promotion of home-made production was as much an emotionally charged discursive debate as it was an informed negotiation on the productive capacity of the country. As different classes other than the merchants became involved in the discussions, this dimension became more visible.

In December 1922 the Guilds' Union of Tehran sent a petition to the Majles in which they reproduced the account of the negative consequences of the disastrous economic situation and argued that guild members were the most immediate victims.<sup>45</sup> Then, they expressed their support for the then-discussed bill which would make it obligatory for those who lived on the treasury of Muslims, to wit state employees, to wear domestically-produced clothes. This law, which will be discussed below, was passed on 19 February 1923. According to the Union, an article introducing a penalty for violators should also be added to the law. Finally, they stated that through this law some needs of the country would be met and new employment opportunities would be created for the jobless. In the meantime, religious groups brought a new dimension to the issue. On 6 December 1922 the Society of Religion (*jame'eh-e diyanat*), and the Society of Free Muslims (*jam'iyat-e ahrar-e eslami*) petitioned the Majles. On the top of the petition sent by the former a Prophetic saying was quoted which goes as "Islam is always higher and nothing goes above it" (*al-eslamo ya'lo vala yo'la aleyh*). By ascribing the deteriorating economic situation of the country to the excessive imports and the scarcity of exports the petition affirmed its support for the above-mentioned bill which would save the people and the helpless workers from misery. It was also stressed that use of national textiles and other goods was an effective means to combat imports. The Society of Free

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<sup>45</sup> LMDICIP. d4-k25-j12-p14, "From the Guilds' Union of Tehran to the Majles", 2 December 1922.

Muslims also supported the proposal of the merchants regarding the prohibition of the importation of luxuries.

In the meantime, the Merchants' Union of Tehran continued to pressure the Majles for the adoption of their proposal. They argued in a petition sent in January 1923 that although their proposal as to the prohibition of the importation of unnecessary articles was met positively by the deputies, no measures had been taken in last the two years to reverse the economic problems.<sup>46</sup> Therefore they asked their proposal to be loudly read in the Majles and to be put into practice if considered useful. In case the deputies did not find it useful, added the merchants, they should come up with a better solution about which they should inform the merchants. The responsibility of the Majles to improve the country's economy and to develop native industries was further highlighted by the petitions sent from the merchants' unions of Golpayegan (6 February 1923),<sup>47</sup> Kermanshah (11 February 1923),<sup>48</sup> Ardabil (22 February 1923),<sup>49</sup> Astara (27 February 1923)<sup>50</sup> and Khorasan (5 March 1923).<sup>51</sup> All of them shared the same determination as to the significance of the protectionist trade measures. According to the Kermanshah merchants, the textiles produced in Isfahan and Khorasan, as two of the leading craft centres, could save the country from foreign products if effectively encouraged by state policies. The petitions sent from Astara and Ardabil, two of Iran's northern cities close to the Russian border, blamed Russian merchants for the grave economic situation. Speaking on behalf of "the people and the merchants of the town", the petition of the Merchants Union of Ardabil drew attention to the assaults on and the monopolization of Iran's economy by Russian merchants. The merchants of Astara took a rather aggressive stand against foreign merchants. After referring to the widespread poverty in Iran the petitioners stated that Iran's unjust and inhumane civilized neighbours were "by various tricks and unbearable devices from every corner busy destroying Iran's future and fortune, monopolizing its trade, and turning Iranians into servants and captives". Thus, the supplicants expressed their support for a ban on imports. In this way, Iran should immediately make it clear to foreigners that Iranians were no longer willing to submit to their pressure and monopolization of their trade and would no longer be subject to their unjust and greedy ends. In any case, added the petition, the merchants, the notables as well as the toilers and the farmers of Astara would

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<sup>46</sup> LMDCIP. d4-k25-j12-p14, "From Merchants' Union of Tehran to the Majles", 16 February 1923.

<sup>47</sup> LMDCIP. d4-k25-j12-p14, "From Merchants' Unions of Golpayegan to the Majles", 16 February 1923.

<sup>48</sup> LMDCIP. d4-k25-j12-p14, "From Merchants' Unions of Kermanshah to the Majles", 11 February 1923.

<sup>49</sup> LMDCIP. d4-k25-j12-p14, "From Merchants' Unions of Ardabil to the Majles", 22 February 1923.

<sup>50</sup> LMDCIP. d4-k25-j12-p14, "From Merchants' Unions of Astara to the Majles", 27 February 1923.

<sup>51</sup> LMDCIP. d4-k25-j12-p14, "From Merchants' Unions of Khorasan to the Majles", 5 March 1923.



practically put the proposal into effect and refrain from using foreign goods as much as possible.

‘The law for the use of national clothes’ (*qanun-e este‘mal-e albasesh-e vatani*) passed in February 1923 should be considered against this backdrop. The law made it compulsory for all state employees, including the military, to wear clothes produced of native fabrics and of Iranian make. In a collective petition dated December 1922 the supplicants expressed their gratitude to the parliamentarians for their sensitivity to native textiles and discussing the bill at the parliament.<sup>52</sup> According to them this law was the only guarantee of the honour and the future of religion and the country (*din va dowlat*). Another petition dated 4 January 1923 argued that the encouragement of national textiles, which would result in the balance of trade, would also save the Muslim nation from being in need to foreigners.<sup>53</sup> On the other hand, however, as far as those people who lived on other sectors were concerned the law caused frustration and resentment. For instance, on 4 March 1923 shoemakers expressed their reservations about the law in a petition which they asked to be read at the parliament as a sign of the deputies’ attention to the situation of a handful of toilers. The petition reads as follows:

Before we begin our petition we entreat the retainers of the President of the Majles, may God make his power endure, and the honourable deputies to read this petition loudly in the Majles and to pay due attention to the situation of these craftsmen. Admittedly the purpose for the establishment of this national regime and the basis of the constitutional system is to attain the means of security and welfare for all as well as to obtain advantages and dispose of disadvantages to Iranians. This can only be obtained by making laws for the good of the country and for providing peace and revenues to people from which the general populace will benefit without discriminating between various crafts therein. You should not forget the principle of egalitarianism (*mesdaq-e vaqe‘-e mosavat*). As shoe makers we have always made sacrifices and become forerunners for the establishment of the sacred constitution while at the same time we have, in the last years, significantly developed our craft and made our handiwork far more beautiful and attractive. However, in return for our efforts, some of the deputies totally disregarded this craft in their debates concerning the use of native fabrics and home manufactures and they were oblivious to our craft and showed a humiliating attitude towards us. Their pretext was that home-made shoes hurt and injured their feet and produced [?]. Of course our words are about a number of deputies who wear foreign shoes and not those who from the beginning of their lives wore home-made shoes. In the meantime we urge those deputies who did not help us to study history in order to see what the Japanese Emperor did and said. You should have already heard that the Emperor, Mikado, declared that until shoes were produced in his country he would go around barefooted

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<sup>52</sup> LMDCIP. d4-k25-j12-p14 “To the Honourable Majles”, 6 January 1923.

<sup>53</sup> LMDCIP. d4-k25-j12-p14 “To the Honourable Majles”, 4 January 1923.

which he really did for a while until shoes were produced in his country. This is what great men and persons who are interested in promoting and developing a nation do. We would like to gain the attention of you gentlemen and request that you pay attention to native shoes like you did to native textiles. This way we request that you add an article about native shoes to the supplement of the law, and promote this craft too.<sup>54</sup>

The petition is an interesting example of how workers engaged with the ruling establishment. On the one hand the workers used every discursive tool at their disposal to criticize the deputies, but on the other hand were careful not display a negative attitude towards all of the deputies, and they distinguished the deputies who wore foreign shoes and those who used domestic ones. However, there were also those who were critical of the actual value of the law which allegedly aimed at appeasing popular excitement due to the insufficient production capacity of the industry.

In a petition dated 4 March 1923 Taqi Daneshvar stressed the unintended consequences of this law.<sup>55</sup> He argued that although there was much excitement among the population as to promoting handicrafts in general and handmade textiles in particular, it was not possible to meet the demand of the market with handmade textiles, and by manually washing cotton and wool. Moreover, he argued, the native wool fabrics communicated anthrax to hundreds of people.

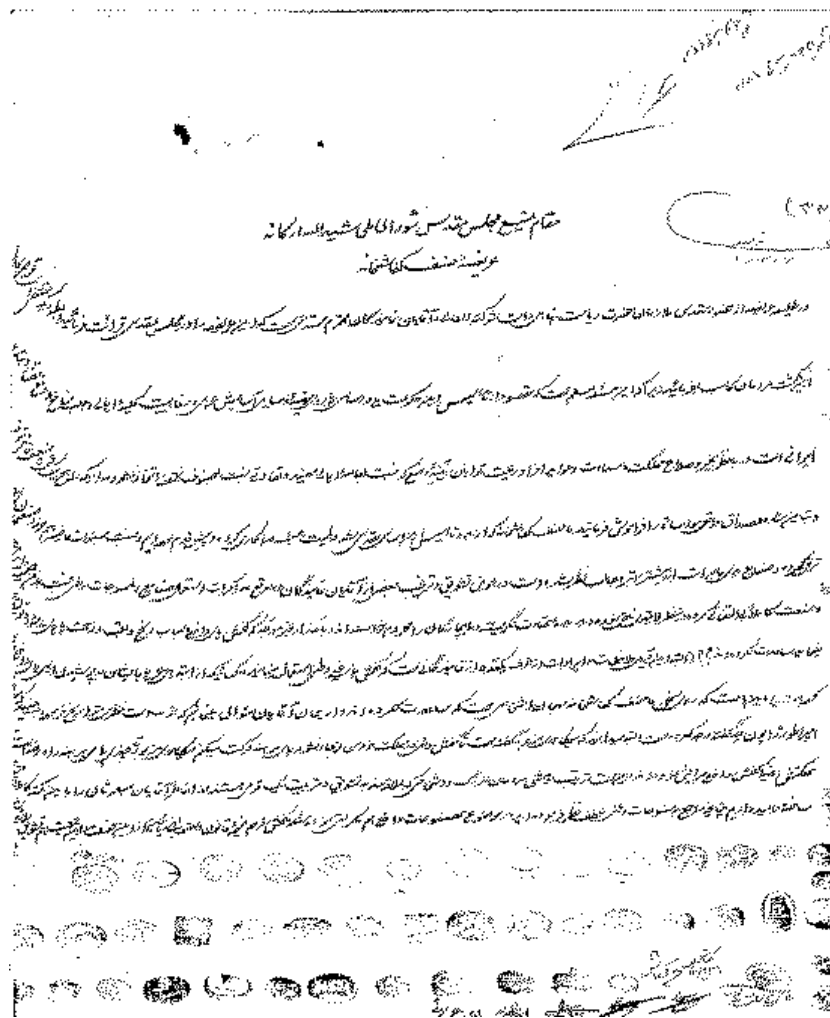
Furthermore, if handmade textiles become widely used, the industry would not be able to meet the demand and prices would rise considerably. This in turn would promote the cheap foreign clothes. Following these considerations Daneshvar emphasized that mechanization of the textile industry was the only feasible solution. Taking into account the devaluation of the German mark he proposed the purchase of factories from Germany at low prices, to be installed in Iran. The issues raised by Daneshvar were not the only problems that the law exposed. Although the law was a notable means to promote the weaving industry, it also betrayed the state's inability to introduce any effective prohibition on imports. Lack of a nationwide market and the virtual absence of transportation facilities were compounded by the hostile economic policies of Russia and Britain.

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<sup>54</sup> LMDCIP. d4-k25-j12-p14, "From the Shoe-Makers", 4 March 1923.

<sup>55</sup> LMDCIP. d4-k25-j12-p14, "From Taqi Daneshvar to the Majles", 4 March 1923.

Figure 3: Shoemakers' Petition Dated 1923



Iran had to wait until the late 1920's to attain full tariff autonomy. New factories were established while at the same time crafts industries continued to dominate the manufacturing sector. From the late 1920's onwards, industrialization policies largely aimed at import-substitution grew at an unprecedented pace. This new policy aimed at large-scale industrialization. Before moving to what is often called the industrial leap forward in Iran in the late 1920's and during the 1930's, an analysis of textile craft industries will be provided. It will be demonstrated that following a set-back from the mid-19<sup>th</sup> century, crafts industries recovered from the shock and competed for the domestic market. It will also show how craftsmen survived and accommodated themselves to the new conditions.

## Industrialization

### Iranian Industries before Large-Scale Industrialization: The Textile Industry in Iran

The history of Iranian industry has often been studied within an urban context by emphasizing a transition, or lack thereof, from traditional crafts which were practiced mainly within guild structures, to large-scale industrial establishments. Although mention was made of other forms of production, such as village production or cottage industries, they were usually referred to in passing. What Donald Quataert calls “the factory orthodoxy” has for a long time haunted Iranian history writing, too.<sup>56</sup> Factories were regarded as the most tangible manifestations of modernity in countries as Iran as, for example, in the Ottoman Empire or Egypt. Thus, greater attention has been paid in Iran to large-scale industrialization attempts in a country where small-scale production was the dominant type of manufacturing. Further, industrialization was judged, in Rudolf Braun’s words, “from the point of view of uprooting, disruption and stereotyping”.<sup>57</sup> The negative impacts of industrialization on craft industries were overemphasized. In the rest of the chapter, I will first discuss the textile industry until the late 1920’s after which will be followed by an examination of large-scale industrialization in Iran.

Encompassing all spinning and weaving activities with their ancillary crafts, such as cotton carding, combing, dyeing and so on, the textile industry was the largest industry in Iran in terms of value production and size of workforce prior to the discovery of oil in the country in 1908, and was still ranked second afterwards. Small-scale manufacturing or cottage-industry, which typically but not necessarily employed less than ten workers and with rather light machinery, was the principal textile production type in Iran. This could either be practiced along guild-lines in urban settings or by part-time cultivator-workers in rural areas. Generally speaking, textile manufacture required little expertise and very light machinery which facilitated its widespread practice, especially for own use. Although urban based manufacturing is relatively well-documented, it is hard to find data that illuminates rural production.

Early-twentieth century Iran could be described as one “big weaving mill supported by many ancillary crafts”.<sup>58</sup> Tabriz, Isfahan, Yazd, Kashan, Shiraz, Mashhad, Kerman and Rasht were

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<sup>56</sup> Donald Quataert, *Ottoman Manufacturing in the Age of Industrial Revolution* (Cambridge: Cambridge University Press, 1993), 14.

<sup>57</sup> Rudolf Braun, *Industrialization and Everyday Life* (Cambridge: Cambridge University Press, 1990), 2.

<sup>58</sup> Floor, *The Persian Textile Industry*, 23.

the major centres of the many textile-producing centres.<sup>59</sup> Although a variety of raw materials were spun and woven in Iran cotton and wool were the most favourite and widespread among them.<sup>60</sup> Silk was particularly processed in Yazd, Gilan, Mazandaran, Khorasan, and Azerbaijan.<sup>61</sup> A simple hand loom was required in weaving and it was quite common to have at least one loom in the house. Testimonies of travellers attest to the widespread practice of weaving in Iran. Although Iranian textile production was hard-hit by ready-made imports, producers soon partly recovered from the shock by mobilizing cheaper labour, and reducing the quality of products through the use of imported yarns and dyestuffs. Consequently despite the initial setback a significant part of the textile industry remained intact. In many parts of Iran weaving continued to be the most important manufacturing activity. Available data can provide an overview of this point.<sup>62</sup> By the end of the nineteenth and the beginning of the twentieth centuries there were 1,000 shawl looms in Kerman with an annual export of 300,000 tomans. There were 200 woollen looms in Na‘in and 300 in Kerman. The number of silk looms in Kashan was 200 producing a monthly output of 400 pieces while Yazd had 400 workshops with 2,000 looms and Mashhad 100 shops with 200 looms, and Nishapur 16 shops

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<sup>59</sup> Generally speaking the history of Iranian industries during the period under study has remained relatively understudied. This holds true for the textile industry too which was one of the most significant manufacturing activities in the country. Apart from the works dealing with local histories, the following are the most useful works on the subject: H. E. Wulff, *The Traditional Crafts of Persia* (Cambridge: The M. I. T Press, 1966). Here Wulff investigates in detail the technologies used, and the technological innovations as well as shifts experienced in textile industry with its various branches, along with other industries; Willem Floor, *The Persian Textile Industry in Historical Perspective 1500-1925* (Paris: L'Harmattan, 1999). This work is the most comprehensive study written in English about Iranian textile industries. After giving detailed information about the raw materials used for and different branches of textile industry and its production centres Floor embarks upon providing a historical account of the industry; Willem Floor, *Traditional Crafts in Qajar Iran, 1800-1925* (California: Mazda Publishers, 2003). In this work Floor covers industries other than the textile such as ceramics, glass making and metal working; Willem Floor, *Labour and Industry in Iran* (Washington: Mega Publishers, 2009). In this work after sketching out the history of traditional crafts in Iran, Floor investigates the history of Iranian industries particularly of factory production; Charles Issawi, *The Economic History of Iran: 1800-1914* (Chicago: The University of Chicago Press, 1971). In this collection of primary sources, and other studies Issawi makes available in English an important set of material written not only in English but also in Russian and Persian; Mohandes Ali Zahedi, *Sanaayi-e Iran bad az Jang*, (Rangin, Esfand 1323). Zahedi provides information about the state and the history of Iranian factories after the World War II. However, since almost all of these factories were established during Reza Shah's time this is basically a work on the factories of the industrial leap-forward of the 1930s and of the 1920s to a lesser extent; Hosayn Mahbubi Ardakani, *Tarikh-e Mo'assasat-e Jadid dar Iran* Vol.3, ed. Karim Esfahanian and Jahanghir Qajariyeh (Tehran: Tehran University Publications, 1368/1988). In the third and the last volume of his encyclopaedic work Ardakani investigates new institutions in Iran from telegraph to telephone and from transportation to large-scale industrial establishment. As far as textile industry is concerned he gives rather detailed information on the establishment, the capital, looms as well as spindles of the factories erected during the period under study and later.. Zahra Sadeghi, *Siyasathaye San'ati-ye Duran-e Reza Shah, 1304-1320* (Tehran: Khojasteh Press, 2009). This is a work on the laws and the decrees related to industries and industrialization during Reza Shah's reign covering a wide range of areas from railway construction to mines, and factories.

<sup>60</sup> Floor, *The Persian Textile Industry*, 13-15.

<sup>61</sup> *Ibid.*, 14.

<sup>62</sup> The following quantitative information is taken, if not stated otherwise, from Charles Issawi, *The Economic History of Iran*, 268.

with 3 to 4 looms. As for cotton weaving, in Yazd there were 800 workshops with 2,000 looms. In these looms, imported British and Indian yarns were used.<sup>63</sup> Also, cotton pileless carpets, locally known as “zalu,” which were made of native yarn, were woven in Maibud around Yazd. In the town a small quantity of thinner, generally in red and blue stripes, was woven using artificial dyes. Also canvas of coarser or finer texture was woven by villagers of Yazd using local cotton and old-fashioned spinning wheels.<sup>64</sup> Kashan had 100 workshops which wove cotton. At Isfahan there were some 2,000 cotton looms and about 500-600 manufactories in all.<sup>65</sup> Thus it is “seen that although the crafts had been hurt by foreign competition, their output was still considerable”.<sup>66</sup> Shawls are a good example of this. Originally made of Persian goat wool and extensively woven in Kerman, shawls were a favourite dress material in Iran and not used only for decorative purposes.<sup>67</sup> Shawls were also woven from other materials such as camel wool, sheep wool, cotton, and silk. Although Kerman was the main production centre, in Mashhad, Tabriz, Yazd, and Isfahan too, shawls were woven.<sup>68</sup> By the early twentieth century, shawl production declined considerably. It was carpet-making which employed increasing numbers of weavers, and which became the most important export-oriented craft in the country. Interest in Persian carpets had increased in Europe after the World Trade Fair in 1851 and the demand was furthered by the World Trade Fair in Vienna in 1873.<sup>69</sup> It attracted a substantial amount of domestic and foreign capital and by 1914 was exporting goods worth £1,000,000.<sup>70</sup> In order to assure high quality production and more profits, foreign companies, such as the British-Swiss Ziegler&Co., the German Persische Teppiche AG, and the Dutch Hotz&Zoon directly invested in carpet weaving. Soltanabad, southwest Tehran and northwest of Isfahan and about 180 miles from both, was one of the main centres of such investment. There were approximately 2,000 looms in Soltanabad while in the villages in its vicinity 6,000 looms were functioning with an annual

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<sup>63</sup> FO 248/1070, “Report on Trade of Yazd-Vice Consular District for Year Ending 31 March 1913”.

<sup>64</sup> FO 248/1070, “Report on Trade of Yazd-Vice Consular District for Year Ending 31 March 1913”.

<sup>65</sup> Floor, *The Persian Textile Industry*, 121.

<sup>66</sup> Issawi, *The Economic History of Iran*, 268. Compare the above figures with the ones from a report penned by E. K. Abbot Kashanin mid-19<sup>th</sup> E. K.: Kashan 800 silk looms; ‘a great deal’ of cotton twist spun; Isfahan had 200 silk looms, ‘the manufacture of cotton goods is carried to a great extent, and affords occupation to many of the inhabitants of the town and surrounding villages,’: Yazd 2,200 shawl manufacturing looms, 220 woollen looms, producing £40,000-45,000 worth of goods ‘exclusive of that about 325 looms belonging to 9 villages around, valued at Tomans 15,000 (£7,000) more’. Issawi, *Ibid.*, 167-168. Also, writing about 1889 Curzon provides the following figures: in Mashad 650 silk looms and 320 shawl looms: in 1870 Kerman had 80 cotton factories and 6 “really good carpet factories” and in the mid-nineteenth century had had “as many as 1’800 silk factories employing 9,000 hands ...”. Issawi, *Ibid.*, 268.

<sup>67</sup> Floor, *Persian Textile Industry*, 305.

<sup>68</sup> *Ibid.*, 335.

<sup>69</sup> Floor, *Labour and Industry*, 7.

<sup>70</sup> Issawi, *The Economic History of Iran*, 259.

production of 15 million qrans (£ 274,527) worth of carpet in 1913.<sup>71</sup> In carpet production, the putting-out system and village production played an important role. H. W. Maclean's observation sheds important lights on this point. Sponsored by the Commercial Intelligence Committee of the Board of Trade in London Maclean made an extensive tour in Iran in order to investigate the conditions and prospects of trade in Iran and produced a report in 1904.<sup>72</sup> The information he provides sheds light on the working of the putting-out system in the carpet weaving industry. In his *Report on the Conditions and Prospect of British Trade in Persia*, he makes the following observations:

The bulk of the carpet industry is carried on in the weavers' homes, the women and children doing the weaving. The so-called manufacturer supplies to the weaver the design and the quantities of wool in different colours required for one carpet. He also advances sums to account of the price arranged, the balance being paid on delivery of the finished article. The practice has the usual disadvantages of home employment, slovenly and dilatory work, with little progress towards skill and finish, as the looms, scattered over a wide area, cannot be constantly inspected. The vast majority of weavers, however, living in small isolated villages, and having also household duties, can work only in this way.<sup>73</sup>

As late as 1924 carpet was mostly manufactured at home around Tabriz as elsewhere.<sup>74</sup> Carpet weaving was also practiced by Armenians of the Julfa quarter of Isfahan at schools.<sup>75</sup> It was a source of income for many people. According to the British political resident in the Gulf, five or six carpet-weaving establishments were set up in 1914 and they employed considerable numbers of children and women which, he added, diminished the number of beggars in the town.<sup>76</sup> Overall, the number of people employed in the carpet industry rose drastically from 1,000 in 1860 to 65,000 by 1910.<sup>77</sup> In terms of foreign trade too the importance of carpets was on the rise from the late 19<sup>th</sup> century onwards as can be seen in Table-4.2. From almost zero in the mid-nineteenth century, the share of carpet weaving in Iran's export revenues rose to about 12 percent in the 1911-13 period and grew to constitute

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<sup>71</sup> FO 248/1070, "Report on Trade of Sultanabad for Year Ending 20<sup>th</sup> March 1913".

<sup>72</sup> Rose Greaves, "Iranian Relations with Great Britain and British India, 1798-1921", *The Cambridge History of Iran, vol. 7, From Nader Shah to the Islamic Republic*, ed. Peter Avery, Gavin Hambly and Charles Melville (Cambridge: Cambridge University Press, 2007), 415.

<sup>73</sup> MacLean 1904, quoted in Floor, Willem Floor, *Labour and Industry in Iran*, 8.

<sup>74</sup> FO 371/10127, (1914), "British Trade with Persia".

<sup>75</sup> FO 248/1029, "Isfahan Trade Report 1910-11".

\* mainly rice

<sup>76</sup> FO 371/2425 (1915), "Situation at Isfahan, 1915".

<sup>77</sup> Martin Rudner, "The Modernization of Iran and the Development of the Persian Carpet Industry: The Neo-Classical Era in the Persian Carpet Industry, 1925-1945," *Iranian Studies* 44, no. 1, (2011): 51.

Iran's second largest export item, after oil, by late 1920's.<sup>78</sup> A number of points determined the general course of the Iranian textile industry during the nineteenth and early twentieth centuries. First of all notwithstanding the survival of a considerable textile industry producing a variety of textures there has been a noticeable shift to cotton at the expense of other materials.<sup>79</sup> As stated above, a variety of raw materials such as silk, wool, and cotton have been historically used in the Iranian textile industry. Of these cotton was easiest to process: it was available in large quantity, for it was grown practically all over Iran. In addition, the silk disease of 1860 had seriously hurt silk production.<sup>80</sup>

**Table 4.2: Main Exports of Iran<sup>81</sup> (Percentage of Total)**

<i>Product</i>	<i>1850s</i>	<i>1880</i>	<i>1911-13</i>
Silk and products	38	18	5
Cotton and woollen cloth	23	1	1
Cereals	10	16*	12*
Fruit	4	6	13
Tobacco	4	5	1
Raw cotton	1	7	19
Opium		26	7
<b>Carpets</b>	...	<b>4</b>	<b>12</b>

Cotton cultivation showed a remarkable rise, and on the eve of World War I cotton cultivation expanded to over 100,000 hectares of land, amounting to 33,000 tons.<sup>82</sup> Yet much of the crop, 25,000 tons, worth about £1,500,000, was exported to Russia.<sup>83</sup> Against the export of raw cotton, cotton yarns were increasingly imported in order to further reduce production costs. Secondly, imported yarns and dyestuffs were increasingly used by Iranian weavers.<sup>84</sup> The

<sup>78</sup> Rudner, "The Modernization," 51. Other industries too such as leather, opium, henna, and silk was stimulated due to their connection with export. Of leather industry Sobotsinskii writes: "leather production which until now was in the hands of a large number of enterprises standing halfway between cottage and handicraft industry and employing 5-10 workers, is changing into manufactories. Thus already in 1909 in Mashhad, and Hamadan, there were 8 workshops, with up to 40-50 workers each. The small handicraft shops were unable to withstand the competition and the large enterprises, and rapidly declined... In Hamadan in 1912, there were 300 small leather shops, compared with 400 in 1909, and in Mashhad 50 compared with 200". Issawi, *The Economic History of Iran*, 259, footnote 6.

<sup>79</sup> This was a typical shift in countries under the influence of imported yarns and fabrics. The same phenomenon was experienced in the Ottoman Empire too. See Donald Quataert, *Ottoman Manufacturing in the Age of Industrial Revolution* (Cambridge, Cambridge University Press, 1993), 23.

<sup>80</sup> Floor, *The Persian Textile Industry*, 14. Silk was so hardly hit that although in the first half of the nineteenth century silk production rose to 1,000 tons, only 99 tons were recorded following the spread of the disease in 1877. The amount again slightly rose to 104 in 1910. Floor, *Ibid.*, 14-15.

<sup>81</sup> Issawi, *The Economic History of Iran*, 136.

<sup>82</sup> Charles Issawi, "European Economic Penetration: 1872-1921", in *The Cambridge History of Iran Vol. 7*, ed. Peter Avery, Gavin Hambly and Charles Melville (Cambridge, Cambridge University Press, 1991), 600.

<sup>83</sup> Charles Issawi, "European Economic Penetration", 600.

<sup>84</sup> The importation of yarns and dyestuffs was a common phenomenon in such countries as Iran, Turkey, and Egypt. As Issawi asserts in this way weavers in these countries were able to greatly cut their costs and partly



import of yarn and thread showed almost a steady increase as can be seen in Table-4.3. Apart from cotton yarns dyestuffs were also imported in large quantities. The use of aniline dyes has been an issue in Iran for it harmed the quality of Iranian textiles, particularly carpets. This cost Iranian textile products their lasting colour, for which they were famous. The increasing use of aniline dyes diminished the demand for and the growth of home-grown colouring plants such as indigo, madder-roots, and saffron.<sup>85</sup> In 1892 the import of aniline dyes and the thread dyed with them were prohibited, but due to smuggling activities the proscription remained largely on paper.<sup>86</sup> For some time, the export of carpets coloured with aniline dyes was prohibited, but in the early 1910's it was permitted and taxed at 12% ad valorem.<sup>87</sup> Thirdly, although domestic production gradually managed to regain, partly if not fully, its prominence in the domestic market, Iranian textiles, with the exception of labour intensive carpet industry, had already lost its international significance.

**Table 4.3: Comparative Table Showing the Value and the Source of Cotton Yarns and Thread Imported into Iran During the years 1906-07 to 1913-14 (In pound sterling)**

<i>Country</i>	<i>1906-07</i>	<i>1907-08</i>	<i>1908-09</i>	<i>1911-12</i>	<i>1912-13</i>	<i>1913-14</i>
British Empire (excl. India)	56,890	83,343	70,394	54,640	21,612	21,833
British India	86,039	90,904	49,104	88,038	129,476	132,244
Russia	4,760	8,131	8,099	30,231	72,134	85,677
Turkey	37	589	3,279	1,999	2,580	1,226
Belgium	-	-	1,314	715	1,593	1,428
Austral-Hungary	1,092	723	939	363	520	840
Italy	3,814	4,665	454	805	350	2,531
Germany	48	891	380	1,215	4,266	2,580
Switzerland	446	338	56	764	1,683	883
France	11	298	42	-	-	-
Oman	-	275	-	-	-	-
Other countries	43	117	24	200	381	243
<b>Total</b>	<b>153,091</b>	<b>190,368</b>	<b>134,086</b>	<b>179,020</b>	<b>234,595</b>	<b>249,485</b>
Total imports	8,620,795	8,168,685	7,449,681	-	10,319,557	11,766,663

Source: DCR 4487, Report on the Trade of Persia (London: HMSO, 1910), Annex F, p. 9 [rate exchange was £1=53.82 grans]; DCR 5515, Report for the Year 1913-14 on the Trade of Persia (London: HMSO, 1915), Annex F, p. 13.

Compiled and quoted in Willem Floor, *Textile Imports into Qajar Iran, Russia versus Great Britain: the Battle for Market Domination*, California, Mazda Publishers, 2009, 72.

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recover some of their losses. Charles Issawi, "De-Industrialization and Re-Industrialization in the Middle East Since 1800," *IJMES* 12 (1980), 470.

<sup>85</sup> Mustafa Khan Fateh, *The Economic Position of Persia* (London: P. S. Kind&Son, Ltd., 1926), 20.

<sup>86</sup> Issawi, *Economic History of Iran*, 303.

<sup>87</sup> Fateh, *The Economic Position of Persia*, 46. However, in late 19<sup>th</sup> century Lord Curzon makes the following remark: "aniline dyes are constantly used, but the carpets made with them are for the most part disposed of in the eastern markets, Russia and Egypt". Quoted in Issawi, *Economic History of Iran*, 303.

There is no satisfactory statistical information on the workforce which was engaged in craft industries throughout the period under study. But the first complete census which was undertaken in 1956 attests to their persistence.<sup>88</sup> Even by then in many of the craft centres, craft industries were only the second greatest economic activity after agriculture. At any rate, it is obvious that crafts continued to be a major economic activity even when factory-based industrialization was well underway. Apparently, weaving was undertaken as a part-time job as it also was a major source of income. Yet, even in urban settings, guilds apparently lost their hold on textile production and the business became a free-for-all. Despite the political role they played in the Constitutional Revolution, the importance of guilds as economic units was rapidly declining. Production was either spreading to rural settings through the putting-out system, or it was gradually being concentrated in large-scale industrial establishments. The coming of a bureaucracy and the increasing authority of the central government, particularly from the early 1920's onwards, deprived guilds of many of their former administrative powers. However, when in the mid-1920's the Majles abolished guild taxes, the main source of power for guild elders, in the annex of the law 239 organizations were listed as currently paying the guild tax.<sup>89</sup>

With further centralization and with improved transportation and communication facilities, Iran was becoming an integrated market with relatively free movements of goods. As will be discussed shortly, the ineffective state involvement in economic affairs rapidly changed from the 1920's onward but often to the disadvantage of small-scale industries. Tax exemptions were introduced, protective economic measures were adopted, and monopolies were established in order to secure neat operation and a viable market for state-sponsored or privately-owned large-scale industrial establishments. Although crafts, and cottage-industries did not disappear overnight, their economic significance continued to vanish. The population of villagers and craftsmen provided the newly established factories, as well as the developing oil industry in the south, with the necessary workforce. The following section deals with factory-based industrialization of the textile industry in Iran which, though it started much earlier, accelerated and became the standard economic policy during the Pahlavi era, particularly during the 1930's. Not only the development of industrialization shall be

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<sup>88</sup> For the details of this survey see Chapter-3.

<sup>89</sup> Floor, *Labour and Industry in Iran*, 121, n.28. Elsewhere Floor provides the number as 230. Floor, "The Guilds in Iran: An Overview from the Earliest Beginnings Till 1972," *Zeitschrift der Deutschen Morgenlandischen Gesellschaft* 125 (1975), 109. According to Issawi the number was 267 (Issawi, *Economic History of Iran*, 285) which, argues Floor, is wrong since of these 267 only 237 paid guild taxes.

discussed but also mention will be made of how small-scale producers engaged with and tried to influence the newly emerging conditions.

### **Fabricating Iranian Modernization: Large-Scale Industrialization in Iran, 1925-1941**

The economic and industrial policies of Reza Shah's reign have been both criticized and praised extensively. Involving a wide range of areas, from railway construction to mining, and from introducing new tariff policies to launching a state-sponsored or subsidized factorization, his reign witnessed a genuinely state-controlled economic development. For these policies, he was praised a saviour, and as 'the father of the nascent Iranian nation'. Or alternatively, he was criticized for his allegedly 'ill-planned' economic projects which, in the words of a contemporary observer, aimed at "progress for progress' sake".<sup>90</sup> To find a definitive answer to this debate is beyond the scope of this study. Yet, the stress on the achievements and the failures of the Pahlavi elites in the economic sphere, as in others, is another way of giving primacy to the actions of the state in shaping economic development, and it distracts our attention from the more complex decision-making processes. In these processes not only high politics was involved but also the demands of merchants, craftsmen, and workers played an active role.

Thus, the agency and the perceptions of the wider population regarding the economic policies which have been adopted from the mid-1920's onwards, particularly during the 1930's, warrant investigation. The reactions of those people who lived on crafts industries or small-scale manufactures should also be emphasized. As far as the textile industry is concerned, well into the twentieth century the output of the newly emerging factories continued to be largely insignificant in quantitative terms when compared with craft and cottage industries. For generations of reformists, saving the country from foreign dependence had been an elusive dream, which was greatly desired but not attained.<sup>91</sup> They suggested that if factory-based industrialization was a major component of European modernization, Iran should follow the same trajectory. The flourishing oil industry in the south also set an example of European technology and industry. Unlike the Qajars, however, economic development was

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<sup>90</sup> FO 371/20052. "Annual Report, 1935".

<sup>91</sup> This point was clearly put as follows: "Persia is progressing, like many other Eastern countries, along the path of industrialisation and her progress would undoubtedly be much faster if so much of her time and money were not devoted to the construction of the north-south railway. The urge to increasing self-sufficiency is intensified by growing nationalism and by the desire to be less dependent on the Soviet Union for manufactured good among which textiles and sugar predominate." FO 371/17909 Annual Report on Persia for 1933.

to be achieved not through concessions but through the mobilization of indigenous resources. Import-substitution was the underlying objective of the industrialization program during the 1930's. To this end tens of factories which produced a variety of articles such as sugar, matches, soap, oil, and leather were erected. However, textiles received the lion's share of the massive industrialization projects for four main reasons. First of all textile products constituted the greater part of the imports which could be counterbalanced by an effective investment in this industry. Secondly, the raw materials required for textile production such as cotton, wool, and silk, were extensively produced in Iran. Thirdly, textile production required little expertise which facilitated the supply of the necessary workforce. Fourthly, the wartime crisis and its ramifications in the interwar period provided ample opportunities to renegotiate the existing tariff system and to purchase and install machinery from Europe.

During roughly the first two decades of the twentieth century, apart from the Majles and the cabinet, the Ministry of Commerce and Public Utilities was mainly responsible for industrial planning and monitoring. Also it appears that municipalities were also involved in industrial policies. For instance, in 1918 a wool spinning factory was erected by the Charities Directorate of Tehran municipality which provided employment to female workers, particularly widows.<sup>92</sup> Following the coup d'état in 1921 new branches were established to implement and monitor industrial policies and relevant infrastructural projects. Ministry of Public Utilities 1922-9; Ministry of Economy 1929-31; Directorate General of Commerce, Agriculture and Industry 1931-7; Ministry of Industry and Mines 1937-9; and Ministry of Arts and Crafts 1939-41 have been established at various periods for this purpose.<sup>93</sup> Industrialization required legislative effort as well. Between 1925 and 1941 as many as 1,145 laws and decrees were passed or issued on industrial and related matters.<sup>94</sup> As can be seen in Table-4.4 most of these laws and decrees dated between 1933 and 1938. In 1927 the ambitious Trans-Iranian Railway project, which linked the Caspian Sea through Tehran to the Persian Gulf, was launched. In 1925 a law was passed which exempted industrial and agricultural machines and instruments and their component parts from import duties for ten years.<sup>95</sup> Until 1930 several monopolies were formed starting with sugar and tea, and extended

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<sup>92</sup> LMD CIP. dore4-k25-j12-p2, "To the Majles", December 1921.

<sup>93</sup> Bharier, *Economic Development*, 174, footnote 19.

<sup>94</sup> Sadeghi, *Siyasatha*, 60. Of these 211 were laws while the number of decrees was 934. Sadeghi, *Ibid.*, 60.

<sup>95</sup> There already were similar proposals for the development of industry in the country. For example in June 1922, Hajj Muhammad Mo'in al-Tojjar Bushahri, a prominent merchant and constitutionalist and a deputy to the First and the Third Parliaments, sent a petition to the Majles to this effect. After emphasizing the significance of getting rid of foreign needs he proposed a similar law for the exemption of machines from import fees. dore4-k25-j12-p31 "Mo'in al-Tojjar", 30 June 1922. Taqizadeh, too, made a similar proposal. Asked about the ways to

to other goods until foreign trade was fully monopolized in 1931. Also in 1925 the National Bank was established and soon took over from the British-owned Imperial Bank the monopoly right to issue banknotes. In the meantime, Arthur Millspaugh, the American Administrator General of Finances since 1923, was dismissed in 1927. Equally importantly in 1928 full tariff autonomy was attained. Thus, unlike the British-led oil industry in the south of Iran, the flourishing nationwide industrialization was financed and controlled by Iranians.

**Table 4.4: The Distribution of Laws and Decrees on Industrial Issues According to Years, 1925-1941.**

<i>Year</i>	<i>Number</i>	<i>Percentage</i>
1925	8	0.69
1926	10	0.88
1927	33	2.88
1928	22	1.93
1929	25	2.18
1930	35	3.05
1931	54	4.72
1932	158	13.80
1933	108	9.43
1934	123	10.75
1935	42	3.67
1936	148	12.93
1937	91	7.95
1938	41	3.58
1939	130	11.35
1940	75	6.55
1941	42	3.66
<b>Total</b>	<b>1145</b>	<b>100</b>

*Source:* Sadeghi, *Siyasatha*, 61.

The renewed efforts at large-scale industrialization had been underway since the end of the First World War. The Vatan Wool Spinning and Weaving Factory at Isfahan, which was established in 1923 by the prominent merchant and industrialist Hajj Mohammad Hosayn Kazeruni, was a notable example of early factories (Figure 3). The machinery was imported from Germany and the factory was supported by the state. For instance orders were given for the military by the then the Commander in Chief Reza Khan.<sup>96</sup> Also Akhgar newspaper reports in June 1929 that one of the deputies, Seyyed Yaqub, proposed for the promotion of

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develop industry in the country he proposed, inter alia, the abolition of import dues on machinery. FO 307/10158. The law ultimately passed in 1925 did not apply to many small-scale capital goods such as sewing and knitting machines, printing and engraving machines etc. (Bharier, *Economic Development*, 176) which, as Floor rightly observes, shows the state's bias in favour of large-scale industries. Floor, *Labour and Industry in Iran*, 124.

<sup>96</sup> Ardakani, *Tarikh-e Mo'assasat-e Jadid*, 95.

native manufactures especially for the textiles produced at Vatan Factory.<sup>97</sup> Industrialization was also among the concerns of political parties. For example, the Revival Party which was formed in the early 1920's by Abd al-Hosayn Teymurtash, Seyyed Mohammad Tadayon, and Ali Akbar Davar called, inter alia, for an end to economic capitulations, industrialization and replacement of foreign capital by native capital.<sup>98</sup> In 1924 Taqizadeh, for example, was asked about the path the government should follow in order to restore the greatness of Iran and proposed the following remedies: construction of suitable motor-roads and importation of motor-cars; construction of railways through concessions; establishment of small factories for supplying the different districts of Iran; abolition of import duties on machinery; the granting of concessions to foreigners to secure investment in Iran for its development; introduction of waterway systems, telephones; encouragement of immigration from Europe to attract experts in agriculture and other fields.<sup>99</sup>

**Figure 4: Interior of the Vatan Factory, Late 1920's.**



Source: Parisa Damandan, *Portrait Photographs from Isfahan: Faces in Transition, 1920-1950* (London: Saqi Books, 2004), 219.

<sup>97</sup> Akhgar, 9 June 1929. Quoted in Abdol Mahdi Rajai, *Esfahan az Negah-e Akhgar* (Isfahan through the Lens of Akhgar) (Isfahan: Isfahan Municipality, 2014), 49.

<sup>98</sup> Abrahamian, *Iran Between two Revolutions*, 123. The following were also in the party's program: transformation of nomads into farmers; a progressive income tax; expansion of educational facilities for all including women; careers open to talent; and replacement of minority languages throughout Iran by Persian.

<sup>99</sup> FO 307/10158.

## The Age of Iron: Factorization of Iranian Textile Industry, 1931-1941

Between 1925 and 1931 the foundation was laid for the nascent industries. Not only were important economic steps taken during this period, but also, major achievements, from the eyes of the central establishment, were registered in a variety of fields from the sedentarization of tribes, the creation of a strong army and security forces, and the consolidation of a strong government. The last two especially contributed to the elimination of the chronic countrywide insecurity in roads which very much hindered the safe movement of goods. The Great Depression in the early 1930's, and the implementation of the first five-year plan in the USSR, which prevented the access of Iranian merchants to Russian markets, further pushed Iran towards self-sufficient economic development in many of its manufacturing industries. From the early 1930's onwards the state took a rather direct roles in industrial development. The textile industry, especially cotton processing, flourished. Germany and Britain were the favoured suppliers of the necessary machinery for the new factories. Extensive investment was made in spinning in order to curtail the importation of foreign yarns since many of the existing factories and workshops used imported yarns. This point was also a major concern especially in the early 1920's. For example, in April 1923 a petition was sent from the Merchants Union of Tehran with twelve signatures, including that of the famous merchant and the head of the union Amin al-Darb.<sup>100</sup> By highlighting the significance of supplying thread to the cloth making, and carpet weaving industries they asked for a concession to establish spinning mills around Qazvin, Qom and Isfahan. However, despite their call as to the urgency of the issue, no tangible steps seem to have been taken. For example Hajj Mirza Ali Kaisariyeh, one of the petitioners, had to wait until 1938 to open a spinning mill at Qom in partnership with Hajj Mohammad Hosayn Yazdi.<sup>101</sup> In 1932 the cotton spinning mill in 'Aliabad which was established in 1931 was extended.<sup>102</sup> The following year orders were given again to British firms for necessary machinery for spinning mills at Shiraz with 5,200 spindles; Isfahan and Yazd, 4,200, spindles each; while the Shahi Mill in Mazandaran was expanded with 11,000 spindles.<sup>103</sup> Investment in spinning increasingly continued and in 1935 orders were made to British firms for textile mills at Kashan with a total of 6,400 spindles; Ahvaz, 8,800 spindles; Isfahan 6,688 spindles and 2,400 spindles (cotton thread); Mashhad 10.120 spindles; while the Shahi Mill was extended

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<sup>100</sup> LMDCIP. dore4-k25-j12, "From the Merchants of Tehran", 25 April 1923.

<sup>101</sup> Ardakani, *Tarikh-e Moassasat-e Jadid*, 128.

<sup>102</sup> FO 371/16967 "Annual Report", 1932.

<sup>103</sup> FO 371/17909 "Annual Report", 1933.

again with 9,856 spindles.<sup>104</sup> Germans also received their share from rapid industrialization. In 1935 orders were made to German firms for 6,000 spindles at Shiraz and 5,000 at Qom.<sup>105</sup> In the meantime, several other spinning and weaving mills, both private and state-owned, were erected in various parts of the country, particularly in the central and Northern provinces, while some of the existing ones substantially increased their products as well as their workforce. In the four years between 1934 and 1938 manufacturing industry experienced a major expansion, as can be seen in Table-4.5.<sup>106</sup> To provide raw material to these factories and to utilize the domestically produced cotton, there were 100 cotton ginning plants in 1936 half of which were privately owned.<sup>107</sup>

**Table 4.5: Statistics of Large Manufacturing Industry, 1926-41 (Establishments with ten or more workers)**

<i>Year</i>	<i>New establishments</i>	<i>No. of factories</i>	<i>Workers employed</i>	<i>No. of factories</i>	<i>H. P installed (H.P.)</i>	<i>No. of factories</i>	<i>Paid-up capital (mil. Rls)</i>
1926	2	2	462	1	1,005	1	0
1927	0	0	0	0	0	0	0
1928	0	0	0	0	0	0	0
1929	5	5	463	3	2,105	3	8
1930	1	1	2,397	1	3,500	1	187
1931	2	2	859	2	1,666	2	60
1932	8	6	2,182	6	1,599	5	67
1933	6	4	586	5	871	5	60
1934	13	13	5,675	10	4,824	11	182
1935	12	11	3,092	9	8,838	11	223
1936	14	11	5,142	13	8,654	11	443
1937	9	9	6,418	7	7,493	9	625
1938	10	9	7,417	8	9,127	8	373
1939	4	3	1,184	4	2,202	3	60
1940	3	3	67	3	550	3	11
1941	3	2	149	3	178	2	23
1942	1	1	146	1	3,300	1	14
1943	1	1	12	1	233	1	0
1944	4	4	1,949	0	0	3	6
1945	1	1	17	0	0	1	0
1946	9	7	1,409	4	223	5	15
1947	2	2	795	1	13	0	-
Date not	68	39	3,143	20	5,986	28	361

<sup>104</sup> FO 371/20052, "Annual Report", 1935'.

<sup>105</sup> FO 371/20052, "Annual Report", 1935'.

<sup>106</sup> Bharier, *Economic Development*, 172. The extent of the expansion can also be observed from the trend in the importation of machinery. See Bharier, *Economic Development*, 175 Table-2.

<sup>107</sup> Bharier, *Economic Development*, 178.



given							
Total	178	136	40,421	102	62,367	114	2,718

Reliability: Fair for number of factories and employment; poor for H.P and paid-up capital. Source: Ministry of Labour, Statistical Survey of Major Industrial Plants of Iran, 1947, Tehran, undated (1948?).

Source: Compiled and quoted in Bharier, *Economic Development*, 173.

In industrialization, the state not only acted as an investor, but also as a protector of the private factories. This was done either through tax exemptions or by making orders, when there was no business, to sustain the operations of the existing factories. For example, in 1936 the Khosravi Tannery in Tabriz was saved from its financial problems by orders for the army.<sup>108</sup> Further, the modernization policies that were pursued supported the nascent factories as well. For instance, due to the Uniform Dress Law passed by the Majles in 1928, a need emerged for the provision of the necessary clothes to be worn by state employees. Thus when in 1935 a special uniform was made obligatory for the employees and the students attached to the Ministry of Education, orders were given to Vatan Factory for the clothes.<sup>109</sup>

By the end of the 1930's the state was allocating 20 percent of its budget to industry.<sup>110</sup> Compared with the turn-of-the-twentieth-century situation when the industry received almost nothing from the budget, this was a major improvement. Yet already from 1938 onwards the pace of industrialization started slowing down due either to the fear of overproduction or governmental attempts to limit profits.<sup>111</sup> Bharier aptly summarizes the general outline of industrialization policy during this period as follows:

<sup>108</sup> Floor, *Labour and Industry*, 132.

<sup>109</sup> NLAI. 297/6434, "From the Ministry of Education, Religious Endowments and Fine Arts to Directory of Inspection", 12 Mehr 1314 (5 October 1935). For the implementation of the law the government again explicitly favoured large-scale establishments in general and Vatan Factory in particular which generated frustration and the protests of craftsmen as well as of other factories. As to the dissatisfaction of factories other than Vatan Factory the management of Dorakhshan Factory in Yazd complained that despite the fine and cheap clothes they produced the circular order regarding the wearing of uniform at schools advised students and teachers to purchase their clothes from Vatan Factory, or its branches in the provinces, as a result of which they were scared to buy them from anywhere else. NLAI. 297/6434, "From Derakhshan Factory to the Ministry of Education", 29 Azar 1314 (21 December 1935). Prior to this, Vatan Factory was criticized in 1931 by the 9<sup>th</sup> District of the Directory of the Statistics and Records. After stressing delight of the employees of the directory in the 9<sup>th</sup> district from the law regarding the uniform dress and their satisfaction from using native clothes the reports criticizes Vatan Factory which was the only supplier of the necessary clothes in the region and hence sold them at high prices. Within a month, adds the report, the price of the cloth rose from three to five tumans. NLAI. 291/954, "From the 9<sup>th</sup> District of the Directory of the Statistics and Records to the Governor of Isfahan", 25 Esfand 1309 (16 March 1931)

<sup>110</sup> Bharier, *Economic Development*, 176. Sadeghi's figures are a lot higher than this. According to her, in 1941 51.09 percent (2,208,889,140 rials) of total government expenditure amounting to 4,323,911,676 rials was spent at industrial projects. Sadeghi, *Siyasatha*, 153. However, unlike Bharier, she includes in this such items as railway construction, post and telegraph, electricity plants etc.

<sup>111</sup> Bharier, *Economic Development*, 174.

On the industrial scene, government policy in the 1930's combined the establishment of state factories with various protective devices for privately owned plants. Insofar as there was a strategy for industrialization, it was based on the view that more factories are better than less factories, that state factories are better than private factories, that big plants are better than small plants, and that capital-intensive production is preferable to labour-intensive production. Choice of manufacturing industries was generally well-conceived on the grounds of raw material supplies and existing domestic markets, yet administrative and accounting inefficiencies in state plants meant that practically all the sixty-four state plants set up by the end of the 1930's were a drain on the annual budget.<sup>112</sup>

But not all factories were state-owned. By the end of the 1930's there were, in Iran, at least 265 plants with not less than 63,000 horsepower providing employment to 48,000 workers as can be seen in Table-4.6.<sup>113</sup> Table-4.6 also demonstrates a sectoral distribution of factories established between 1930 and 1940. Of these 70 or 72 were spinning and weaving mills. Appendix 4 contains a detailed list of the textile factories. It shows that the factories centred in a number of locations. Along with Tehran, Azerbaijan, Gilan, Mazandaran, Fars, and Isfahan were the main centres of large-scale textile factories establishments. This was due to the availability of raw materials and the necessary workforce in these locations. Owing to this extensive industrialization, and the state's control over foreign trade, by the late 1930's not only did textile imports drop considerably, but also the value and the percentage of imported yarn experienced a major decline. The industrialization projects were financed by domestic sources, and only technical assistance came from outside. More than 40 percent of government expenditure was invested mainly in transportation and industry during this period.<sup>114</sup> Mass consumption goods were heavily taxed at the cost of deteriorating living conditions for the lower classes, who suffered all the disadvantages of rapid industrialization. Compared with the early twentieth century, Iran of the late 1930's had experienced a major leap-forward towards industrialization. However, small-scale production was still the dominant mode of production and it employed the greater part of the labour force. This especially held for the carpet industry. The modernizing policies such as the introduction of certain dress codes, and the Pahlavi hat, outmoded many of the existing craft industries. In order to do away with traditional dress large quantities of European clothes, hats and shoes were

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<sup>112</sup> Bharier, *Economic Development*, 87.

<sup>113</sup> Karshenas, *Oil, State and Industrialization*, 67.

<sup>114</sup> Karshenas, *Oil, State and Industrialization*, 75.

imported and sold at cheap prices which were impossible for local producers to compete with.<sup>115</sup> In May 1929 the weavers of Mashhad sent the following petition to the Majles:

To the sacred Majles, may God empower its pillars,

Every helpless and unfortunate soul who suffers hardship and poverty seeks refuge in the high offices. Because these days people shun national clothes as the weavers' guild of Mashhad some eight to nine thousand miserable people who live and provide for their families on this craft are on the edge of destruction. Therefore, we found it necessary to present our situation to the sacred Majles may God empower its pillars. We ask the deputies to save us from our hardships hoping that they have not forsaken us and will give an answer to these weavers of Mashhad.<sup>116</sup>

**Table 4.6: The Manufacturing Plants Established Between 1930&1940\***

<i>Sector</i>	<i>Number of plants**</i>	<i>Value of capital</i>	<i>Installed horsepower</i>	<i>Number of Workers s</i>
Textiles	72	1168	43026	29601
Sugar	8	582	9909	4501
Drinks	40	75	1360	565
Chemicals	11	637	2901	4458
Soap	16	15	85	231
Glass	6	22	574	1043
Leather	11	65	635	608
Matches	26	50	354	4033
Flour & rice milling	37	89	3072	1376
Cotton ginning	29	53	1382	590
Tea	9	42	348	399
<b>Total</b>	<b>265</b>	<b>2798</b>	<b>63646</b>	<b>47405</b>

Source: Extracted from Ministry of Labour, *Statistical Survey of Iranian Industries* 1947 (in Persian). Quoted in Massoud Karshenas, *Oil, State and Industrialization*, Cambridge: Cambridge University Press, 1990, 77.

\* Excludes government cement factories.

\*\* Historical cost at current prices[1990] in millions of rials.

Guilds were among the first groups to suffer from extensive political and economic centralization. Traditionally, alongside their economic functions guilds enjoyed important social and political powers in cities. The economic challenges coming from European economic penetration notwithstanding, they largely maintained their economic role, but during the Constitutional Revolution their influence was mostly political. In the first year of Pahlavi modernization severe blows were dealt to the guilds. Apart from the abolition of guild taxes, as the severest blow to their basic structure and *raison d'être*, guilds' activities, even their meetings, were put under strict police control.<sup>117</sup> Radical secularization policies, on the

<sup>115</sup> Reza Arasteh, *Education and Social Awakening in Iran* (Leiden: Brill, 1962), 38.

<sup>116</sup> LMDCIP. d7/k90/j12.3, "From the Weavers of Mashhad", 21 May 1929.

<sup>117</sup> Floor, "The Guilds in Iran," 110.

other hand, significantly weakened the position of the clergy and this in turn deprived guilds of a major supporter. Still yet, it is much of a state-centred approach to suggest that guilds “were deprived of all power”.<sup>118</sup> As will be discussed in Chapter 4 the ineffective political system of the late Qajars against the European penetration had brought guilds closer to the mercantile groups which, with the exception of a few, had enormously suffered from foreign imports. During the late 1920’s and throughout 1930’s, on the other hand, guild members came to be more closely allied with the nascent working class due to the negative effects that industrial policies had on them. The two formed joint unions to protest against their deteriorating living and working conditions.

### Concluding Remarks:

The Constitutional Revolution brought major changes in Iran’s political outlook. Not only the opening of the Majles, but also the provincial contribution to the political processes through societies (*anjoman*) formed in almost every town brought a new political culture to the country. Yet, for both internal and external reasons political stability could not be attained. Consequently the revolution fell short of realizing economic expectations. The geographical challenges to forming a nationwide market were compounded by political instability and the hostile attitude of Russia, as well as Britain’s self-interested policies which gave priority to its commercial ends above anything else. Still yet between 1906 and 1921 several attempts, successful or abortive, were made to achieve economic development and industrialization. During this period, the guilds as the main structure of urban-based manufacturing became politically significant while their economic role was decreasing. This was not only because of external factors, but also because manufacturers preferred more unmonitored methods of

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<sup>118</sup> Massoud, *Oil, State and Industrialization*, 67. In fact the limited literature on Iranian guilds does not provide sufficient information about their trajectory after 1926. Floor’s “The Guilds in Iran: An Overview from the Earliest Beginnings Till 1972, and Ahmad Ashraf’s “Nezam-e Siyasi va Jame’eh-e Madani,” *Iran Nameh* XIV, n. 1 1996’, 5-40 are the most detailed studies on the subject. They both seem to be too impressed by the abolition of the guild taxes in 1926, and Ashraf suggests that with this law guilds were practically dissolved, Ashraf, “Nezam-e Siyasi”, 23. The idea that “guilds are and were organizations of masters which protected the interests of the employers, not of the employees” and thus trade unions did not grow out of guilds (Floor, “The Guilds in”, 116) should have contributed to the meagre attention paid to guilds during late 1920’s and 1930’s. Needless to say, the law which abolished guild taxes deprived them of their main privilege but the data suggests that they remained active afterwards too. Also, it is not as easy as it seems to separate employers and the employees, at least from the Constitutional Revolution onwards, in their fight for survival. As will be discussed in Chapter 4 not only should guild employers be regarded along with workers but also the developments from mid-19<sup>th</sup> century onwards, if not before, blurred the distinction between the two out of which emerged the foundations, if not the actual structure, of trade unions.

production and the putting-out system in order to lower costs. Available data suggest that from the early 1920's onwards these initiatives gained unprecedented momentum. The increasing realization of political stability, often at the expense of political and cultural pluralism, and nationwide security, paved the way for the major economic leap forward of the 1930's. Attaining a large web of factory-based production was the main goal of the Pahlavi modernization policies. This would not only give Iran a modern outlook like its neighbour, Turkey, but would also stop the loss of the country's wealth to foreign nations for imported goods. The Pahlavi economic policies were almost exclusively aimed at the domestic market, and apart from the oil industry, Iran's role in the international economy hardly changed. Also, Iran's currency, qran until March 1930 and rial henceforth, almost steadily lost value in the face of the pound sterling. By the turn of the 20<sup>th</sup> century the rate of pound sterling in qran was around 51.1 in Tehran while by the start of the WWI it was about 55.5.<sup>119</sup> Until the early 1920's it remained more or less the same and in 1923 it slightly rose to 56.56 but in 1929 it dropped to 54.76.<sup>120</sup> By the late 1930's the rate of pound sterling in qran rose to as high as 80.<sup>121</sup> At any rate, when the Allied forces occupied Iran, and Reza Shah was forced to abdicate from the throne in favour of his son, Mohammad Reza Shah, in 1941, Iran had made significant progress towards industrialization. As the Anglo-Iranian Oil Company increasingly expanded its operations in the south, a nationwide industrialization had substantially transformed country's manufacturing scene. More than two hundred factories were erected by the late 1930's, producing a variety of goods from soup to matches, and from military boots to bricks, chemicals etc. Although art schools were established to promote craft industries, the main policies targeted factories. Carpet weaving remained largely under the control of small-scale establishments. In this industrial fervor, labour issues were given only a peripheral role. with the exception of a few specific legislative attempts at improving labour conditions, such as the one concerning carpet weavers in the mid-1920's, labour did not attract much official attention. Whether factory-based or otherwise, Iranian workers have reacted to, and accommodated the developments which took place from the early twentieth century onwards. Their living and working conditions as well as their engagement with higher authorities constitute the main concerns of the next chapter.

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<sup>119</sup> Issawi, *Economic History of Iran*, 344-45.

<sup>120</sup> R. H. Hadow, *Report on the Trade and Industry of Persia 1923* (London: His Majesty's Stationary Office, 1923), 4; E. R. Lingeman, *Economic Conditions in Persia March 1930* (London: His Majesty's Stationary Office, 1930), 18.

<sup>121</sup> F. A. G. Gray, *Report on Economic and Commercial Conditions in Iran 1937* (London: His Majesty's Stationary Office, 1937), v.