Publication details, information for authors and referees and full contents available at: http://global-discourse.com/

ISSN: 2043-7897

Suggested citation:


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The Changing Formations of the Power Bloc in Iran and the Neo-National Bourgeoisie

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Abstract
The purpose of this paper is to analyse the changing formation of the power bloc in Iran in the context of the changing global and regional constellation of power. The paper will attempt to examine the specific way through which a new fraction of the ruling class - what we identify as the neo-national bourgeoisie (NNB)\(^1\) - is formed and the way in which it has become ‘dominant’. For this purpose, we will analyse the neo-national bourgeoisie’s accumulation strategy, ideological approach and its attempt in restructuring of the state apparatuses.

Introduction
In the post Iran-Iraq war period, the ‘late national bourgeoisie project’\(^2\) that replaced the Monarchy after 1979, was not capable of sustaining itself as a hegemonic fraction. In this context, neo-liberal counter-tendencies to the national bourgeois project developed, pushing for restructuring of the economy and state apparatuses (Ehteshami, 1995). In this paper we will analyse how in the context of these new relations of forces, a new fraction of the ruling class (NNB) was formed and gained dominance in the power bloc as a counter tendency to neoliberal restructuring of economy and the state. For this purpose, we will primarily provide a historical background of the process in which the ‘late national bourgeoisie’ project became a hegemonic fraction during the Iran-Iraq war (1980-1988). After analysing the development of neo-liberal counter-tendencies to the national bourgeoisie project in the post-war period, we will proceed to identify the NNB through examining its specific accumulation strategy, restructuring of the state apparatuses, and ideological approach.

Historical Background
What developed into the 1979-81 revolutionary conflict formation initially began with the ‘political struggles’ of the old and new petit-bourgeoisie against the comprador Pahlavi (the Dynasty) ruling class. No more than one thousand individuals, “the comprador class consisted of the Pahlavi aristocracy benefiting from land distribution (White Revolution) by setting up agribusiness and trading companies, and elder politicians, senior civil servants and top military officials sitting on top managerial

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\(^1\) The concept of Neo-National Bourgeoisie was developed collectively by Sabah Alnasseri, Alexander Caramento, Hessam Daryani, Yasin Kaya and Nima Nakhaei within the framework of a workshop organized by Sabah Alnasseri on Nicos Poulantzas. This concept as well as our approach to state formation and formation and reformation of the power bloc in Iran is informed by Marxist state theoretical approach, particularly that of Nicos Poulantzas. For a detailed analysis of our theoretical framework and concepts used in this paper, refer to Imperialism and the social question in (semi)-peripheries: The case for a neo-national bourgeoisie, by Sabah Alnasseri.

\(^2\) Here, ‘late national bourgeoisie’ should be understood in relation to national bourgeois projects of 50s and 60s in other part of the (semi)-periphery.
boards of the joint foreign ventures and financial companies” linked to international capital (Moadel, 2002).

Due to the focus of the coercive state apparatuses of the Pahlavi regime in controlling the political struggles of the old and new petit-bourgeoisie (organized through religious charities, nationalist parties or Marxist organizations), the subaltern gained the space to ‘locally’ organize themselves into peasant, worker and distribution councils for a ‘co-operative’ form of economy, e.g. mobilization against slum demolitions - (Barzin, 1999). However, the ‘local’ and fragmented form of the subaltern’s resistance allowed a fraction of the old petit-bourgeoisie, who had established the Islamic Republic Party (IRP) through their ‘national’ network of bazaars and mosques, to co-opt the subaltern’s organizations.

The co-option of these ‘revolutionary organizations’ empowered the co-operative economy and local councils of the subaltern during the Rajai/Bahonar government (1980-81). Under the Rajai/Bahonar government, the Planning and Budget Organization (in charge of developing a centralized budget plan as had been practiced under the Pahlavi Monarchy) was dismantled and replaced with a regionalist policy of planning whereby comprehensive regional plans were produced at the level of revolutionary organizations first, and then aggregated to create the national plan (Amirahmadi, 1991). The Rajai government also nationalized foreign trade and pushed for the distribution of commodities through ‘consumption co-operatives’ and redistributed 185,000 hectares of land among small and landless peasants (Moadel, 2002).

The intensification of the Iran-Iraq war and the imposition of international sanctions against Iran further necessitated agricultural and industrial self-sufficiency. Hence, the Mosavi government (1982-1989) focused on centralized national planning by weakening the subaltern local committees and organizations leading to the initiation of the ‘First Economic, Social, and Cultural Development Plan of the Islamic Republic’ (Amirahmadi, 1991). In general terms, this centralization led, not to dismantlement, but subordination and integration of the revolutionary organizations into centralized state apparatuses, and co-opting the popular classes through a subsidies regime funded by revenues generated by the nationalized oil industry. As such the revolutionary role of the subaltern organizations (workers and peasants) shifted from empowerment of the popular classes to that of co-option and subordination. For example with the collapse of the monarchy, the industrial and manufacturing sites had been a scene of mass organizations by workers councils replacing the fleeing managers and owners of factories in the post-revolutionary period. The councils assumed the management of the factories and in many cases the workers were bale to obtain favourable working conditions, hire additional workers, lower management wages and fire managers opposed to the revolution (Moadel 2002).

After the ascendency of the centralized state to power (national bourgeoisie),

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3 The comprador fraction within Pahlavi state became dominant bloc at a time when the state from 1968 on shifted from an import substitution strategy (which led to Iran’ growing producing capacities in consumer industries) to that of “export promotion strategy” allowing operation of MNCs in Iran and contributing to further concentration of domestic private capital linked to foreign firms and corporations. Floating exchange rate and lowering tariff barriers were indications of the Phalavi state’ tendency in moving towards neo-liberalism (before Egypt’s Infitah, or the rise of neoliberalism in Chile after Allende) and dominance of the comprador fraction within the power bloc (Amirahmadi 1991).

4 In some cases such as the province of Gilan, 31 factories’ workers councils, organized by the Marxist Fadaian, formed a coordinating council that incorporated 20,000 workers and expanded its operation after it joined with Azerbaijan’ branch of work councils with a membership of 40,000 (Moadel 2002).
The Marxist-organized work councils were eradicated and the leaders of the Islamic Work Councils, while integrated into the ministry of labour, were replaced by union leaders selected by managers. The Labour ministry drafted a bill on labour relations strongly biased in favour of management as it rejected the worker’s rights to conduct collective bargaining, to maintain job security, interfere with managerial decision making and to strike (Habibi 2007).

Through this centralized state project (identified as national bourgeoisie), the petit-bourgeoisie gained access to state banking and the financial system and monopolized commodity distribution through commercial guilds (Amirahmadi, 1991). Thus, the growing influence of the revolutionary committees and councils composed of rural, peasant, and working classes, had limited the political and economic representation of the petit-bourgeoisie. Nationalization of industries and foreign trade, land distribution and autonomy for regional planning were gains that the working and peasant classes had been able to achieve, but consolidating theses gains against the organized forces of [traditional] petit-bourgeoisie and the imperialist-imposed Iran-Iraq war proved to be a difficult task (Moadel 2002).

The national bourgeois project, while hegemonic during the Iran-Iraq war, was faced with political, economic and ideological challenges after the war as a fraction within the power bloc developed tendencies that favoured further liberalization of the economy and establishing closer international ties with the EU and the US. The development of such new tendencies within the power bloc should be understood in relation to the new international relations of force (the collapse of the Soviet Union, intensification of imperialist military presence in the region, and the increased penetration of Western capital into the region). Devastated by eight years of war, international sanctions, and in need of capital and technology for reconstruction, the new tendency (represented by the Rafsanjani and Khatami governments 1989-2004 in the executive) pushed for the neo-liberal restructuring of Iran’s economy and state. Partially adopting IMF’s Structural Adjustments in order to receive international loans as well as welcoming Diaspora capital as an FDI initiative, the Rafsanjani government implemented privatization of certain state industries and services mostly taken over by state managers and politicians affiliated with the war-time Mosavi government (1981-1988) (Ehteshami, 1995).

The neo-liberal restructuring of the state and the economy was contested within the state apparatuses, as many considered such actions as marking the re-emergence of the comprador Pahlavi tendency. As such, the post-war constellation witnessed “zigzag” steps in partial as opposed to full neo-liberal restructuring of the economy and the state (Ehteshami, 1995). Nonetheless, these partial liberalizations led to high inflation (up to 40% during Rafsanjani’s presidency) and unemployment rates, urban/rural uneven development, and the dismantlement of subsidies on certain consumption needs. This was intertwined with dismantling the consumption cooperatives and the food stamps that were operative by the popular organizations during the Iran-Iraq war. Within some of the revolutionary organizations (integrated to the national bourgeoisie state apparatuses during the war), particularly the Basij, forces that pushed for popular participation in the economy were further marginalized as these organizations were increasingly utilized for disciplining the popular classes as well as the new petit-bourgeoisie. Other revolutionary organizations such as the Revolutionary Guards and the Foundations (holders of confiscated industries and

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5 Formerly affiliated with the comprador Monarchy regime (Ehteshami, 1995).
services affiliated with the comprador Pahlavi Monarchy), engaged in financial, industrial and commercial activities under the dominance of forces favouring ‘private economy’ rather than the ‘cooperative’ or ‘state’ sector (Barzin, 1999). After the election of Khatami in 1996 the neo-liberal fraction was partially successful in appealing to sections of the petit-bourgeoisie in urban spaces through adopting a more ‘liberal’ political and ideological approach. Nonetheless, the neo-liberal fraction represented by the Khatami government, pushed for more neo-liberalization (more space for participation of US and European MNCs in Iran’ energy sector and reduction of the subsidies) exacerbating the political conflict within the power bloc (New York Times, 2010).

In this conjuncture, a new fraction was formed within the power bloc and came to attain considerable representation in most elected bodies of the republic (starting from the second city/village council elections, the parliamentary elections and ultimately the presidency) by arguing for the ‘restoration of the revolution’ through the return to revolutionary values, popular participation in the economy, pursuing nuclear energy, and an ‘anti-imperialist’ foreign policy (Online News Hour, 2005). In the remainder of this paper we will attempt to understand the formation of this fraction (what we identify as the ‘neo-national bourgeoisie’) as a developing process within a contradictory conjuncture.

The Neo-National Bourgeoisie (NNB) and the Restructuring of the State
Some ‘left’ analysts in and outside of Iran have argued that, what we identify as the NNB is a political force which is continuing the ‘neo-liberal’ policies of the post-war period in a more aggressive form, favouring the dismantlement of subsidies, implementing anti-labour policies, and promoting privatization of state industries and infrastructures. Proponents of ‘liberal economy’ have identified what we call the NNB as a ‘populist’ political force as it gains legitimacy through ‘excessive spending’ (The Economist, 2009). Secular approaches characterize the NNB as the ‘return’ to the ‘Islamic fundamentalism’ of the war-period, reversing the ‘liberal’ policies of the Khatami government through a ‘pseudo-military dictatorship’ involving an alliance of the Ahmadinejad government with the Revolutionary Guards (Uruknet, 2011). In sharp contrast to these approaches, we argue that the NNB can neither be understood in relation to the ‘continuity’ of neo-liberalization nor the ‘return’ of the wartime national bourgeois project. Rather, the NNB should be understood as a new fraction of the ruling class in a contradictory conjuncture.

The NNB attempted to appeal to the popular classes by arguing for the ‘restoration of the revolution’ and popular participation in the economy through the co-operative sector. Nonetheless, due to the weakening of the ‘revolutionary organizations’ during and after the war, the NNB lacked the organizational capacity, which the cooperative sector possessed during the Rajai-Bahonar (1980-81) government. An example of this lack of organizational capacity can be observed with the implementation of the ‘public housing initiative’ by the Ahmadinejad government (the very first of the Republic since the revolution). Initially, the government pushed for co-operatives to be in charge of the management and construction of the units, while also providing government funding as well as state-owned lands for the public

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3 The most prominent being Tehran University professor Fariborz Raissdana who was arrested over his criticism of the government’s restructuring of the subsides in his interviews with Voice of America. Hamid Dabashi, in his article for CNN (2009) identifies the economic policies of the NNB as “Reaganomics in Iran”.
housing initiative. However, lack of know-how, contestation within the co-operatives as well as the lobbying power of the construction firms led to the take over of most of the housing projects by the private sector (Shasa, 2011). In another case, through the re-dismantling of the PBO (as had been previously done by the Rajai government, pg. 2), the NNB attempted to promote ‘local’ planning through the ‘revolutionary organizations’. However, due to centralization of the ‘revolutionary organizations’ as well as contestation of other fractions which promote central planning, local planning as was practiced under the Rajai government was no longer possible (Afarinesh, 2008). Instead of local planning, the development projects were partly formulated at the provincial level and partly formulated through new apparatuses (Management and Planning Organization) under the control of the executive (BBC Persian, 2007).

The cornerstone of the NNB economic policy in reducing the rural/urban uneven development is the restructuring of the subsides regime. Since the development of the national bourgeois project after the revolution, private commercial and manufacturing guilds were the direct beneficiaries of state subsidies. Receiving state-subsidized foreign exchange (generated through the export of crude oil) for imports necessary to satisfy wartime consumption needs during the US-EU imposed sanctions, the commercial guilds were empowered as the major distributors of the subsidised commodities (Amirahmadi 1991). The restructuring of the subsidies regime implemented by the NNB has minimized the role of the guilds, which are no longer the direct receivers of the subsidies. The aim is to co-opt the popular classes by redistributing a fraction of the subsidies towards the working class, agricultural proletariat, small landed peasantry and the lumpen-proletariat in the form of direct cash compensation. With removal of subsidies on food essentials, hydro, gas, water and petroleum, previously distributed by the government and guilds on a national basis regardless of the income/consumption level, the defenders of the restructuring program argue that the urban population with higher incomes and higher degree of consumption will carry the burden of increased prices, while the rural population with low incomes and low energy consumption rates will receive direct cash compensation enhancing their consumption level (Working Group for Economic Reforms, 2011).

Part of the revenue generated by the removal of the subsidies will be directed towards industrial development (30%, initiated by the Parliament) (Hamshahri, 2007). The “Empowering Manufacturing Program” (BBC Persian, 2011) implemented by the Ahmadinejad government (representing the NNB) was part of this initiative to increase industrial and manufacturing sites while tackling the issue of unemployment. In cooperation with the Central Bank, the government provided industrial loans with low interest rates and flexible repayment plans in order to increase production of consumption needs and tackle the inflationary problems often caused by low levels of supply that are instigated by the hoarding practices of the commercial guilds (Jame-Jam online, 2010). This was followed by cash incentives to families so as to allow them to purchase consumer durable goods only from nationally manufactured brands (Hamshahri, 2007).8

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7This program was unsuccessful as most of the loans found their way into growing real-estate markets rather than manufacturing. The real-estate bubble blew up after the initiation of the public housing program (Real-estate Investment. Co, 2008).

8The initiative was to generate markets for nationally manufactured products being challenged by imports of affordable goods from China (see Iran trading table on pg 10).
The Changing Formations of the Power Bloc in Iran

The enhanced spending ability of the low-income rural populations through the restructuring of the subsidies regime, increases in the wages of workers, government employees, teachers and pensioners, providing public housing, along with generating credit initiatives through public funds and private banks, are part of the NNB project to enhance internal consumption benefiting the industrial and manufacturing sector, which historically and presently are undermined in Iran by the imports of consumption needs (Iran Track, 2010).

Since the Second World War, Iran has been dependent on oil revenues for importing and subsidizing consumption and technological needs. This is particularly the result of ways in which the oil revenues have historically been utilized by distinct fractions of the ruling class for subsidizing imported consumption needs for gaining political legitimacy, rather than utilizing the revenues on national development projects. The NNB is attempting to transform this form of dependency where Iran as a periphery state has economically relied on the inflow of petro dollars from the core. In the pre-revolution monarchical state, this process of dependency on the oil revenue was intensified when the government shifted its development policy from an import substitution strategy to that of export-oriented industrialization leading to growing trade deficits that could only be balanced by the inflow of oil revenues. The post revolution national bourgeois state utilized the oil revenue for subsidies and expenses of the Iraq-Iran war and as such relied on this relation of dependency (Amirahmadi 1991). The NNB project is aiming to transform this process by utilizing the oil revenues for boosting production and infrastructure in order to expand industrialization. Restarting Iran’s nuclear project, as was previously halted during the Khatami administration, further indicates that Iran is distancing itself from oil dependency and is in need of other energy sources for its development.

Avoiding protectionist measures and lowering tariffs on certain products (highest rate of imports from China while exporting most of Iran’ oil to China, see Iran trade foot note 9) has gained Iran access to regional markets and developed new politico-economic relations with China, a supporter of Iran’s nuclear program. Expanding trade ties with Latin American as well as African allies has also allowed Iran’s auto industry, previously producing for internal markets, to now target regional markets (Aljazeera, 2010). Part of this export-oriented approach should simultaneously be analysed in relation to the escalation of regional conflicts since the occupation of Afghanistan and Iraq by the US and NATO forces. The dispute over Iran’s nuclear program (particularly after Ahmadinejad’s election to presidency) has translated into confrontational diplomacy and military provocations by the U.S. Popular resistance to American military presence in Iraq and Afghanistan as well as regional Arab uprisings against American clients has limited the possibility of an American military strike against Iran. Expanding regional trade ties, diplomatic relations, and security cooperation is part of the regional approach of the NNB to minimize the American geo-strategic position in the Middle East, as well as the Caucasuses and Central Asia. Moreover, by developing closer trade ties with China, Iran further minimizes the possibility of military confrontation. The most crucial example of this regional development is Iran’s expanding trade ties with Iraq (exports to Iraq have risen from $1bn USD in 2006 to $8bn USD in 2009), leading to conflicts with US political interests in Iraq (American Enterprise Institute Iran tracker, 2010).  

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9 Iran Ministry of economic and Finance 2010 cited in BBC, 2010
The escalation of tensions with the US and the EU member states led to the implementation of the UN Security Council sanctions against Iran (2007), which was soon followed by the departure of EU and US capital and MNCs from Iran (as they had gained concessions for operating in Iran from neo-liberal fractions after the Iran-Iraq war). The most prominent of such MNCs was Halliburton providing drilling services to Iranian oil and gas sectors through foreign subsidiaries (The New York Times, 2010). While in need of foreign investment for expansion of energy operations, and with little success garnered from offering government bonds and FDI initiatives, the nationalized oil and gas sectors have compensated the financial and technological shortages by involving energy firms associated with the Revolutionary Guards into future energy projects. China and Russia are also major financial contributors to Iran’s energy sector signalling a restructuring plan in Iran’s foreign policy (American Enterprise Institute Iran Tracker, 2007).

Particularly after the election of Ahmadinejad to the presidency, the NNB pushed for reversing the neo-liberal fraction’s economic concessions to US-EU capital, NATO’s military presence in the region as well as the nuclear program. The NNB could not adopt a national bourgeois ‘anti-imperialist’ foreign policy. Instead, the anti-imperialist struggle in the region, the intensification of intra-imperialist rivalries and rise of new regional powers pushed the NNB to utilize the spaces provided by this constellation. Hence, in order to pursue the nuclear program and manoeuvre around the sanctions regime for the purpose of attaining capital, know-how and technology for internal development (the Dubai port is the major source of importing such needs through Iran-based private firms operating in the UAE, see foot note 9), the NNB shifted towards a ‘regional foreign policy’, developing strategic ties

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10Creation of Free Trade Zones was part of this initiative that reversely, due to its flexible labour, transportation, and environmental laws, has been an investment attraction for the indigenous capital rather than EU capital.
with China, Russia, Turkey\textsuperscript{11} and Brazil (Iran Chamber of Commerce Industry and Mining, 2010). Moreover, reversing the neo-liberal fraction’s foreign policy, the NNB supported anti-US political factions in the Middle East (including Hezbollah, Hamas, and the Sadrist movement in Iraq) and has established close ties with Latin-American governments hostile to the United States.

It is important to explain how this shift in foreign policy restructured specific state apparatuses particularly the Islamic Revolutionary Guards Corps (IRGC), through the empowerment and expansion of their economic and political functions. The Revolutionary Guards are by no means a homogeneous institution limited to security and military operations. IRGC’s role as a key state apparatus can be divided into the ideological, security, economic and infrastructural projects. In addition, the IRGC and its distinct operations are contested among fractions of the ruling class and as such it has no homogeneous political agenda. The security and military commanders of the IRGC are loyal to the Office of the Supreme Leader and the Leader himself selects the top commanders. The economic operations include finance, banking, services, and heavy industries all considered as part of state monopoly capital (more detail on this in the accumulation strategy) (The Iran Primer, n.d.). The ideological wing of the IRGC is the popular militia of the Basij which having its economic role being marginalized by the neo-liberal fraction was transformed into a coercive apparatus for suppressing political dissent. With the election of Ahmadinejad since 2005 the Basij are once again engaged in more cultural and economic operations (similar to Venezuela’ Bolivarian Militia) and played a huge role in suppressing the 2009 protests that sparked after the presidential elections. And lastly the infrastructural operations of the IRGC are concentrated in the Gharargah Sazandegiye Khattam al-Anbia, or the GHORB development base which the western-backed sanctions specifically targeted its operations and individual commanders affiliated with this base. The GHORB is politically more affiliated with the NNB than other operations of the IRGC. The GHORB contains Iran’s most advanced technological activities which are often utilized by the state and other private industries for civilian projects with operations ranging from contracts in different construction fields such as dams, water diversion system[s], highways, tunnels, buildings, heavy duty structures, and most important of all the gas and oil pipelines (AEI, 2007).

The neo-liberal fraction remains the most hostile political force to the GHORB\textsuperscript{12}. This is mainly based on the increasing role of the GHORB in minimizing the presence of private investors and multinational corporations in Iran’s economy and infrastructure. The most striking example of such resistance to multinational operations in Iran by the IRGC is when its tanks occupied the new-developed Imam Khomeini International Airport in 2004 demanding the Khatami government to abort the granted contracts given by the neo-liberal fraction to foreign companies for operating the facilities of the new airport (AEI, 2007).

Awarding contracts to the GHORB Base increased since Ahmadinejad’s presidency in 2005 coinciding with the implementation of western-motivated sanctions against Iran. Faced with technological and revenue shortages which resulted in the downfall of Iran’s oil production capacities and the country’s inability to import its needed gasoline after the sanctions, the NNB granted the GHORB contracts to

\textsuperscript{11} Iran-Turkey annual trade has increased remarkably in 2010 (27/91%). Trade ties between the countries are set to increase above $30 billion (Iran Chamber of Commerce Industry and Mining, 2010).

\textsuperscript{12} After Ahmadinejad’s victory in 2005 presidential elections a Reformist newspaper Etemad-eMeli, declared the GHORB as the real winner of the election (AEI, 2007).
build the South Pars gas fields and the 600-mile “peace pipeline” that stretches into Pakistan and India, as well as granting contracts to the GHORB to expand Iran’s refinery capacities in order to produce gasoline domestically, most of which was imported from Turkey after the imposed sanctions in 2006 (AEI, 2007). The recent decision by the Ahmadinejad government to nominate the head of the GHORB Brigadier General Rostam Ghasemi as the government’s choice for Oil Ministry is another indication of NNB’s political affiliation with the GHORB (Aljazeera, 2011).

Prior to analysing the NNB’s accumulation strategy, it must once again be noted that in restructuring the state, the NNB, although dominant within the power bloc, is nonetheless not a hegemonic force and is being contested by forces that are particularly represented in the IRGC, the Parliament, the Judiciary and the Office of the Supreme Leader. The NNB’s ascendency to the position of dominant within the power bloc (Gramscian)\(^\text{13}\) should be understood in relation to the national bourgeoisie’s post-war crisis of hegemony (as explained in historical background). With the development of neo-liberal tendencies among a fraction of the ruling class (represented by the Rafsanjani and Reformist governments) and growing dissatisfaction of the popular classes with the neo-liberal restructurings, the NNB, while deterring the neo-liberal tendencies was simultaneously successful in co-opting the popular classes (as explained above) averting a revolutionary situation that could jeopardize the overall interest of the ruling class.

Forces in the Iranian Parliament are among the most crucial political contenders against the NNB. The so called “Principalists” (formed as a unified fraction against the Reformist government 1996-2004) with conservative religious standings and close affiliations with Bazaar merchants have a majority in the 8th Parliament and have contested the NNB’s restructuring of the subsidies regime pushing for the persistence of the role of commercial guilds in the restructuring of the subsidies. Also, part of NNB’s attempt in marginalization of the commercial guilds and empowering small manufacturing units was the ‘added value tax’ whereby the distributors and importers of commodities would be taxed for the ‘added value’ instead of the producers. Protesting against this measure, the bazaars (supported by forces within the Parliament) in major cities went on strike for a few days. Eventually, the Parliament and the Executive agreed on a 3% tax (increased by 1% for 2011-2012) on importers and distributors whose annual transactions exceed one million dollars (Alef, 2008).

Enforcement of the “Islamic Dress Codes” is another form of contestation among apparatuses of the state shaping up between the Ahmadinejad government (representing the NNB) and the Judiciary. The dispute revolves around how the “moral police” designated for the purpose of enforcing such codes should publicly operate. Other political or cultural initiatives such as combining Islam with ancient Persian civilization for developing an “Iranian-Islamic” identity (more on this in the section on ideology), or for the first time since the revolution, designating women as choices for the cabinet by the NNB, have faced challenges from traditional and religious figures (Bama News, 2011).

Moreover, there has been an unprecedented conflict between the Presidency and the Office of the Supreme leader over the supreme leader’s prerogatives,

\(^{13}\) For analysis on the concepts of state and power bloc refer to Imperialism and the social question in (semi)-peripheries: The case for a neo-national bourgeoisie, by Sabah Alnasseri.
particularly in dismissing the president’s choices for the cabinet\textsuperscript{14}. In these disputes, the Ahmadinejad government has been accused of violating the ‘legal frame work’ and the ‘constitution’ by these forces, writing a formal complaint to the Judiciary (Khabar Online, 2011). In response, emphasizing on its ‘interpretation’ of the constitution (highlighting the role of the executive at the expense of the Parliament), the NNB has argued that the Ahmadinejad government has been the most loyal government to the constitution. Despite this emphasis on the ‘reinterpretation’ of the existing constitution (revised in 1989 after the end of Iran-Iraq war) future attempts by the NNB for constitutional reform should not be excluded from analysis.

The IRGC, particularly its military commanders loyal to the Office of the Supreme Leader have also posed challenges to the NNB. Exploiting the intra-imperialist rivalries for gaining international and regional autonomy and not being an anti-imperialist force, fractions within the NNB have utilized individuals and contacts among the Iranian diaspora living abroad in order to maintain chances of possible negotiations with the US in case of losing China, and particularly Russia’ international support for Iran’s nuclear projects and in opposing western-motivated sanctions. Such acts were confronted by the IRGC commanders who pushed for removing or in some cases arresting individuals affiliated with such contacts outside of Iran (Iran News Now, 2011).

And last but not the least challenge to NNB’s dominance was the neo-liberal candidate’s (the Reformist Mir Hussein Mosavi) reaction to the 2009 elections result which sparked days of protests and formation of what came to be known as the “Green Movement”. Despite being utilized by western media and various opposition groups (the MKO or the Monarchists) within and outside of Iran for the purpose of destabilizing the Iranian regime, the Green Movement was articulated around various social groups with no specific political platform but protesting against the social, cultural and economic difficulties that are particularly related to the younger generations of Iranians (News Week, 2010). However, the movement was concentrated in Tehran and a few other urban centres and failed to spread to smaller cities and rural spaces where the NNB candidate Ahmadinejad had strong social bases particularly among the popular classes.\textsuperscript{15}

**Accumulation Strategy**

The nationalizations after the 1979 revolution gave the state direct control of more than 80 per cent of the country’s major natural resources, banks and industrial operations. Service operations like hotels and theatres belonging to the monarchy-affiliated crony-capitalists were confiscated by the revolutionary establishments like the Foundation of the Deprived or the Martyr’ Foundation. Other small-scale industrial operations with no links to the ‘Monarch’s Court’ were allowed to sustain ownership and continue operation. As such, monopoly capital in post-revolution Iran is identified as state monopoly, which replaced the previous comprador state (the Monarchy) with links to international capital through joint ventures (Barzin 1999).

\textsuperscript{14} For instance, Khamenei reinstated the Minister of Intelligence which Ahmadinejad had earlier dismissed. In an unprecedented move since the institutionalization of the Office of the Supreme Leader under Khamenei, Ahmadinejad protested against limiting presidential powers by not attending the cabinet meetings for eleven days.

\textsuperscript{15} Moreover, the Green Movement was inspired by the growing contestation among the ruling classes as opposed to the popular Arab uprisings that are against the entire state and ruling classes.
With specific economic restructuring synchronized with industrial expansion and the marginalization of the commercial guilds, the NNB is attempting to incorporate non-monopoly capital in the implementation of its specific accumulation strategy. This includes the expansion of small-scale manufacturing with an emphasis on labour-intensive production. The NNB’s justification for the expansion of non-monopoly production is based on the emphasis that countries (mostly referring to South Asian experiences) with limited capital for investment and an oversized reserve army of labour can tackle the issue of ‘unemployment’ through small-scale manufacturing which according to Iran’s labour law is identified as manufacturing sites with 30 workers or less (IRI Ministry of Labour, n.d). This argument is presented in contrast to monopoly industries that have access to capital for further investment and new technologies (Vista, 2004).

Emphasis on small-scale manufacturing is in relation to the fact that Iran’s workforce is mainly ‘unskilled’. According to the Labour Ministry census for 1994-2001, 10,974 manufacturing sites (10-50 workers) employed 206,000 workers out of which 93.2% of them were considered unskilled labour, meaning out of every 13.6 workers only one was considered as skilled labour (Vista, 2004).

The integration of this unskilled labour force is implemented in combination with non-wage subsidies and commodities, provided by the government, in order to maintain high rates of profit for their employers. The increase in wages in relation to inflation, administered by the Labour ministry’s Islamic Labour Councils (composed of representatives of government, manufacturers and workers)\(^\text{16}\), is only enforced on private and state industries that have hired 30 workers or more. Small-scale industries are only required to pay the minimum wage of $303 per month (IRI Ministry of Labour, n.d.). Although no specific bargaining leverage on wage relations and work conditions are given to workers employed in small-scale manufacturing, the NNB has pushed for the enforcement of rules such as setting a heavy fine for employer’s late payments on worker’ insurance\(^\text{17}\) (Social Security Fund, n.d). It is mostly through non-wage subsidies in cash compensations and providing consumption commodities for workers by the government that the NNB has attempted to increase workers spending ability in relation to their reproduction (Working Group for Economic Reform, n.d), indicating the supportive role of its accumulation strategy for the profitability of non-monopoly industries.

The NNB has justified the emphasis on ‘social security’ instead of increasing the workers’ wages by arguing that in the context of the restructuring of the subsidies regime an increase in the workers’ wage would contribute to inflation. However, the workers have contested this approach in various forms\(^\text{18}\), arguing that current minimum wage does not compensate for the costs caused by inflation (Khabar Online, 2011). More specifically, the workers’ representatives (within the Islamic Labour Council as well as the Workers’ Representatives’ Council) have attempted to reverse the new composition of the ‘High Council of Labour’ which decides the annual changes to workers’ wages. This body is composed of the representatives of the Labour Ministry (3 members), workers’ representatives (3 members one of which is

\(^{16}\)Manufacturing sites with workers under 30 are not represented in this Council as a concession to small-scale manufactures.

\(^{17}\)7% paid out of monthly wage of the worker and 3% by the Labour Ministry. All payments received and regulated by the Social Security Fund.

\(^{18}\)For instance, strikes for delayed or non-payment of wages particularly in small units as well as demonstrations against delayed or non-payment of wages during Ahmadinejad’s provincial visits.
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from the agricultural sector, appointed by the Islamic Labour Council) and the owners (3 representatives one of which is from the agricultural sector). The NNB however has increased the representatives of the Labour Ministry from 3 to 5 (Fars News Agency, 2011). It must also be noted that in the above process, a new workers’ organization (the Workers’ Representatives’ Council) which can legally represent workers in units employing less than 30 workers has been forming and contesting the Islamic Labour Council (Khabr Online, 2011). More specifically, arguing that it represents more workers than the Islamic Labour Council, the Workers’ Representatives’ Council is attempting to replace the Islamic Labour Council in the High Council for Labour (Sabad News, 2011).

The empowerment of non-monopoly capital into this specific accumulation strategy is also embedded in the new forms of privatizations which in addition to incorporating non-monopoly capital, are also protecting state monopoly capital from the neo-liberal forms of foreign takeovers. In the post-war period, the neo-liberal fraction, partially implementing the IMF Structural Adjustment Programs, attempted to privatize state monopoly industries and infrastructure through foreign takeovers and the incorporation of MNCs in such sectors. This was contested by other fractions in favour of sustaining the state monopoly capital in key industries and resources, but nonetheless welcoming the partial privatization of the banking or hydroelectricity sectors (Farda News, 2008). To contest the neo-liberal privatization agenda, the NNB merged key industries and resources with establishments associated with the IRGC and public institutions such as the Retirement Fund and Social Security Fund. The most prominent example of such merging was that of Iran Telecommunications. In 2009, Etemad-Mobin, a consortium affiliated with the IRGC purchased 51% of Iran Telecommunications through a $7.8bn transaction (Trade Arabia, 2009). This was in opposition to attempts by the neo-liberal and pro-EU fractions to incorporate the Siemens Company into the privatization of Iran’s Telecommunications (Mofid, 2007).

The privatization of certain banks and small-scale industries and services (in some cases partial privatization) was implemented through incorporating them into the Tehran Stock Exchange where the shares are divided and distributed among the workers, teachers, the retired, families of war veterans, and low-income families concentrated in rural spaces (‘Justice Shares’). The incorporation of firms and industries into the stock market is managed through the corporative sector on the basis of larger shares for larger amounts of investment (preferred shared holders) as opposed to the previous corporative project (1980-1988) when shares were equally distributed among common shareholders (Middle East Business Intelligence, 2006).

The empowerment of non-monopoly capital should not be understood as a competitive model challenging the interests of the state monopoly capital. Rather such integration is an attempt to organize the indigenous capital in contesting the penetration of EU/US capital into the nationalized key industries and resources. The engagement of state apparatuses (Revolutionary Guards and co-operative institutions) through their economic involvement in this specific privatization process is to empower non-monopoly capital that simultaneously is the beneficiary of outsourced contracts provided by the state monopoly capital (INCO Finance, n.d). For example,

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19The 20 Years Perspective Document, crafted during the neo-liberal governments (1988-2004) had emphasized the role of privatization of state assets for developing a ‘competitive economic model’. By lobbying through the Parliament, the Ahmadinejad government amended the Document by stressing on the role of ‘corporative sector’ (section 44 of the constitution) in the privatization process.
the National Iranian Oil Company (NIOC), Iran’s largest automaker (*Iran Khodro*)
and the GHORB, the infrastructural operation of the IRGC, are among the major
technological and industrial institutions. These institutions contain subsidiary
industries and financial firms that receive outsourced contracts. It is through the
privatization of these subsidiaries of state monopoly capital, via the Iranian stock
exchange, that the NNB is incorporating non-monopoly capital as the investor and
owner of such firms and industries\(^{20}\) (INCO Finance, n.d). Thus, incorporating non-
monopoly capital in this privatization process should be understood as an initiative to
engage indigenous non-monopoly capital to provide capital for investment (lack of
FDI), and as a protective measure in sustaining state monopoly capital against EU/US
capital.

As explained in the section above (restructuring of the state), part of NNB’s
initiative in empowering non-monopoly capital is synchronized with its
industrialization project through small-scale manufacturing. Beyond increasing
internal consumption, this industrialization project can also be analysed through the
regional export-oriented approach of the NNB. Since 2010, Iran has increased its non-
oil exports by up to 27% ($5bn reaching $26.5bn by 2011) with top destinations being
China, Iraq, Syria, India, UAE, Afghanistan and Turkey. Iran is launching new
shipping routes for eastern Africa and sent its battle ships through the Suez Canal
during the popular uprising in Egypt (Press TV, 2011). Empowering export-oriented
manufacturing (with labour-intensive production, employing non-skilled labour)
must be analyzed in relation to Iran targeting periphery and semi-periphery markets,
where the Iranian export goods are competitive, as opposed to competitive markets in
the core. The primary motive behind NNB’s export oriented approach is to evade the
imposed sanctions regime so as to obtain relevant technologies for enhancing its
industrial and military capabilities by establishing trade ties particularly with China,
Turkey and Russia (The Seattle Times, 2009).

**Ideological Approach**

Particularly after the election of Khatami to presidency in 1996, the neo-liberal
tendency appealed to the urban middle class by arguing for the empowerment of ‘civil
society’ (Ashraf and Banuazizi, 2011). Given the neo-liberal attack on the popular
classes, this fraction had little ideological appeal to the popular classes concentrated in
rural spaces as well the proletariat in industrial cities. Particularly after the election of
Ahmadinejad to presidency, the NNB challenged opponents (2005) by utilizing this
ideological weakness of the neo-liberal fraction. Concentrating on the ‘Martyr
Families’ and the veterans of the Iran-Iraq war (mostly from the popular classes) and
criticizing the previous governments for clientelism and corruption, the NNB
combined this ideological approach with its overall economic restructuring policies.
This included the ‘fair distribution of subsidies’, public housing against the interests
of the ‘corrupted landlords’ and aiding the unemployed through industrial expansion
(Online News Hour, 2005). This illustrates a specific ideological approach where the
NNB is attempting to restructure the ideological apparatuses of the state by
articulating this project in relation to specific social and political questions regarding

with exception to the NIOC, or ‘Privatization of hydro firms with exception to major hydro plants’. Or
‘privatization of banks with exception to the Central Bank, Meli Bank, […] The Industrial and Mining
Bank’.
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The Islamic interpretation of social justice and private property in the post-revolution period has always been contested among different fractions. Ashraf and Banuazizi (2001) refer to ‘radical’ and ‘conservative’ interpretations of Islam concerning property relations and social justice in post-revolutionary Iran:

The conservatives, following the traditional Islamic jurisprudence (feqh-e sonnati), upheld the sanctity of private property and advocated a limited role for the state in the economy. The radicals, basing their position on what they described as progressive and dynamic jurisprudence (feqh-e moteraqqi va pouya), considered the achievement of greater social justice and the improvement of the lot of the impoverished masses (mostazafan) as the fundamental duty of the revolutionary Islamic state. They advocated economic self-sufficiency, limits on agricultural landholding, state controls over major sectors of the economy (banking, heavy industries, foreign trade, etc.), and progressive labor and social-welfare legislation (Ashraf and Banuazizi, 2001, p. 241).

Incorporating elements of the ‘radical’ interpretations of Islam, the organic intellectuals of the NNB, particularly those making references to Liberation Theology in Latin America, have linked religion to the question of social justice focusing on the ‘communitarian’ aspects of Islam. This is in contrast to the ideological project of the neo-liberal fractions that represent Islam with potentials to incorporate liberal values ‘respecting the rights of individuals’. This ideological moment was particularly utilized for the purpose of gaining support among popular classes in restructuring the subsidies regime, with an emphasis on fair distribution (Raah, 2008).

In addition, the university colloquium for social sciences and humanities are being restructured by the Council of Cultural Revolution “for the purpose of incorporating Islamic and native sciences fit for the cultural and religious needs of the country” (Rasa News, 2011). The attempt is to revise the incorporation of liberal and Euro-centric discourses in social sciences implemented by the neo-liberal fraction. This shift in social science revolves around the production of ‘communitarian and indigenous Islamic knowledge’ with an emphasis on Iran’s cultural and historical ties to the region. Simultaneously, the NNB is combining elements from Iran’s ‘pre-Islamic’ history with the Islamic character of the state. This moment is utilized in order to appeal to the urban middle classes, mostly concentrated in the bureaucracy or employed in private service sector. However, this incorporation is facing opposition from sections of the clergy arguing against combining ‘nationalism’ with ‘Islamic values’ (Khorasan Research Institute, 2011).

This ideological shift (what could be called a neo-national post-colonial Islamic discourse) reflects NNB’s regional approach which attempts to appeal to the nationalities and ethnicities of the region, emphasizing the religious and cultural ties embedded in history of Muslim states (IKNA, 2008). This regional ideological appeal should simultaneously be understood in relation to the question of imperialism. Iran perceives its security and national territorial integrity as being threatened by the US military presence in the region. Thus developing closer ideological ties through cultural and historical connections with neighbouring countries is linked to the issue of American military occupations in the region and the Palestinian question, with the hope that such ideological connections can generate a unified regional force against US and NATO military presence in the Middle East.
Prospects
Throughout this paper, we have attempted to analyze the specific way through which the NNB as a new fraction of the power bloc has formed and become ‘dominant’. In terms of identifying the NNB, further research has to be done on the NNB’s approach to the agricultural sector. In this regard, it is particularly important to study the NNB’s emphasis on ‘mechanization’ of agriculture (Foodna, 2011) and its effects on restructuring the forms of land ownership in the context of the weakness of the cooperative sector.\footnote{It should be analyzed whether the NNB’s approach will result in ‘privatization’ of land ownership (particularly in relation to the small landed peasantry concentrated in lands under 10 hectares) and what forms of class struggle will act as a counter-tendency to it.}

We have argued that although ‘dominant’, the NNB is still not a ‘hegemonic’ fraction within the power bloc. The extent to which the NNB can become a hegemonic fraction is dependent on how it responds to the forms of contestation by other forces within the power bloc (including political mistakes) and the way in which the popular classes utilize the spaces provided by these contestations. Given the NNB’s regional approach, this possibility is also conditioned by the changing global and regional constellation of power and class struggle and the extent to which they provide the conditions of possibility for the formation of similar fractions in the region.

In terms of prospects for revolutionary class struggle, one should not underestimate the historical patterns of national bourgeois, neo-liberal and neo-national bourgeois disciplining, fragmenting and co-opting of the popular classes. Nonetheless, the NNB’s economic, political and ideological form of appeal to the popular classes has opened new spaces for struggle. For instance, in the context of the empowerment of non-monopoly capital in relation to state monopoly capital, new workers’ organizations are developing in non-monopoly sectors. Moreover, the NNB’s regional approach has created new contested spaces. For instance, according to the latest agreement between Iran and Iraq, the number of Iranian citizens who can visit Iraq will increase to 6000-1000 visitors a day with longer visas (Islamic Republic’s Organization for Pilgrimage, 2011). These spaces, which are harder to control by the power bloc, can be utilized by the Iranian popular classes for cooperation and further engagement with the popular classes of the region.

References


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