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What a Revolution!

Thirty Years of Social Class Reshuffling in Iran

Sohrab Behdad and Farhad Nomani

The 1979 revolution in Iran overturned the existing political order. It ruptured the existing social relations and institutions to reconstruct them in a new mold. It was an idealized expression for social change and progress. Its slogans, deliberate or spontaneous, were epitomes of the expected orientation of the revolutionary movement by the mass of its participants and its leaders. Yet a revolution, like a forest fire or a tornado, once it takes shape, its form, direction, and extent have more to do with the internal dynamics of the interaction of its forceful momentum with the social landscape in which it traverses than with its origin or initial orientation. Such is the story of the Iranian revolution, seeking to establish the rule of the oppressed; to eradicate poverty, exploitation, and “excessive” wealth; to do away with “imperialism of East and West”; and to replace Iran’s “dependent capitalism” with a hitherto undefined utopian Islamic economic order, under a petty-bourgeois-oriented Shi’i clergy, in the deeply polarized Iranian society.

Soon after the revolutionary surge, the Islamic government nationalized large manufacturing and financial enterprises. Revolutionary Islamic courts confiscated the property of those who were found “corrupt on earth.” Land-hungry peasants took over rural land. The urban poor occupied vacant apartments, and workers’ councils captured control of many enterprises. Owners of capital and property rushed to liquidify and ran for cover in the safe havens of foreign banks and currencies.

The state was entangled in its internal dispute over the orientation of the postrevolutionary reconstruction. The definition and establishment of a new “Islamic economic order” became the subject of an intense political struggle among contending social forces and within the state.¹ The Iranian economy was entrapped in an economic crisis of the postrevolutionary type²—that is, a crisis in the production process resulting from the postrevolutionary political upheaval—and the open social contestation in choosing the path of postrevolutionary reconstruction. A postrevolutionary economic crisis will end when the transition toward a new social order (or the return to the disrupted order) reaches a steady state. In Iran, the absence of a clear revolutionary program with a definition of the economic order that was expected

This article is an extension and update of our study of social classes in postrevolutionary Iran, presented in *Class and Labor in Iran: Did the Revolution Matter?* (Syracuse, NY: Syracuse University Press, 2006) and “The Rise and Fall of Iranian Social Classes in the Post-revolutionary Decades,” *Middle Eastern Studies* 44 (2008): 377–96. An earlier version of this article was presented at “The Iranian Economy at the Crossroads: Future Choices and Prospects” conference, London, 24 May 2008. We wish to thank Yu Guo (Denison University) for bibliographical assistance.

1. See Ali Rahnama and Farhad Nomani, *The Secular Miracle: Religion, Politics, and Economic Policy in Iran* (London: Zed Books, 1990); and Sohrab Behdad, “A Disputed Utopia: Islamic Economics in Revolutionary Iran,” *Comparative Studies in Society and History* 36 (1994): 775–813.

2. Sohrab Behdad and Farhad Nomani, “Workers, Peasants, and Peddlers: A Study of Labor Stratification in the Post-revolutionary Iran,” *International Journal of Middle East Studies* 34 (2002): 667–90.

to replace what existed and was disrupted prolonged the crisis. The war with Iraq, the international economic sanctions, and the oil price collapse in 1985 and 1986 only accentuated the economic crisis.

We conceptualize the transient postrevolutionary period into two distinct periods with distinctly different characteristics. First is the retrenching of capital in response to the overwhelming expression of antagonism toward the existing economic order, in the course of the revolutionary upheaval and the postrevolutionary turmoil. This resulted in a shriveling of capitalist relations of production and an elaboration of the maze of entangled market networks, conducive to the growth of petty-commodity production. We call this degenerative process “structural involution,” which is characterized by widespread disruptions in production and capital accumulation (investment), resulting in de-proletarianization of the urban economy, peasantization of agriculture, and a significant increase in small-scale service activities. We adopt the term *involution* in the sense introduced by the cultural anthropologist Alexander Goldenweiser in 1936, to mean a “progressive complication” of the existing pattern without evolving into another.³ Clifford Geertz extended Goldenweiser’s notion of involution to explain the process of agricultural development in Java in the nineteenth century.⁴

The reversal of the involutory trend, in a move toward economic restructuring and liberalization, may be noted as a “de-involutory process.” This reversal trend is characterized by revitalization of capitalist relations of production, reconstitution of market institutions, proletarianization of the workforce, and de-peasantization of the rural economy.

We have examined the involutory and de-involutory trends in the Iranian econ-

omy elsewhere.⁵ An econometric study of the “sources of growth and stagnation” of the Iranian economy in this period by Farshid Mojaverhosseini shows similar results in terms of the growth performance of the economy.⁶ Table 1 reveals the sharp decline in the contribution of capital stock to the growth of the non-oil real gross domestic product (GDP) in the 1976–86 period, in comparison to that in 1966–76 (from 5.0 percent to 1.8 percent). More significant, total factor productivity (TFP) declined drastically from 5.6 percent to –2.9 percent in the respective periods.⁷ Contribution of labor to the growth of non-oil GDP also declines in the second period, but not as sharply as the contribution of capital and of TFP. A notable but modest reversal (except for the contribution of capital) in the subsequent decade, 1986–96, reveals that the de-involutory process had been advancing slowly and painfully.

Table 1. Sources of growth of non-oil GDP

	1966–76	1976–86	1986–96
Average annual rate of growth	13.2	0.7	3.9
<i>Sources:</i>			
Total factor productivity (TFP)	5.6	–2.9	0.3
Employment (labor)	2.1	1.2	2.1
Human capital	0.5	0.6	0.7
Physical capital stock	5.0	1.8	0.9

Source: Data from Mojaverhosseini, “Inquiry into the Sources of Growth and Stagnation,” 5.

These important changes created new politico-socioeconomic opportunities for some and limited the opportunities for others. Some activities expanded, and others contracted. Certain occupations thrived, while others deteriorated. Some social groups gained proxim-

3. Alexander Goldenweiser, “Loose Ends of Theory on the Individual, Pattern, and Involution in Primitive Society,” in *Essays in Anthropology Presented to A. L. Kroeber in Celebration of His Sixtieth Birthday, June 11, 1936*, ed. Robert H. Lowie (Berkeley: University of California Press, 1936), 99–104.

4. Clifford Geertz, *Agricultural Involution: The Process of Ecological Change in Indonesia* (Berkeley: University of California Press, 1963). For a discussion of the origin of the term *involution* in political economy, see Sohrab Behdad, “Production and Employment in Iran: Involu-

tion and De-industrialization Theses,” in *The Economy of Islamic Iran: Between State and Market*, ed. Thierry Coville (Louvain, Belgium: Peeters, 1994), 85–112; and Nomani and Behdad, *Class and Labor in Iran*.

5. Nomani and Behdad, *Class and Labor in Iran*, chap. 3.

6. Farshid Mojaverhosseini, “An Inquiry into the Sources of Growth and Stagnation in Iranian Economy,” International Centre for Economic Research, Working Paper no. 12, 2003, handresearch.org/pages/papers_list.php?mid=1&sid=1 (accessed 20 September 2008).

7. TFP measures the share of economic growth that is not accounted for by capital stock or employment of labor. That is generally attributed to the contribution of scale of production, technological change, organization of production, or institutional arrangements.

ity to the centers of power and decision making, and others became more distant and less privileged. These changes affect the distribution of employment, as well as the pattern of employment status and occupational positions. In “normal” circumstances, these changes are generally effected in a long-run trend in response to technological, demographic, or socioeconomic changes. In the transitional process in the postrevolutionary conditions, changes in the occupational pattern of the workforce are abrupt and unstable. This article quantifies the sources of expansion or contraction of class locations of the Iranian workforce in the involutory and de-involutory processes in the postrevolutionary decades by measuring class and employment effects at the aggregate level and within different economic sectors over time. Such a study has been conspicuously absent in the large body of literature on postrevolutionary Iran. To our knowledge, this study has not been conducted in any other country that has experienced an abrupt change in its social order, particularly the “transitional economies,” except for Russia.⁸

At the outset, in the following section, we elaborate on our conception of class. Our method for quantification of the sources of the rise and fall of classes is the decomposition technique. We delineate the elements of the decomposition technique in the appendix. The application of this technique to the constructed

class structure of the Iranian workforce in 1976, 1986, 1996, and 2006 enables us to detect the sources of expansion and contraction of different classes in the economy, and within different economic sectors, in the postrevolutionary years. Our source of data is Iran’s National Census of Population and Housing for these years.⁹

Class Division of the Workforce

“Workforce” is not a homogeneous category or a mere gradational hierarchy of people in terms of skill or income.¹⁰ The nature of the relations between the individuals in the workforce, who are hierarchically related to one another, is based on class interest. Class interest is based on relations of production in economic activities. Production relations reflect the way effective ownership rights and power over producers and productive assets are distributed.¹¹ In this sense this relationship can be identified as relations of ownership because those who own scarce economic resources enter into an asymmetric relation with those who do not. This relationship gives rise to class locations in economic structures and determines the class interest of the occupants. In a capitalist economy, a set of these class locations based on the three axes of ownership of property (physical and financial capital), skills/credentials, and organizational assets/authority constitute the class structure.¹² Class relationship can be approximated by the employment-occupational structure.¹³

8. See Michael Burawoy, “Transition without Transformation: Russia’s Involuntary Road to Capitalism,” *East European Politics and Societies* 15 (2001): 269–90; and Jouko Nikula, ed., *Restoration of Class Society in Russia?* (Aldershot, UK: Ashgate, 2002).

9. Markaz-e Amar-e Iran (MAI), *Sarshomari-ye Omomi-ye Nofoos va Maskan, Koll-e Keshvar, Abanmah 1355* [Census of Population and Housing—Total Country] (*Census 1976*) (Tehran: MAI, 1980); MAI, *Sarshomari-ye Omomi-ye Nofoos va Maskan—Koll-e Keshvar, Mehrmah 1365* (*Census 1986*) (Tehran: MAI, 1986); MAI, *Sarshomari-ye Omomi-ye Nofoos va Maskan—Koll-e Keshvar, 1375* (*Census 1996*) (Tehran: MAI, 1997); MAI, *Sarshomari-ye Omomi-ye Nofoos va Maskan—Koll-e Keshvar, 1385* and *Jadavel-e Montakhab* [Selected tables] (*Census 2006*), www.sci.org.ir:80/portal/faces/public/census85/census85.natayej (accessed 20 September 2008).

10. For qualitative analyses of classes in Iran, see, among others, Azadeh Kian-Thiebaut, *Secularization of Iran: A Doomed Failure? The New Middle Class and the Making of Modern Iran* (Louvain, Belgium: Peeters, 1998); Mansoor Moaddel, *Class, Politics, and Ideology*

in the Iranian Revolution (New York: Columbia University Press, 1993); Misagh Parsa, *Social Origins of the Iranian Revolution* (New Brunswick, NJ: Rutgers University Press, 1989); Ahmad Ashraf, “Historical Obstacles to the Development of a Bourgeoisie in Iran,” *Iranian Studies* 2 (1969): 306–32; and Ashraf, “The Roots of Emerging Dual Class Structure in Nineteenth-Century Iran,” *Iranian Studies* 14 (1981): 5–27.

11. Gerald A. Cohen, *Karl Marx’s Theory of History* (Princeton, NJ: Princeton University Press, 2001).

12. See John E. Roemer, *Egalitarian Perspectives: Essays in Philosophical Economics* (Cambridge: Cambridge University Press, 1994); Rosemary Crompton, *Class and Stratification: An Introduction to Current Debates* (Cambridge: Polity, 1993); John Scott, *Stratification and Power: Structures of Class, Status, and Command* (Cambridge: Polity, 1996); Erik O. Wright, *Class Counts: Comparative Studies in Class Analysis* (Cambridge: Cambridge University Press, 1997); and Wright, “Foundation of Class Analysis: A Marxist Perspective,” in *Reconfigurations of Class and Gender*, ed. Janeen Baxter and Mark Western (Stanford, CA: Stanford University Press, 2001), 14–27.

13. The use of occupational data for class analysis in different schools of thoughts has been scrutinized widely. See, e.g., Scott, *Stratification and Power*; James Fulcher and John Scott, *Sociology* (Oxford: Oxford University Press, 1999); Anthony Giddens, *The Constitution of the Society: Outline of the Theory of Structuration* (Cambridge: Polity, 1984); Catherine Marsh, “Social Class and Occupation,” in *Key Variables in Social Investigation*, ed. Robert G. Burgess (London: Routledge and Kegan Paul, 1986), 123–52; Gordon Marshall, “Classes in Britain: Marxist and Official,” *European Sociological Review* 4 (1988): 141–54; Ivan Reid, *Social Class Differences in Britain* (London: Grant McIntyre, 1981); and Catherine Hakim, “Census Reports as Documentary Evidence: 1801–1951,” *Sociological Review* 28 (1980): 551–80. For a survey of debates on class analysis as well as a neo-Marxist critique of the use of occupations in empirical class analysis, see Barry Hindess, *Politics and Class Analysis* (Oxford, UK: Blackwell, 1987); Crompton, *Class and Stratification*; Crompton, “Class Theory and Gender,” *British Journal of Sociology* 40 (1989): 565–87; and Wright, *Class Counts*.

Based on the three dimensions of (1) property ownership, (2) possession of scarce skills/credentials, and (3) organizational assets/authority, we use the following class typology in our empirical study of postrevolutionary Iran. We recognize four class categories:¹⁴

1. Capitalists are the owners of physical and financial means of economic activities and employ workers. We divide the capitalists into modern and traditional occupational categories. By modern subcategories of occupations we mean capitalists whose occupational locations are managerial-administrative or professional-technical. These are the occupational locations of capitalists in the modern firms of the more advanced industrial economies.¹⁵ Traditional capitalists are those in clerical, sales and service, agricultural, or production occupations.
2. Petty bourgeoisie are self-employed persons who do not hire any paid workers but may rely on the work of unpaid family labor. They consist of modern and traditional categories, similar to capitalists. Inasmuch as they (and small capitalists) rely on unpaid family workers, frequently young adults, female and male, and because we do not consider family labor as a distinct class location, unpaid family workers are effectively a part of the self-employed petty bourgeoisie.
3. Members of the middle class are employees of the state or the private sector, in administrative-managerial and professional-technical positions. They exercise some authority and enjoy relative autonomy. In this category are those employed in economic activities and social services of the state. Those employed in the political apparatus of the state as high-level professional managers-administrators, and the rank and file of the political functionaries, including the military and paramilitary forces, are part of an ambiguous class location that we call "political functionaries," and we group them in a distinct category, separate from the middle and working classes.

4. Members of the working class are those who do not own the means of economic activity and do not benefit from the authority and autonomy of those in the "middle class." They are employees of the state or the private sector. Those who work at the lower ranks of the political apparatus of the state, but have little autonomy or expertise, constitute the rank and file of "political functionaries." We do not include them in the working class.

The operationalization of the class structure and its quantification in our study, based on the above three dimensions of class relations, are the result of the interlacing of three matrixes of occupational status–economic activities, occupational status–major occupational groups, and major occupational groups–economic activities in four decennial censuses of population and housing in 1976, 1986, 1996, and 2006. Table 2 depicts the class composition of the employed workforce in Iran in these four years. Fortunately, the demarcation of the involutory and de-involutory periods in our study, 1979–89 and 1990–present, closely corresponds to the timing of four decennial censuses, 1976, 1986, 1996, and 2006. The census for 2006 reveals the painfully slow continuation of de-involutory process.

We recognize that our empirical verification of the class nature of the Iranian workforce in 1976–2006 is a preliminary, though essential, step toward an analysis of social classes and the dynamics of its change in the Iranian society. Such an analysis requires both objective and subjective interaction of classes in concrete circumstances.

Accounting of Changes in Class Sizes: Decomposition Technique

Decomposition technique facilitates the accounting of the sources of change in the relative share of class locations at the aggregate level of employment and within different economic sectors over time. This statistical technique was first introduced by Evelyn M. Kitagawa and ap-

14. The operationalization of class typology in our study is a slightly modified variant of Wright, *Class Counts*, 23–26. For a full analysis of our class categories, see Nomani and Behdad, *Class and Labor in Iran*, 12–32.

15. Complexities in the hierarchical structure of command in the modern corporation require active capitalists to have a strong professional management background and occupational position. See A. D. Chandler Jr., *Strategy and Structure: Chapters in the History of Industrial Enterprise* (Cambridge, MA: MIT

Press, 1990), Chandler, *Scale and Scope: The Dynamics of Industrial Capitalism* (Cambridge, MA: Belknap, 1962); and H. N. Prechel, *Big Business and the State: Historical Transitions and Corporate Transformation, 1880s–1990s* (Albany: State University of New York Press, 2000).

plied to the study of social classes by Erik O. Wright working with Joachim Singelmann and by Wright and to the analysis of population growth by Oliver Marchand and Claude Thélot and by Shiro Horiuchi, among others.¹⁶ Here, we develop our own interpretation of the technique, as elaborated further in the appendix.

Any observed change in the number of those in a class category between two points of measurement could be construed as the combined result of two simultaneous changes in the intervening period: First, employment effect (pure or demographic effect) is the change in the number of those in a specific category as a result of change in the overall level of employment (size of the employed workforce), given that the relative share of that class is held constant. That is, by how much would the size of the specific class category have changed if the relative size of that category within the employed workforce had remained constant? Second, class effect (structural effect) is the extent by which the rate of change of a class category deviates from the rate of change in the size of total workforce. A positive (negative) sign for the class effect indicates an increase or expansion (decrease or contraction) in a class category beyond the expected trend, that is, if the relative share of a class category in the workforce had remained the same. Class effect would be zero if the actual change in a class category is at the same rate as the change in the employed labor force. If a class category were to decline in absolute number, then the class effect would be negative and larger in magnitude than the employment effect. The sum of employment effect and class effect constitutes the observed change in the size of each class (see the appendix for the formula and mathematics of decomposition). Thus the decomposition technique allows us to measure the rate of change in a class category against the rate of change in the employed workforce.

Consider an example. Between 1976 and 1986 the actual size of the capitalist class increased by 159,000 (from 182,000 to 341,000; see table 2). In that period, the number of those in employment increased by 25.0 percent. Therefore, if the relative size of the capitalist class were to remain the same as it was in 1976, by 1986, their number should have increased by 45,600. That is the employment effect. However, the number of capitalists had increased faster than the size of the workforce, to the extent that there were 113,300 more capitalists than the general trend would have resulted. That is the class effect, and its size was much larger than the size of employment effect. This implies that the observed change in the size of the capitalist class in 1976–86 was due to the positive role of both class and employment effects and that the role of the class (structural) effect was more important than the employment effect in this change.

In the absence of a mobility survey, the decomposition technique enables us to shed light on the net movement between classes in a given period.¹⁷ The aggregate positive and negative class effects across all economic sectors tell us which class category increased or decreased in relative size and by how much or, alternatively, which classes lost to which classes and to what extent.¹⁸

Period 1: Structural Involution—Fall of the Working Class and the Rise of the Petty Bourgeoisie and State Functionaries

Table 2 reveals that in 1976, after several decades of capitalist development, 40.2 percent of the employed workforce in Iran was in the working-class location, working for the private sector (84 percent) or the state (16 percent). The next largest group was the self-employed petty bourgeoisie, making up 31.9 percent of the employed workforce. Only a very small minority of these (1.2 percent) were “modern” petty bour-

16. Evelyn M. Kitagawa, “Components of a Difference between Two Rates,” *Journal of the American Statistical Association* 50 (1955): 1168–94; Erik O. Wright and Joachim Singelmann, “Proletarianization in the Changing American Class Structure,” *American Journal of Sociology* 88 (1982): S176–S209; Wright, *Class Counts*; Olivier Marchand and Claude Thélot, *Deux siècles de travail en France (Two Centuries of Labor in France)* (Paris: Insee, 1991); Shiro Horiuchi, “The Co-

hort Approach to Population Growth: A Retrospective Decomposition of Growth Rates for Sweden,” *Population Studies* 49 (1995): 147–63.

17. The measurement of the components of change in a decomposition technique based on census data (as is the case in our study) is more stable and reliable than are the results based on small samples in which “cross-classifications run thin.” Kitagawa, “Components of a Difference,” 1187.

18. Of course, this procedure does not differentiate between intragenerational and intergenerational mobility in our observation periods.

Table 2. Class composition of the employed workforce in Iran: 1976, 1986, 1996, and 2006

	1976		1986		1996		2006	
	Total 1,000	%	Total 1,000	%	Total 1,000	%	Total 1,000	%
Capitalists	182	2.1	341	3.1	528	3.6	1,530	7.5
Modern	23	12.8	22	6.5	75	14.1	265	17.3
Traditional	159	87.2	319	93.5	453	85.9	1,266	82.7
Middle class	477	5.4	774	7.0	1,493	10.2	2,514	12.3
Private sector employees	102	21.3	64	8.3	219	14.6	762	30.3
State employees:								
Economic and social	376	78.7	710	91.7	1,274	85.4	1,752	69.7
Petty bourgeoisie	2,810	31.9	4,390	39.9	5,199	35.7	7,366	36.0
Modern	34	1.2	48	1.1	164	3.2	330	4.5
Traditional	2,776	98.8	4,343	98.9	5,035	96.8	7,036	95.5
Unpaid family workers	1,021	11.6	484	4.4	797	5.5	683	3.3
Working class	3,535	40.2	2,702	24.6	4,474	30.7	6,215	30.4
Private sector employees	2,970	84.0	1,810	67.0	3,109	69.5	4,723	76.0
State employees:								
Economic and social	565	16.0	892	33.0	1,366	30.5	1,493	24.0
Political functionaries	732	8.3	1,851	16.8	1,618	11.1	1,780	8.7
Rank and file	673	91.9	1,647	89.0	1,374	84.9	1,341	75.3
Military and paramilitary forces*	386	52.7	1,197	64.7	887	54.8	690	38.8
Unspecified	41	0.5	458	4.2	463	3.2	387	1.9
Total	8,799	100.0	11,002	100.0	14,572	100.0	20,476	100.0
<i>Total government employees in all categories</i>	<i>1,673</i>	<i>19.0</i>	<i>3,453</i>	<i>31.4</i>	<i>4,258</i>	<i>29.2</i>	<i>5,025</i>	<i>24.5</i>
Concentration indexes								
Working class (private sector) employees per capitalist	16.3		5.3		5.9		3.1	
Middle class (managers and technical staff) per capitalist	0.56		0.19		0.41		0.50	

Source: Calculated from MAI censuses for 1976, 1986, 1996, and 2006.

Note: Percentages of major categories add up to 100 for total employed labor force. Subcategories add up to 100 within each category.

* Already included in the subcategories of "political functionaries."

geois, engaged in professional activities. The rest were in "traditional" locations, engaged in production (industries), agriculture, or services. No less than 60 percent of the petty bourgeoisie were peasant farmers. More than 1 million Iranians were "unpaid family workers."

There were only 182,000 capitalists (2.1 percent of the employed workforce), most of whom were "traditional," employing a small number of workers. In 1976, in the private sector, the average number of wage earners (in the working class and middle class) per capitalist employer was 16.9. In manufacturing, 97 percent of

all firms had fewer than ten workers. The average number of workers in these establishments was only 1.9, some of whom were unpaid family workers. The average number of wage earners in these establishments was only 0.63.¹⁹

In 1976 the middle class was small, only 477,000, or 5.4 percent of the employed workforce. More than two-thirds of the middle class were employed by the state in providing social services (mainly education and health care) or in state-owned enterprises (oil, transportation, communication, among others). Only 21.3 percent (102,000) of this small middle class were

19. Nomani and Behdad, *Class and Labor in Iran*, chap. 5.

employed as managers, administrators, or professional or technical workers for the private sector, reflecting the overwhelming traditional capitalist activities and their small scale in the Iranian economy. The political apparatus of the state employed 8.3 percent of the employed labor force as political functionaries, with more than half in military and paramilitary forces.

The postrevolutionary economic crisis in the involutory period (in the first revolutionary decade) had notable impacts on the configuration of the class structure in Iran. The disruption in the accumulation process in the midst of social contestation and widespread antagonistic social expressions against capital and wealth retarded the capitalist relations of production. The dysfunctional and factionalized state machinery, without a policy framework for facilitating the accumulation process, intensified the crisis of production. As capitalist productions shriveled, petty commodity economic activities expanded. We expect that this leads to a de-proletarianization of labor, reflected in the decline in the size of the working class and a dramatic expansion of petty bourgeois and redundant service activities in the urban and rural economies. In the agricultural sector, we expect increased peasantization, indicated by the rise in the number of small peasant landholdings.

Our data reveal that these expectations materialized. Table 2 represents the changes in the class configuration of the employed workforce in the postrevolutionary years. The changes in the involutory process (1976–86) were so pronounced that they are clearly detected by the descriptive statistic. There is an absolute decline in the size of the working-class and the middle-class employees of the private sector. In contrast, there is a sharp increase in the absolute and relative size of the capitalist class, the middle-class employees of the state, petty bourgeoisie, and political functionaries. It appears that the decline of the working class has been compensated by the large increase in the number of those engaged in petty bourgeois activi-

ties, mainly production and agriculture. Further analysis shows that this trend is accompanied by a substantial reduction in the average size of enterprises. In the private sector, the average number of working-class employees per employer declined from 16.3 in 1976 to 5.3 by 1986. We call this ratio the concentration index because as an indicator of the size of private enterprises it reveals the degree of concentration of capital in Iranian enterprises. Alternatively, the concentration index may be measured by the number of managers and technical workers per employer. We observe a sharp decline in the concentration index as measured by the average number of managers and technical workers, from 0.56 to 0.19, in the corresponding years (table 2).

Moreover, the results show that the involutory process was accompanied by an increase in the extent of the activities of the state. This was expected as the result of a massive redistribution of assets in favor of the Islamic state and para-state Islamic foundations at the expense of the private sector, in all economic sectors.²⁰ Therefore, we should expect a significant increase in the number of those employed by the state as middle-class and working-class employees, as well as the number of those who joined the ranks of political functionaries (table 2).

Some of these changes, particularly the decline in the size of the working class and the increase in the size of the petty bourgeoisie, were reversed in the de-involuntary reversal trend between 1986 and 1996, as predicted. This process continued in the next decade, as reflected in the 2006 census of population. The question for us is, who lost to whom and to what extent? Given that any change in the population of a class over time is related to the simultaneous changes in both the structural configuration of classes (class effect) and the change in the absolute size of the workforce (employment effect), the analytical response to our question requires a decomposition of our absolute observed class changes in the workforce (table 2) into class and employment effects (table 3).

20. Rahnema and Nomani, *Secular Miracle*; and Sohrab Behdad, "Winners and Losers of the Iranian Revolution: A Study in Income Distribution," *International Journal of Middle East Studies* 21 (1989): 327–58.

Table 3. Decomposition of classes, 1976–2006

	1976–86		1986–96		1996–2006		1976–2006	
	Employment effect	Class effect	Employment effect	Class effect	Employment effect	Class effect	Employment effect	Class effect
Capitalists	45.6	113.3	110.8	75.5	213.8	789.2	242.0	1,106.2
Modern	5.8	-6.8	7.2	45.0	30.2	160.0	30.9	210.5
Traditional	39.8	120.3	103.5	30.4	183.5	629.2	210.9	895.9
Middle class	119.5	177.4	251.2	467.1	604.9	416.8	633.5	1,403.4
Private sector employees	25.4	-62.9	20.8	133.6	88.6	454.8	135.0	525.4
State employees:								
Economic and social	94.0	240.3	230.4	333.5	516.3	-38.0	498.6	878.0
Petty bourgeoisie	703.3	877.0	1,424.7	-616.2	2,106.8	60.2	3,729.2	826.5
Modern	8.5	5.1	15.4	101.0	66.5	99.5	45.1	250.9
Traditional	694.8	871.9	1,409.3	-717.2	2,040.3	-39.4	3,684.1	575.6
Unpaid family workers	255.6	-792.9	157.1	156.1	323.0	-437.1	1,355.3	-1,693.5
Working class	884.8	-1,717.9	876.9	895.3	1,813.2	-72.3	4,691.6	-2,011.7
Private sector employees	743.3	-1,903.2	587.5	710.8	1,259.7	354.3	3,941.5	-2,189.1
State employees:								
Economic and social	141.4	185.3	289.4	184.5	553.5	-426.7	750.0	177.4
Political functionaries	183.2	936.0	600.8	-834.1	655.7	-493.9	971.6	76.2
Rank and file	168.3	806.5	534.6	-808.5	556.6	-589.3	892.6	-224.3
Military and paramilitary forces*	96.5	714.7	388.5	-698.4	359.5	-556.5	512.0	-207.6
Unspecified	10.2	407.1	148.6	-143.8	187.5	-263.0	53.9	292.7
Total	2,202.1	0.0	3,570.1	0.0	5,904.8	0.0	11,676.9	0.0

Source: Calculated from MAI censuses for 1976, 1986, 1996, and 2006.

* Already included in the subcategories of "political functionaries."

The decline of the absolute and relative size of the working class in the private sector in all major occupations, especially in production and agriculture, in spite of the increase in state employment, was dramatic during the involuntary period. The sheer size of the decline in working-class employment and the important absolute rise in the number of petty bourgeoisie in production and agricultural locations are indicators of the de-proletarianization and peasantization in this period. Yet the massiveness of the change within each class and the net change between classes, and the test of our analytical expectations about involuntary and de-involuntary periods, can be verified by decomposition calculation.

Between 1976 and 1986, the working class should have increased by 884,800 (employment effect) to maintain its relative position, when the size of the employed workforce increased from 8.8 million to 11.0 million. However, the involuntary process kept the size of the working class 1.7 million less than the expected

trend line. The class effect for the working-class employees of the private sector was -1.9 million (table 3). Within this class, the largest loss was for those in production (-1.13 million) and agricultural (-473,000) locations. Meanwhile, the class effect for working-class employees of the state was positive but small (185,000). Even if we assume all the increase in the proportion of the working class employed by the state was the result of the nationalization and confiscation of some large private enterprises (thus a shift of workers from the private to the state sector), the increase was too small to compensate the large negative class effect of the working class of the private sector. Thus nationalization of industries cannot explain the huge decline of the working class employed by the private sector.

The large negative class effect of the working class is one dimension of the de-proletarianization of labor in the involuntary period. The rapid growth of the already large petty bourgeoisie is the other dimension of the same process. Between 1976 and 1986,

the petty bourgeoisie grew in size by 1.6 million (56 percent), 703,000 in employment effect and 877,000 in class effect. In the same period the number of petty bourgeois (peasant) farmers increased by 629,000, when the size of the working class in agriculture declined by 320,000, reflecting the process of peasantization of Iranian agriculture. Similarly, the number of petty bourgeois production workers increased by 718,000, when the size of the working class in production declined by 648,000, a clear indication of deproletarianization process. In the involutory period, the positive class effect of the petty bourgeoisie amounted to about 40 percent of the new entrants into the labor market.

The rapidly growing rank and file of political functionaries, mainly military and paramilitary forces, absorbed another large number of the growing labor force. Between 1976 and 1986 more than 1.1 million were added to political functionaries of the state. More than 800,000 of them constituted the increase in the size of the military (most important, the Revolutionary Guards) and paramilitary forces (such as Komitahs and the Basij). The class effect gain of 936,000 for political functionaries absorbed 43 percent of the addition to the employed labor force. This suggests that while the disruption in capitalist relations of production ejected many actual and potential members of the working class, some found refuge in petty commodity production, and others (just as many and somewhat more) were attracted by the newly established organs of coercion of the state in a period of domestic political instability and the war with Iraq.

In the involutory period the number of capitalists increased substantially, with a positive class effect of 113,000, when the employment effect of their growth was 46,000 capitalists. All of this increase was in the number of traditional capitalists. In fact, the number of modern capitalists declined. The class effect in the number of modern capitalists in these years was a decline of almost 7,000. The sharp increase in the number of traditional capitalists was accompanied, as we noted above, by the decline in the size of capitalist enterprises, reflected in the decline in the number of wage-earning employees per capitalist employer. Thus the in-

crease in the number of capitalists went hand in hand with the "traditionalization" (or "demodernization") of an already overwhelming traditional, and increased fragmentation of an already fragmented, capitalist class. The class effect for the increase in number of agricultural capitalists was 7.7 times the employment effect. That is, for the proportion of agricultural capitalists to have remained constant between 1976 and 1986, their number should have increased by 8,900, but, in fact, they increased by 68,500 beyond that. For capitalists in the production location, the class effect was 3.3 times their employment effect. In the same period the number of working-class employees in agriculture and production declined absolutely.

A shriveling of capitalist activities is also revealed in the absolute decline of the already very small middle class of the private sector. Small, traditional, capitalist firms have little use for professional administrators and managers or for high-level skilled workers, who constitute the majority of middle-class workers in the private sector. At the same time, the number of middle-class workers employed by the state increased sharply. The class effect for the increase in the number of these employees was 240,000, more than 2.5 times their employment effect. Most of this increase was because of the rise in the number of professional workers in education and public health, although there was some increase in the number of managers of state-owned enterprises as the nationalization and confiscation of private enterprises brought more firms (and employees) in the domain of state employment.

Finally, we should note a seeming anomaly in the data. One should expect the proletarianization and peasantization of the workforce to be accompanied by a commensurate increase in the number of unpaid family workers, because they are principally employed in petty bourgeois and small capitalist enterprises. However, we observe that the number of unpaid family workers actually declined in the involutory period to the extent that the negative class effect of growth for those in this class position was more than three times the employment effect of their growth. About two-thirds of the absolute and one-half of the class effect of decline in the num-

ber of unpaid family workers may be accounted for by the increase in the number of workers whose class location was “unspecified.” The unpaid family workers are the most likely group to fall into the “unspecified” category, especially in situations where the overwhelming majority of unpaid family workers are rural women. For other real factors, such as increased schooling and the collapse of the market for handwoven rugs, the main occupation of rural, female unpaid family workers may also be at work.²¹

Period 2: De-involution—Fall of the Petty Bourgeoisie and the Return of the Working Class

Ayatollah Ruhollah Khomeini died in June 1989. In the post-Khomeini period economic liberalization, deregulation, and privatization policies of the Islamic Republic, as timid as they were, helped to rejuvenate market institutions and capitalist relations of production. Although the state’s omnipresence in the economy continued, the political and social environment was more hospitable to the activities of the private sector.²² The Islamic Republic expressed its commitment to the security of capital and sanctity of private property rights. It quietly discarded its populist-utopian project of economic Islamization. The increase in oil revenues in 1990–2006 was an added blessing, facilitating capital accumulation and a deepening of capitalist production. Thus the de-involutionary process commenced, which we expect leads to the proletarianization of labor and de-peasantization of agriculture. Although the process of de-involution was not complete by 2006, its manifestation on the class nature of the workforce is amply present in the censuses of 1996 and 2006 (table 2).

In 1986–96 total employment in Iran increased by 32.4 percent, to 14.5 million. More than 51 percent of the increase in the workforce was due to an addition to the working class, which had suffered a decline in its absolute number in the previous period. The middle-

class employees of the private sector more than tripled in number (albeit, still a very small fraction of the labor force), and the number of capitalists continued to grow faster than the rate of increase in the workforce. Meanwhile, the growth rate of the petty bourgeoisie declined, and the number of those employed as political functionaries of the state declined absolutely, as the post-Iran-Iraq war demobilization reduced the size of military and paramilitary forces by 26.4 percent (table 2).

In this period, we observe the largest class effect in the growth of the working class, by 895,000. The private sector employed 711,000 of these additional workers, and the state attracted 185,000 of them. This increase in the relative size of the working class was accompanied by a substantial decline in the relative size of the petty bourgeoisie, which had a class effect decline equal to 616,000. The largest class effect growth for the working class (467,000) was for those who were employed in a production location of the private sector. In contrast, the largest decline in the share of petty bourgeoisie was in agriculture, which had a class effect equal to –891,000, larger than its employment effect, reflecting the decline in its absolute number (table 2). This is the process of proletarianization and de-peasantization that we expected in the post-Khomeini de-involutionary period, as the market institutions were restored, capitalist relations were rejuvenated, and capital accumulation accelerated. Interestingly, however, the modern petty bourgeoisie shows a strong comeback, with its number tripling between 1986 and 1996. The class effect growth of the modern petty bourgeoisie in this period (101,000) was more than six times its employment effect (15,000). Clearly the burden of this capitalist development was on the traditional petty bourgeoisie and small and traditional capitalists.

The growth pattern of the capitalist class was consistent with the above changes. In this

21. For more detailed analysis of this issue, see Nomani and Behdad, *Class and Labor in Iran*, 105–6.

22. Firouzeh Khalatbari, “The Tehran Exchange and Privatization,” in *Economy of Islamic Iran: Between State and Market* [L’économie de l’Iran islamique: entre l’Etat et le marché], ed. Thierry Coville (Tehran: Institut français de recherche en Iran, 1994), 177–208; and Sohrab Behdad, “From Populism to Economic Liberalism: The Iranian Predicament,” in *The Economy of Iran*, ed. Parvin Alizadeh (London: I. B. Tauris, 2000), 100–141.

period, modern capitalists, whose number had declined absolutely in the previous decade, experienced a class effect growth (45,000) larger than for traditional capitalists (30,000) in spite of their very small number in 1985. That is, the class effect growth of modern capitalists was more than six times their employment effect, whereas for traditional capitalists it was only one-third. Capitalists in agricultural locations experienced a large negative class effect, indicating that their number grew more slowly than that of the employed workforce. Overall, the average number of employees of private enterprises across the economy increased from 5.5 to 6.3 between 1986 and 1996.

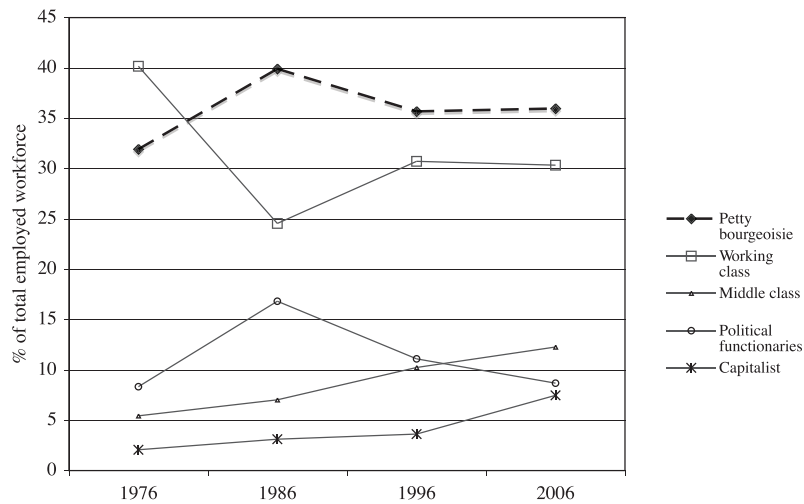
The large increase in the relative size of modern capitalists and the increase in the average size of private enterprises would generally lead to an increase in the proportion of the managers and technical workers (i.e., middle-class employees) of the private sector. Our data show that between 1986 and 1996 middle-class employees of the private sector grew in relative size (class effect) by 134,000, more than six times its expected growth (employment effect) if its relative size in the employed workforce had remained as it was in 1986.

Meanwhile, in this period, the absolute number of state political functionaries decreased, with a $-834,000$ class effect, larger than its employment effect of 601,000. The most important contributor to the decline in the size of the state's political apparatus was the demobilization of the military and paramilitary forces, indicated by a negative class effect ($-698,000$) larger than its employment effect (389,000). In the same period, however, the state increased substantially the number of its middle-class and working-class employees, with class effects of 334,000 and 185,000, respectively (table 3).

In the subsequent decade, 1996–2006, the employed workforce increased by more than 40 percent, to more than 20 million. However, the configuration of social classes in some respects remained rather unchanged (table 2). Most important, the share of the working class and the petty bourgeoisie stayed at about 30 percent and 36 percent, respectively. This means that the “class effect” was relatively small for these two class categories in this period (table 3). There

were, however, some notable changes in this decade. Most significant, the number of capitalists tripled in this period, when 1 million new capitalists were added to their total of about 500,000 in 1996. With the much slower rate of growth in the number of those in the working class working for the private sector, the concentration index, measured by the number of working-class employees per capitalist, declined from 5.9 in 1996 to a mere 3.1 in 2006. This indicates that in 2006 an even larger number of enterprises had only one or two wage earners. At the same time, the number of managers and technical workers employed by the private sector (the middle class) more than tripled, and the concentration index, measured by the number of managers and technical employees per employer, increased to 0.5 from 0.41 in 1996 and from only 0.19 in 1986. This indicates that while the number of very small firms increased at a very rapid rate, the number of large, modern private firms, with a complex management organization and a high requirement for skilled workers, has also been increasing. This is a trend toward the market structure in the prerevolutionary years, when the market was composed of a very large number of very small firms and a small number of very large firms. In the postrevolutionary decade, many large firms either were nationalized by the state or were confiscated by the Islamic revolutionary courts, or simply went bankrupt. Thus the market became dominated by the large public (state) enterprises and a vast number of very small firms, with a small and declining few in the middle.

There were two other notable changes in the configuration of classes in the past decade. First, there has been a decline in the share of government employees in total employment, from about 29 percent to 25 percent, mainly because of the decline in the number of those in military and paramilitary forces. The share of political functionaries in total employment decreased from 11 percent to 8.7 percent. Second, there has been a fall in the absolute number of unpaid family workers, from 797,000 to 683,000. This has been a secular trend in Iran in the past several decades, mainly reflecting the urbanization of the Iranian economy, as unpaid family work is chiefly a rural form of employment.



**Figure 1. General trends:
Major class categories
as a percentage of total
employed workforce**

In a comparison of the configuration of classes between 1976 and 2006 (table 2 and fig. 1), we note that the proportion of capitalists, middle-class workers, petty bourgeoisie, and political functionaries of the state in the employed workforce increased when the proportion of working-class employees and unpaid family workers declined substantially. Yet, in spite of these important differences, the class structure of the workforce in 2006, in sheer contrast to that in 1986, depicts a change toward resembling that of the prerevolutionary class structure.

The Sectoral Dimension of the Reconfiguration of Classes

We gain a better understanding of the reconfiguration of classes by measuring the employment and class effects experienced by various class categories in different economic sectors over these years. This vantage point is useful because class changes and sectoral changes could very well be interrelated. For brevity, we limit our analysis to the changes between 1976 and 1996. In addition, the lack of detailed data for the cross-classification of classes and economic sectors does not enable us to differentiate between the working class and the middle class in the private sector, nor does it permit us to make detailed

distinctions between various types of state employees. However, we have eliminated political functionaries from the rank of state employees in the service sector, so that the figures for state employees in the service sector represent the working class plus the middle class more closely. Moreover, in calculating employment and class effects for each economic sector, we have taken the total employment in that sector as the factor of adjustment (N_1 and N_2 in the formulas in the appendix). We have done so to focus attention on the class shifts within each sector.²³

Table 4 presents the disaggregation of class effect and employment effect (the latter may now be called the sectoral effect) in the four major economic sectors of agriculture, industry, construction, and services. Here, in our analysis we introduce the ratio of class effect to employment effect (or C-E ratio). Recall that if the proportion of a class category in the employed labor force (here total employment in a sector) remains constant as the employed labor force in that sector changes, class effect will be zero. Therefore, a large C-E ratio would indicate a large change in the proportion of workers of the given class category in the employed labor force in that sector (or a large deviation from the expected trend). Since in all our cases

23. See Wright, *Class Counts*; Wright and Singelmann, "Proletarianization"; and Harley L. Browning and Joachim Singelmann, *The Emergence of a Service Society* (Washington, DC: U.S. Department of Labor, 1975). Alternatively, we could take the total number of those in a given class, in different economic sectors, as the factor of adjustment. In that case, the

focus would be mainly on the intersectoral shift of each class member. Another possibility would be to take the total employed labor force as the factor of adjustment to focus on the total interclass, intersectoral shifts. The selection of method depends on the vantage point of analysis.

Table 4. Sectoral re-configuration of classes: Decomposition of changes, 1976–1996

	Total	Agriculture	Industry	Construction	Services
Capitalists					
Total change	345.3	88.2	76.1	64.5	116.4
Employment effects	119.5	4.4	27.6	7.3	116.7
Class effect	225.7	83.8	48.6	57.2	-0.3
Class effect/employment effect	1.9	19.2	1.8	7.8	0.0
Petty bourgeoisie					
Total change	2,388.8	475.9	343.4	370.8	1,198.6
Employment effect	1,843.6	208.3	169.4	38.5	1,051.6
Class effect	545.2	267.6	174.0	332.4	147.0
Class effect/employment effects	0.3	1.3	1.0	8.6	0.1
Unpaid family worker					
Total change	-224.0	-98.6	-169.0	2.7	40.8
Employment effects	669.9	71.7	225.3	1.7	27.4
Class effect	-894.0	-170.4	-394.3	1.0	13.3
Class effect/employment effect	-1.3	-2.4	-1.8	0.6	0.5
Private sector employees					
Total change	255.3	-205.3	180.5	-82.8	362.8
Employment effect	2,015.2	76.1	430.4	409.9	917.9
Class effect	-1,760.0	-281.5	-249.9	-492.7	-555.0
Class effect/employment effect	-0.9	-3.7	-0.6	-1.2	-0.6
State employees*					
Total change	2,584.9	18.2	478.4	52.2	1,207.5
Employment effect	1,097.6	4.7	144.9	4.1	948.5
Class effect	1,487.3	13.5	333.5	48.2	259.0
Class effect/employment effect	1.4	2.9	2.3	11.8	0.3
Unspecified					
Total change	422.1	86.8	89.5	54.3	191.4
Employment effect	26.7	0.1	1.3	0.3	55.4
Class effect	395.4	86.7	88.2	54.0	136.0
Class effect/employment effect	14.8	813.1	66.0	197.1	2.5

Source: Calculated from MAI censuses for 1976 and 1996. Note: Information for 2006 not available.

* Political functionaries are included in the total column but excluded from sectoral figures.

the employment effect is positive (growth in the size of the employed force in each sector and consequently a positive trend line for the expected growth of any class category), a negative C-E ratio would indicate a negative class effect (that is, a shortfall in the growth relative to the expected trend).

In 1976–96 all economic sectors, as we observed at the aggregate level, exhibit a large negative class effect for “private sector employees,” which includes mainly the working class. The impact, however, is not equally distributed among all sectors. In the service sector the number of private sector employees should have increased by more than 900,000, if the proportion of these employees were left unchanged. The actual change was, however, more than one-half

million short of this expected trend, thus the C-E ratio of -0.6. In agriculture and construction, C-E ratios of -3.7 and -1.2, respectively, indicate that the negative class effect was larger than the expected employment effect. The private sector employees’ C-E ratio in agriculture depicts the largest relative loss of any class category in any sector.

Between 1976 and 1996, the number of state employees increased by 2.6 million, whereas the number of employees in the private sector increased only by 255,000 (table 4). State employees include all those in the social services and economic activities of the state as well as “political functionaries.” In the sectoral distribution of state employees, however, we have excluded political functionaries, who are

nearly all in the service sector. Therefore, the sectoral distribution of state employees includes only the working class and the middle class. In this category, the positive class effects are larger in industry and services. The large class effect in these sectors for state employees is in addition to an already large employment effect. In industry the C-E ratio is 2.3, and in services 0.3. In construction the C-E ratio of state employees is much larger (11.8), but it is relative to a much smaller employment effect than other sectors. Altogether, the results show that privatization in the post-Khomeini period has been very timid as demonstrated by the positive class effect of state employees in all sectors.

From a sectoral perspective, we note that in agriculture the largest absolute shift was from private sector employees (mainly, the working class) and unpaid family workers, with large negative class effects, to the petty bourgeoisie, “unspecified” workers, and the capitalists. The large C-E ratio for capitalists in agriculture indicates a staggering increase in their number, 19.2 times the expected increase. The number of the petty bourgeoisie in that sector increased by 476,000 (C-E ratio of 1.3).

In a comparison between 1976 and 1996, the changes in class configuration indicate a peasantization of Iranian agriculture, in spite of a timid restoration of capitalist accumulation in the post-Khomeini period. The huge C-E ratio for unspecified workers in agriculture (also in construction and industry) is beyond any reasonable expectation of structural changes and is merely a reflection of a census reclassification. The most likely class category affected by this reclassification could be the unpaid family workers, which is frequently less clearly identified and specified than other class categories.

The industrial sector includes manufacturing, mining, electricity, gas, and water. The large positive class effect of 334,000 in the number of state employees (with C-E ratio of 2.3) is mirrored by a negative 250,000 class effect for the private sector employees (C-E ratio of -0.6). The increase in the activities of the state in industries, relative to the private sector, is despite the privatization effort of the early 1990s, in a sector in which the state already had an overwhelming presence before the 1979 revolution. The promi-

nence of the state in the industrial sector reflects also the monopolization of industrial activities by state and para-state enterprises, particularly those owned by Islamic foundations.

In addition, there is an increase in petty bourgeois and small capitalist activities. Between 1976 and 1996, the number of petty bourgeoisie in the industrial sector increased by 343,000 when the expected increase for maintaining the same proportion by that class category in that sector would have been only 169,000. The number of industrial capitalists increased to the extent that the C-E ratio for them was 1.8. Putting this ratio against -0.6 for private sector employees in industrial activities reflects a substantial decrease in the size of industrial firms in the private sector.

The decline of the unpaid family workers in the industrial sector (by 196,000) was offset, partly, by the increase in the number of petty bourgeoisie, the “unclassified workers,” and those who dropped out of the employed labor force as they lost their “unpaid family work” when rug-making activity declined. Some joined the ranks of the unemployed, and some younger ones may have enrolled in schools.

The construction sector has been affected by the substantial relative decline of the infrastructural activities of the state and the increase in the proportion of residential and commercial construction by the private sector. We should note that the infrastructural activities of the state in the prerevolutionary period were conducted mainly by large private contractors. However, residential and commercial construction is mainly carried out by small real-estate entrepreneurs (*besazbefroshs*) and independent skilled and semiskilled construction workers. Thus the change in the structural configuration of the construction sector is reflected in a decline of private sector employees (class effect of -493,000 and C-E ratio of -1.2) and the increase in the number of petty bourgeoisie (class effect of 332,000 and a large C-E ratio of 8.6). The increase in the number of capitalists in the construction sector (C-E ratio of 7.8), along with the decline in the number of private sector employees, indicates the predominance of small construction firms, mainly in residential and commercial construction.

Between 1976 and 1996, employment in the service sector increased from 2.8 million to 6.7 million. That is, the proportion of those working in the service sector increased from 31 to 46 percent of the labor force. Petty bourgeoisie and state employees, together, constituted 75 percent of the employment in that sector in 1976. By 1996 these two occupational categories made up 79 percent of the employment in that sector. In other words, while the service sector became relatively larger in these years, there has been a small change in its class configuration. The changes in the class configuration of the service sector (with political functionaries excluded), as reflected in the relative importance of class effect (and C-E ratios) for each class category, are quite small in comparison to the other sectors. In this sector, the largest class effect loss was for the employees of the private sector (555,000, with a C-E ratio of -0.6). The main class effect gain was for the employees of the state (259,000, and a C-E ratio of 0.3) and the petty bourgeoisie (147,000, and C-E of 0.1). The changes for unpaid family workers and unspecified workers in services were much smaller than in other sectors, and the class effect for capitalists was nearly negligible.

The Existing Class Structure

A bird's-eye view of the class nature of the Iranian workforce in 2006 indicates a society of petty bourgeoisie, working-class employees, and a fragmented class of small capitalists, side by side with a public sector that employs a quarter of the labor force (tables 2 and 3).

The composition of the class locations of the employed workforce indicates that 40 percent are in petty bourgeoisie class locations (including the unpaid family workers), 30 percent are working-class employees of the private sector and the state, 7.5 percent are capitalists, 12 percent are in the middle class (70 percent are employed by the state), and 9 percent are political functionaries of the state. Compared to

1976, the proportion of working-class employees and unpaid family workers in the workforce has declined, and for all other major class locations it has increased.

Petty Bourgeoisie

In spite of the de-involutionary trend in the post-Khomeini era, the fragmented petty bourgeoisie is Iran's largest social class. It grew from 32 percent of the employed workforce in 1976 to 36 percent in 2006 (fig. 1 and table 2). Its most rapid growth was in the first revolutionary decade. In 2006 only 4.5 percent of this petty bourgeoisie was modern (albeit, it was much larger than in 1976 and 1986, when it was about 1.2 percent and 1.1 percent, respectively). The rest are in traditional petty economic activities. They are concentrated in rural agricultural and urban production and in sales and services. In the past thirty years, since the revolution, the proportion of petty bourgeoisie in agriculture has consistently declined, and in production and services it has increased.

Traditionally, a large segment of the urban petty bourgeoisie in production and services (mainly retail trade) was congregated in the bazaar, alongside small and large merchant capitalists. The rapid capitalist development of Iran in the post-1953 period, and the spatial extension of commercial activities beyond the limited arena of the bazaar in the old section of the cities and into the newly developed streets and shopping *pasazhs* (mini malls), led to an acute marginalization of the bazaar. Nevertheless, bazaars have remained a cohesive congregation of culturally and religiously traditionalist petty bourgeoisie and merchant capitalists (*bazaaris*), with extensive financial ties to the *hawzehs* (religious centers) and the clerical establishment.²⁴ In the prerevolutionary years, Ayatollah Khomeini gained the support of the politically active *bazaaris*, in competition with the religiously more prominent and politically more conservative clergymen such as Ayatollah

24. Bazaars and *bazaaris* were, however, active participants in the constitutional revolution of 1906 and in the oil nationalization movement of 1950–51, both liberal secular movements. For a comprehensive study of the bazaars of Tehran, see Arang Kes-havarzian, *Bazaar and State in Iran: The Politics of the Tehran Marketplace* (Cambridge: Cambridge Univer-

sity Press, 2007). There are several scholarly studies on the financial relations between the bazaar and the clerical establishment. See, e.g., Said Amir Arjomand, *The Turban for the Crown: The Islamic Revolution in Iran* (Oxford: Oxford University Press, 1988); Shahrogh Akhavi, *Religion and Politics in Contemporary Iran* (Albany: State University of New York Press,

1980); and Michael M. J. Fischer, *Iran: From Religious Dispute to Revolution* (Cambridge, MA: Harvard University Press, 1980). However, one of the most revealing documents on this subject is Ayatollah Hossein Ali Montazeri, *Khaterat (Memoir)* (2000), www.amontazeri.com/farsi/khaterat/web/index.htm (accessed 20 September 2008).

Abul-Qasem Kho'i and Ayatollah Muhammad Kazim Shariatmadari.

The *bazaaris* were influential in the revolutionary movement and the postrevolutionary period. In alliance with the clerical establishment, they mobilized and organized the Islamic movement to gain the leadership of the revolutionary struggle. Upon the 1979 victory of the revolution, they formed the organizational skeleton of the Islamic Republic. They, and their male offspring, were the first to be placed at different levels of the apparatuses of the Islamic state, as simple clerks and jail keepers, up to managers of state-owned enterprises and Islamic foundations, revolutionary guard's top brass, ministers, and members of the Islamic parliament. An important consequence of the revolution has been the access of those with a petty bourgeois or small capitalist merchant background to Islamic state power and its economic resources. This has inevitably increased the bargaining position of this class in state policies, as reflected in the cultural and economic policy orientation of the Islamic Republic, particularly in the Khomeini decade.

However, many of those who gained access to state power found lucrative opportunities for personal gain, of which they did not hesitate to take advantage in spite of their puritanical revolutionary and Islamic claims. With their political power and their leverage at the nodes of rent-seeking activities, and little fear of any political risk, they successfully managed a high rate of capital accumulation and constituted the nucleus of the new elite capitalist class in the newly formed oligopolistic structure surrounding *bonyads*, state-owned enterprises, and government bureaucracy. Expropriations, nationalizations, war mobilization, and extensive control of the state over the market in the Khomeini decade accelerated the embourgeoisement of the selected few among the petty bourgeoisie. Some became monopoly capitalists all at once. But that is the story of the few who found the golden goose in the turmoil of the revolution. The mass of traditional petty bourgeoisie has become more fragmented in the post-Khomeini decade. Economic liberalization and its de-involutionary outcome have helped open avenues of capitalist accumulation through more vibrant price com-

petition. With the disappearance of the black markets, the emergence of newly formed or refurbished capitalist enterprises, and the general normalization of market activities, the more dynamic petty bourgeois producers may find an increase in profitability and room to grow. But those whose market niche depended on shortages, black markets, and other manifestations of the postrevolutionary crisis would be confronting their decline, or even doomsday. The reversal of the process that brought about the new wave of the petty bourgeoisie in the first decade after the revolution is now at work in depressing their activity. The losing petty bourgeoisie, more than any other group, is fired up in opposition to the economic liberalization policy and the Islamic Republic's abandoning its populist slogans in defense of the *mostazafan* (oppressed). Increased job opportunities in the rank of the working class would have made happy many who have been engaged in petty commodity activities in the absence of a wage-paying job. But the prospect of increased employment opportunities, especially with the wave of new entrants to the labor market, is anything but grim.

As the Islamic state has begun taking a capitalist posture less abashedly in the post-Khomeini decade, its ideological power base among the traditional petty bourgeoisie and even small traditional bourgeoisie has been diminishing. After all, it was they who were the most ardent proponents, believers, and perhaps even beneficiaries of the rule of the *mostazafan*.

The modern petty bourgeoisie, however, characteristically had little attraction to the Islamic state, perhaps most important because of the projected cultural and religious traditionalism of the Islamic Republic and also because of its extensive interference in the domain of their professional activities. The Islamic associations of professionals, such as engineers, physicians, or accountants, never became totally encompassing, nor could the operators of the Islamic state democratically gain control of associations such as the Lawyer's Bar Association, the Medical Association, Publishers' Guilds, the Association of Engineers and Contractors, or the Writers' Society. Some associations were taken over through heavy-handed tactics of the state, and others were banned for noncompliance with

intrusive state regulations or just for political reasons. The weakening of the state's cultural and religious traditionalism and economic interventionism would be a source of relief for the modern petty bourgeoisie, whose rank has been expanding both absolutely and relatively in the post-Khomeini decade.

The Working Class

We have argued that the working class includes all those employed as semiskilled to unskilled workers in production or service activities. They do not own the means of production and have little or no authority or skills/credentials. Based on property-authority-skill axes of class location typology (in contrast to a wage-salary distinction, which is purely a market distinction for the classification of the working class), we counted those with clerical, low-level administrative, and sales and service occupations in the working class. Yet the potential career trajectory of a very small portion of salaried employees, their subjective view of themselves, and the subjective views of society about their status do not fully correspond to their objective class location within the working class. However, objectively they do not own the means of economic activity, and they all contribute to the realization of capital accumulation of the propertied class, just like others in the working class.

In the three decades of the Islamic Republic's rule, the share of the working class declined from 40 percent of the workforce in 1976 to 30 percent in 2006 (fig. 1 and table 2). That is, given the growth of the workforce from 8.8 million in 1976 to 20.4 million in 2006, the size of the working class in 2006 was 2 million smaller than what it would have been if its share in the workforce had remained what it was in 1976 (class effect in table 3). Thus in 2006 a smaller proportion of the workforce was in the working class than in 1976, and even a smaller proportion of that was employed by the private sector.

The Iranian working class is among the least privileged, along with the low strata of the petty bourgeoisie and the unemployed. There is only a very small aristocracy among the skilled

workers, in the oil industry, large manufacturing establishments, and financial sectors, mostly employed by the state. We have shown elsewhere that the workers in large enterprises have managed to have their wages keep pace with the official rate of inflation in the years of economic liberalization.²⁵ Most of the others had no such success. The official statistics, however, have their known limitations, particularly in underestimating the true rate of inflation, and thus the changes in the real wages. Over the past years, workers, even in large state-owned enterprises, have suffered from differed wage payments. This, at times, has led to strikes and work stoppage to gain the attention of the authorities.

The Islamic state has been vigilant in preventing the formation of a labor movement and its independent organizations and unions. One of the early acts of the Islamic Republic was dissolving the Workers' Councils, established by the workers in the early days of the postrevolutionary year. They were replaced by Islamic Workers' Councils and the House of Workers (Khaneh Kargar), under direct supervision of the government. The formulation of the labor law was one of the controversial issues in the early revolutionary years. The law passed by the Majlis was never approved by the Guardian Council, even after several revisions by the Majlis. The Guardian Council upheld the laissez-faire view that the state should not impose any restrictions or regulations on the contractual relation between the employer and the employee. Finally, in 1990 the Labor Law was enacted by the authority of the newly formed Expediency Council.²⁶ In the past years, proponents of economic liberalization have insisted that the existing Labor Law, with the limitations it places on employers and the rights it provides for workers, is a barrier to business investment in general and to direct foreign investment in particular. They propose its revision with the objective of limiting its coverage and eliminating some of the clauses favoring workers. This proposal, however, could be construed as a formal repudiation of the Islamic state's populist position and could entail a direct confrontation with Iranian labor.²⁷

25. For a study of income distribution based on social class, see Nomani and Behdad, *Class and Labor in Iran*, 180–90.

26. Karen Pfeifer, "Islam and Labor Law: Some Precepts and Examples," in *Islam and the Everyday World: Public Policy Dilemmas*, ed. Sohrab Behdad and Farhad Nomani (London: Routledge, 2006), 113–40.

27. See Andreas Malm and Shora Esmailian, *Iran on the Brink: Rising Workers and Threats of War* (London: Pluto, 2007).

Capitalists

In the period 1976–2006, the number of capitalists increased by 740 percent, from 182,000 to 1.5 million, as the number of working-class employees in the private sector increased only by 50 percent (fig. 1 and table 2). An overwhelming number of new capitalists are quite small, with only one or two wage employees. Concentration indexes of 3.1 paid working-class employee and 0.5 managerial and technical employee (in the private sector middle class) per employer in 2006 underscore the fragmentation of the capitalist class, some of whom, at the lower end of the spectrum, are not characteristically all that different from the petty bourgeoisie. This reveals the existence of a petty bourgeoisie orientation among many in the capitalist class. These are the small, traditional capitalists with low productivity and accumulation capability, struggling alongside a network of highly concentrated state-owned enterprises (including those owned by the Islamic foundations), and their private sector affiliates. The average size of Iranian enterprises has declined substantially in the postrevolutionary decades as reflected by the concentration index, reported in table 2. The majority of Iranian capitalist establishments are managed by their working owners and rely principally on their own capital for financing their investment.

The capitalist class is in the process of taking form. The increase in the number of managerial and technical workers per employer, from 0.19 in 1986 to 0.50 in 2006, close to what it was in 1976, indicates an increase in the complexity of organizational production in the modern enterprises, growing side by side with the huge number of very small and traditional enterprises. Modern capitalists constituted only 6.5 percent of the capitalist class in 1986 (compared to 12.8 percent in 1976). By 2006, they accounted for 17.3 percent of all capitalists. The capitalist class is slowly recuperating from the blows of the revolution, but it is still under the heavy hand of the monopolistic practices of the state and the Islamic foundations. Nevertheless, capitalists own and control a substantial part of the economy,

which still lies in the private sector, especially in small- and medium-sized manufacturing, construction, trade, and agriculture. In the post-Khomeini years the bourgeoisie has become more assertive and vocal in influencing the economic orientation of the state. They constitute an influential economic elite that is critical of the vestiges of the Islamic state's populist tendencies, its downright inefficiency, corruption, nepotism, rent-seeking clergy-administrators and their monopolistic paramilitary-economic complexes and niches. Their ideological gurus have become the spokespersons of Iran's Chamber of Commerce and Industries, and other influential institutions, and have strongholds in the cabinet, the Majlis, and the media. Once pejoratives among the revolutionary shibboleths, *capitalists* and *capitalism* are now used by some ideologues of market reform in reference to the warriors of the new age of economic and political liberalism. A few in the rank of the populist ideologues of the early days of the Islamic Republic have become proponents of a Hayekian laissez-faire market economy.²⁸

Those in the upper-level strata of this class, especially its modernist faction, continue to enjoy their lifestyle of opulence and affluence, in many ways similar to what they enjoyed before the revolution. They have become more assertive in demonstrating their immense wealth, with their luxury automobiles and incredible mansions and their club memberships and means of networking. Conspicuous consumption, a sign of decadence and arrogance (*estekbar*) in the revolutionary days, has now gained legitimacy, at least politically. Many elite of the new regime (*aqayan, aqazadegan*) and their close associates have joined the ranks of the capitalists. They, too, openly enjoy a lifestyle of affluence. One should feel politically safe in such company.

The Middle Class

Career opportunities for the middle class have increased after the revolution, especially in the state's employ. For those with Islamic credentials ("commitment"), or with connections to

28. A prominent example, written in Tehran's Evin prison, is Akbar Ganji, *Manifest-e Jomhorkhwahi (A Republican Manifesto)*, www.mihan.net/mihans4/ganji.pdf (accessed 20 September 2008).

the state's elite, the ladder of upward mobility to managerial and administrative positions in the Islamic officialdom has been an easy climb. In 2006 12.3 percent of the workforce was in the middle class. Among them, about 70 percent were employees of the state. In addition, 8.7 percent (1.8 million) of the workforce was in the rank of the state's political functionaries. A small circle among these constitutes the political ruling elite, the Islamic political officialdom of the country in the executive, judiciary, and legislative branches, and the top brass of the armed forces.

At a lower stratum, an army of professionals and technicians are engaged in areas such as education, health care, engineering and technology, management of enterprises, social services, and government economic activities. To these, we may add the state political functionaries who serve as bureau chiefs, mid-level administrators, and technical workers.

The growing Iranian middle class, like the middle class in any other society, is vastly fragmented. It includes the highly skilled, well-paid professionals, managers, and administrators in the urban centers (mainly in Tehran) and low-skill, low-pay personnel, such as educators and paramedical workers (many in rural areas). There are, however, two special characteristics of the Iranian middle class. First, they are mainly employees of the state. Thus they have job security, pensions, some health care, and, thanks to oil income, the assurance of receiving their paycheck on time and in full. These benefits have made state employment attractive to new entrants to the job market in the past several decades, since the formation of the modern state in Iran in the 1920s and 1930s. Second, the Iranian middle class, in the private or state sector, is not professionally organized. With some minor exceptions (mainly among physicians, lawyers, accountants, and journalists), members of the middle class do not engage in professional associations in an effort to promote their professional interests. In the past decades, the middle class has shown that it can be politically charged quickly, as it did in the

oil nationalization movement of 1951 and in the 1979 revolution. However, it is also known to be quite susceptible to quietism and passivity, as it was in the post-1953 coup d'état years and in the Khomeini decade.

Thus the Iranian middle class can remain a content and obedient group for as long as there is no spark in the political theater. But when open political confrontations take shape, they can easily become a rebellious group of free agents, floating toward the emerging political poles. Their high level of education tends to make a large group of them sympathetic toward the university student movement, with its generally radical political disposition.²⁹

Our Final Words

Our study presents the fragmented nature of the workforce in a state-dominated capitalist society with a vast, but subordinated, petty commodity relations of production. More than one-third of the Iranian workforce is engaged in traditional petty commodity activities. The rest are almost equally divided between a frail and highly fragmented capitalist private sector and a state with overextended apparatuses of administration and coercion, social services, and economic activities. The capitalist private sector, severely battered and pushed over in the revolution and the structural involution of the postrevolutionary decade, has been struggling to make advances on the political and economic terrains. It has been trying to promote the cause of economic liberalism and to accelerate its rate of accumulation in the de-involutionary process that commenced more than a decade ago. But so far, its success has been limited, mainly because of its own frailty. The low concentration indexes indicate that capitalist enterprises are mostly very small. They are mainly engaged in traditional activities, and their characteristics are similar in many ways to the establishments of petty commodity production producers. As such they have little potential for growth in a dynamic economy. Many of these small firms are themselves threatened by the economic liberalization policy and wish to seek protection from the market compe-

29. Misagh Parsa, *State, Ideologies, and Social Revolutions: A Comparative Analysis of Iran, Nicaragua, and the Philippines* (Cambridge: Cambridge University Press, 2000).

tion, to continue benefiting from subsidies and price control for their inputs.

At the other end of the spectrum, the market is dominated by the ghastly presence of the Islamic foundations and the overt and covert economic activities of various military, paramilitary, and “intelligence” organizations of the state (particularly the Islamic Revolutionary Guards, or Pasdaran), who seek off-budget sources of income. Hand in hand with a network of their affiliates, they constitute a Mafia-esque underworld of an aggressive oligopolistic market. They have been the main buyers of state-owned enterprises in the government’s privatization undertaking. They themselves are, however, exempt from being privatized. No adventurous capitalist would dare enter this treacherous domain without the protection of one of the several godfathers. Many aspiring capitalists have stated openly that their growth and development are conditional to dismantling this oligopolistic segment of the market. But that is tantamount to dismantling the structure of the “governance of the jurisconsult” (*velayat-e faqih*), as these two interrelated structures are the pillars of the existing political regime. Mohammad Khatami, with all his claims for reform in the eight years of his presidency of the Islamic Republic, never acted or even spoke openly in opposition to these two “satanic” constructs, using the favorite term of Ayatollah Khomeini, who was the architect of both. It is apparent that the capitalist class, with its serious infirmity, is in no position to advance even its own cause. The Islamic foundations and their affiliated capitalists have formed a formidable barrier to the capitalist development of Iran.

The appearance of Khatami in the political scene, with his unexpected landslide victory in the May 1997 presidential election, was a manifestation of the intensified cultural confrontation in Iranian society. In two decades of rule, the Islamic Republic had not succeeded in compelling the Iranian population to submit to its restrictive traditionalist Islamic norms of conduct. Khatami, by the softness of his speech, his kind smile, and his expressed reception to a

diversity of worldviews (*degarandishi*) and norms of conduct, appeared to represent a kinder and gentler face of the Islamic state. This was appealing to the majority of the population, particularly the youth, women, and the seculars, who rushed to the polls to elect him twice.

Khatami and his “reformist movement” had no economic agenda.³⁰ He benefited from a rather long period of high oil prices in the international market, which brought Iran high oil revenues. In his eight years of presidency, Khatami brought forth no economic policy debates and proposed no economic policy reforms. He followed the zigzag of economic liberalization that Ali Akbar Hashemi Rafsanjani retreated to in the last years of his presidency. Some policy organs of the government promoted and implemented economic liberalization measures (e.g., the Central Bank), while others opposed them (e.g., the Ministry of Finance). Khatami was elected only for his presumed cultural agenda, which he tried to implement in the face of ferocious opposition from the traditionalist faction of the Islamic Republic. He failed in reforming the Islamic state, as his proponents and his optimistic followers expected. He, however, succeeded in mitigating an intensifying political crisis in the Islamic state by establishing the discourse of limited political criticism and providing a wider space for cultural expressions.

The election of Mahmoud Ahmadinejad to the presidency of the Islamic Republic in June 2005, with the orchestrated effort of the military machinery (the Revolutionary Guards and Basij), on a populist platform, has introduced further complexity to the political economy of Iran. Ahmadinejad represents the culturally and politically conservative faction of the Islamic Republic. However, in his election campaign Ahmadinejad attracted part of the traditional petty bourgeoisie and the less privileged and poor urban and rural population to vote for his populist social justice, anticorruption, and oil-income redistribution promises. The vote for Ahmadinejad, for a large segment of his supporters, was, above all, a vote against Rafsanjani and his economic liberalization policy. This im-

30. Sohrab Behdad, “Khatami and His ‘Reformist’ Economic (Non-)Agenda,” *MERIP Press Information Notes*, no. 57 (21 May 2001), www.merip.org/mero/mero052101.html.

plies the persistence of a resistance toward the full rejuvenation and reconstruction of capitalist relations of production in Iran, by a considerably large class of traditional petty bourgeoisie, in alliance with the unemployed youth, the poor, and the disenfranchised. So far, except for out-of-budget handouts to selected provinces, the partisan redistribution of money to mosques and factional followers, the massive replacement of former administrators and managers of state apparatus and economic establishments by the people close to the new government, and suppressive measures against the press, unions, and students, the socioeconomic balance of power is left unchanged. Different factions of the ruling elites are still bitterly negotiating among themselves. The Islamic Republic has not yet succeeded in overcoming its postrevolutionary crisis.

Appendix

Decomposition Technique

If C_1 and C_2 are the number of workers employed in C category in years 1 and 2, and N_1 and N_2 are the employed labor force in these two years, respectively, then $C_2 - C_1 = Y + X$ decomposes the change in C into the employment effect (Y) and the class effect (X). Y is the change in the size of C if the rate of change of C were the same as the rate of change in the employed labor force (N). X is the deviation of the actual size of C from the expected trend (Y).

Therefore, $X = C_2 - C_1 - Y$.

We know that

$$Y = C_1 \left(\frac{N_2 - N_1}{N_1} \right).$$

Hence, after some manipulation we have

$$X = N_2 \left(\frac{C_2}{N_2} - \frac{C_1}{N_1} \right).$$

That is,

$$C_2 - C_1 = C_1 \left(\frac{N_2 - N_1}{N_1} \right) + N_2 \left(\frac{C_2}{N_2} - \frac{C_1}{N_1} \right).$$

Based on this relationship, we calculate the employment effect and the class effect of the changes in various job categories in the involutory and de-involutory periods 1976–1986, 1986–1996, 1996–2006, and 1976–2006 (table 3) and for each economic sector for 1976 and 1996 (table 4).

With further algebraic manipulation, we can show that the class effect X is equal to

$$N_1 \left(\frac{C_2}{N_2} - \frac{C_1}{N_1} \right) + (N_2 - N_1) \left(\frac{C_2}{N_2} - \frac{C_1}{N_1} \right).$$

In this relationship, the first term, the class effect, is expressed with N_1 as the point of reference, instead of N_2 , according to our formula above. Therefore, here we have the additional term, which is frequently called the “interactive” effect and is no more than the adjustment for changing the point of reference from N_2 to N_1 .³¹ \curvearrowright

31. See Kitagawa, “Components of a Difference”; Wright and Singelmann, “Proletarianization”; Wright, *Class Counts*; Marchand and Thélot, *Deux siècles de travail*; and Horiuchi, “Cohort Approach.”