

THE OPENING UP OF QĀJĀR IRAN: SOME ECONOMIC AND SOCIAL ASPECTS

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The Iranian economy underwent impressive growth in the value and volume of foreign trade during the nineteenth century. The combined figures for imports and exports show the widening of commercial links and economic inter-relations between Iran and the rest of the world, particularly Europe. Between 1800 and 1914 total visible trade at current prices rose from £2.5 million to £20 million. The implication of these figures is that in real terms visible trade increased about 12 times.¹ The greater portion of this increase occurred during the last decades of the nineteenth century.

A deficit in Iran's balance of trade was an almost constant phenomenon in the period which followed the silk-worm disease of 1865 up to 1914. In the period after the great famine (1869–1872) and until 1894, the rate of import surplus was relatively low, some 12 to 15 per cent of total visible imports. But from 1865 to 1874 and from 1895 to 1904 this rate was considerably higher: 33 per cent and 20 to 25 per cent respectively. Small deficits, both in absolute and relative terms, occurred during the years 1875 to 1894, in spite of a large import surplus in the preceding decade, because exports rose at higher rates than imports.

Unfortunately, because of lack of sufficient data, it is impossible to discuss in quantitative terms major developments in Iran's invisible balance of trade. It is, however, obvious that during the greater part of the 1880s and 1890s, income from invisible exports was much higher than expenditure on invisible imports. This derives from the fact that during the last two decades of the nineteenth century the exchange rate of the *qirān* was lower by 5 to 10 per cent than its intrinsic value. In other words, in view of the deficit in the country's visible balance of trade there must have been a surplus in the invisible items, which more than offset the deficit in the visible balance. It was only in the late 1860s and early 1870s, and from 1904 to 1906 that the deficit in the visible balance was not offset by the invisible items, and hence it was during these years that Iran suffered from a deficit in her current account, and had to export large quantities of bullion in order to finance her import surplus.

In spite of the growth in foreign trade, the direct involvement of foreigners in general and Europeans in particular in the Iranian economy was limited. The number of Europeans residing in Iran was very small. Their number was estimated at some 150 persons in the 1850s and some 1,000 in 1901.² The scope of direct investments made by Europeans in Iran was of limited magnitude³ and very few economic enterprises were initiated by Western companies. On

¹ The figures on Iran's foreign trade and its composition are based on British and French diplomatic and consular reports, 1860–1909; see also: Ministère des Douanes et des Postes, *Statistique commerciale: tableau général du commerce avec les pays étrangers*, Tehran, 1900–17; *Almanach de Gotha*, Gotha, 1861–1911 (hereafter *AG*); *The statesman's year-book*, London, 1861–1911 (hereafter *SY*); George N. Curzon, *Persia and the Persian Question*, vol. 2, London, 1892, 559, 561 (hereafter Curzon). Cf. Marvin L. Entner, *Russo-Persian commercial relations, 1828–1914*, Gainesville, Florida, 1965, 8–11, 22, 57, 59, tables 1–6; Charles Issawi (ed.), *The economic history of Iran 1800–1914*, Chicago and London, 1971, 130–132, 135–136 (hereafter Issawi, *Iran*); *idem*, 'Iranian trade, 1800–1914', *Iranian Studies*, xvi, 3–4, 1983, 230–31.

² Gad G. Gilbar, 'Demographic developments in late Qājār Persia, 1870–1906', *Asian and African Studies*, xi, 2, 1976/7, 154 (hereafter Gilbar, 'Demographic developments').

³ Esfandiār Bahram Yaganegi, *Recent financial and monetary history of Persia*, New York, 1934, 18–28.

the whole, it seems that indirect European economic penetration into Iran was greater by far than direct penetration.

The growing commercial links of Iran with foreign markets had a profound effect on the structure of the economy. The increasing industrial imports from European markets resulted in a sharp decline in the country's major handicrafts. Not much was left of the traditional industries at the beginning of the twentieth century.⁴

Iran's handicraft history in the latter half of the nineteenth century was not, however, totally a story of decline. At least one branch of traditional industry, namely, carpet-weaving, not only did not decline but enjoyed substantial growth during the last thirty years of the century. Accounts of Iran's industries in the 1850s and 1860s do not consider carpet-weaving as one of the major handicrafts of the country.⁵ It was only in the early 1870s that the inputs of work, capital and entrepreneurship considerably increased. Whereas in the 1860s only a few thousands were employed in carpet-weaving, by the end of the century no less than 65,000 were employed. The number of carpet looms increased from a few hundreds in the mid nineteenth century to at least 17,000 at the end of the century.⁶

The increase in inputs of labour, capital and entrepreneurship resulted in a rapid growth of output. This is evident from figures for the export of carpets from the country. In 1871-72 the total value of carpets exported, amounted to some £30,000. In the late 1880s it stood at around £90,000. During the next ten years it more than doubled, and in 1901-2 the export of woollen carpets alone amounted to at least £251,000. The early 1900s was a period of still more rapid growth. So much so that in 1906-7 which was a peak year in the carpet industry, the sum of about £881,000 was earned by the exporters of Persian carpets. In the years 1904 to 1906 carpets were one of the major export items of the country, and constituted 12.8 per cent of Iran's total visible exports.⁷

⁴ For a detailed account of the process of decline of Iran's traditional industries see Mirzā Husayn Khān b. Muḥammad Ibrāhīm Khān, Tahwīdār-i Iṣfahān, *Jughrāfiyāyi Iṣfahān*, ed. Manūchihr Sūtūda, Tehran, 1342/1963, 93-104. See also 'Shirāz', U.K., Government of India, Division of the Chief of the General Staff, Army Head Quarters, *Gazetteer of Persia*, Confidential, III, Simla, 1910, 848-9 (hereafter *GP*, III, 1910); Gen. A. Houtum-Schindler, 'Persia, I. Geography and statistics', *Encyclopaedia Britannica* (10th ed.), xxxi, London, 1902, 623 (hereafter Houtum-Schindler, *EB*, 10th ed.); Diyā al-Dīn Šadrzāda, *Šādirāt-i Irān*, Tehran, 1346/1927-28, 8-9. For details on the competition in the Iranian market between British and Russian goods see 'Report on the trade of Khorassan and Seistan for the year 1890-91', by J. MacLean, U.K., Foreign Office (hereafter FO), *Diplomatic and consular reports* (hereafter *DCR*), Annual Series (hereafter AS), 976, p. 4 (hereafter MacLean, 'Khorassan', 1890-91, *DCR* 976); 'Report on the trade and commerce of Ispahan and Yezd for the year 1894-95', by John R. Preece, FO, *DCR*, AS 1662 (1896), 5 (hereafter Preece, 'Ispahan', 1894-95, *DCR* 1662); 'Report on the trade and commerce of Khorasan for the financial year 1895-96', by Ney Elias, FO, *DCR*, AS 1800 (1896), 8, 17-20 (hereafter Elias, 'Khorasan', 1895-96, *DCR* 1800); 'Report on the trade, commerce and agriculture of Khorasan for the year 1896-97', by Charles E. Yate, FO, *DCR*, AS 2008 (1897), 6-7; 'Report on the trade and commerce of Azerbaijan for the year 1898-99', by Cecil G. Wood, FO, *DCR*, AS 2291 (1899), 6; Lloyd C. Griscome to John Hay, Teheran, 25 November 1902, M 223/10, Record Group 59, The National Archives, Washington D.C.

⁵ E[dward] B. E[astwick], 'Persia', *EB* (8th ed.), vol. xvii, Edinburgh, 1859, 424; Jacob E. Polak, *Persien: Das Land und seine Bewohner, Ethnographische Schilderungen*, II, Leipzig, 1865, 168-9.

⁶ Z. Z. Abdullaev, *Promyshlennost' i zarozhdenie rabocheho klassa Irana v kontse XIX-nachale XX vv.*, Baku, 1963, 58, 78 (hereafter Abdullaev); Issawi, *Iran*, 261. See also 'Report on the trade of Khorassan for the year 1904-05 by P. Molesworth Sykes', FO, *DCR*, AS 3499 (1905), 4; Curzon, II, p. 524, n. 1.

⁷ See and compare 'Report by Consul-General [Henry M.] Jones on the trade and commerce of Tabreez for the year 1873', U.K., House of Commons, *Parliamentary Papers*, Sessional Papers (hereafter *PP*), *Accounts and Papers* (hereafter *A & P*), LXXV (1875), 205-6; Curzon, II, 525, 559; *SY* (1904), 967; (1905), 988; (1906), 1245; (1907), 1307-8; (1908), 1345; (1909), 1092.

The reason for the remarkable growth of the carpet industry at a time when most other handicrafts were declining lies first in the fact that European industries did not compete with this Iranian manufactured product, and secondly that there was a growth in the demand for these goods in Western countries, especially in the United States and England.⁸ Foreign and local trading firms in Iran were looking for exportable products that could increase their imports into the country and found in the carpet industry additional means to further their business.⁹ Thus, the growing commercial links of Iran with foreign countries, which were bringing about a decline in many of the traditional handicrafts were at the same time stimulating the growth of the carpet industry, one and the same trading firm being often implicated in both processes.¹⁰

It seems that part of those engaged in the carpet-weaving industry, whether rural or urban, witnessed an improvement in their economic conditions. No less important, from the social point of view, was the effect of the spread of this industry on the nomads: it allowed for closer economic links between them and the settled population.¹¹

Changes in agriculture, namely, the striking expansion in the cultivation of cash crops, such as opium, cotton and fruits, were also closely connected with the widening commercial relations of Iran with the West and the rest of the world. The increase of imports and the growing deficits in the balance of trade resulted in efforts made by merchants who were engaged in foreign trade to find commodities that would offset the deficit and enable them to continue with their import business. No crop could better suit these merchants than opium in the southern provinces, cotton in Khurāsān, and fruits in Āzerbāijān.¹²

These and other structural developments in the agriculture sector had several important consequences. The changes in the production of the major crops altered the rural economy of the country to some extent. Until the 1860s rural economic activity was marked by a lack of diversity. The majority of the peasants in most provinces concentrated on the cultivation of wheat and barley, while a limited number of agriculturists produced the second significant crop—raw silk. In the early 1900s the rural economy became far more diversified. Not only did the number of major crops increase, but their cultivation spread to various regions. Thus, for example, in Āzerbāijān, where until the 1860s grain production had been the main activity, in the 1900s a great deal of fruit and tobacco was cultivated in addition to wheat and barley; in Khurāsān opium and cotton were added to the list of major crops during the last forty years of the nineteenth century; and in Gilān, rice and tobacco besides silk; and in Iṣfahān, opium, tobacco and cotton were added to wheat and barley.

The diversification of agricultural production brought about greater economic integration within the different parts of the country. This was evident

⁸ 'Report by Mr. [William J.] Dickson on the trade of Persia', *PP, A & P*, LXIX (1882), 499; 'Report by Mr. [Arthur J.] Herbert on the trade and industries of Persia [for the Year 1886-87]', *FO, DCR*, AS 113 (1887), 6; 'Report on the trade of Tabreez for the financial year 1886-87', by William G. Abbott, *FO, DCR*, AS 241 (1888), 5.

⁹ 'Report by Consul-General [Henry M.] Jones on the state of trade in the province of Azerbaijan during the year 1872', *PP, A & P*, LXV (1873), 968.

¹⁰ 'Azerbaijan', U.K., Government of India, Q.M.G.'s. Department, Intelligence Branch, *Gazetteer of Persia*, Confidential, II, Simla, 1905, 62-3 (hereafter *GP*, II, 1905).

¹¹ 'Report for the years 1892-93 and 1893-94 on the Trade &c. of the Consular District of Ispahan', by John R. Preece, *FO, DCR*, AS 1376, 30-32, 55, 57-59.

¹² For a description of the structural changes in the Iranian agriculture see Gad G. Gilbar 'Persian agriculture in the late Qājār period, 1860-1906: some economic and social aspects', *Asian and African Studies*, XII, 3, 1978, 323-57.

particularly in the central and southern provinces where the towns Iṣfahān, Yazd and Shīrāz respectively served as economic centres for larger rural areas, and in the north and north-western provinces, where Tabriz, Tehran and Rasht played a greater role in the economic life of the northern region. However, the long-existing economic disintegration between north and south was affected only to a limited extent by the structural changes in agricultural output. The one significant exception was the increasing ties between Khurāsān and the central and southern provinces of Yazd, Kirmān and Fārs.

Another major change in the nature of agricultural production and one of the main effects of the growth of the country's economic ties with the rest of the world was the increase in the relative share of cash crops in the total agricultural output. And it was this process that enabled the country to continue increasing the volume and value of imports. At the same time it made the economic welfare of Iran more dependent than in earlier periods on economic developments in other countries. However, because of the increased diversification of agricultural production, the country was saved from severe crises due to exogenous factors, which characterized monoculture economies such as nineteenth-century Egypt (cotton), Ceylon (tea) and Cuba (sugar), and which, to some extent, had been the case with Iran too until the 1860s (raw silk in the northern provinces).

As a result of the growing concentration in the production of cash crops, resources used in agricultural production were increasingly diverted away from wheat and barley, which continued, however, to form the most important crops. Thus, the southern and central provinces, which were the major opium-growing areas, already in the 1880s became net importers of cereals and at the turn of the century Iran as a whole became a net importer of wheat and barley. This change had a far-reaching effect on the country's monetary development as well as on its social stability.

The cultivation of cash crops stimulated growth in the inputs of labour, land and capital.

(i) An increase of labour occurred in spite of the decrease in the number of the total population during the great famine years and despite the migratory movement of peasants to urban settlements. This was due to two factors. First, there was a certain increase in the total labour force that was active in settled agricultural production. Women, who had been mainly active in rural industries, joined the men in their field work, as certain home-industries such as clothing, became less profitable when inexpensive European industrial goods reached the rural population. In addition to women, tribesmen who had formerly participated in settled agricultural production to only a small extent, increased their participation, particularly in the cultivation of cash crops which gave high profits. Secondly, inputs of labour increased as a result of a certain decrease in disguised unemployment among peasants in various regions due, in part, to an improvement in security. In the Caspian provinces and in Khurāsān, for example, peasants were able to extend their activities beyond the limited area around their walled villages and thus reduce the periods during which they were idle. Similarly, the diversification of crops under cultivation in many areas reduced the periods during which the peasants were not employed.

(ii) The amount of land that was brought under cultivation increased during the period under discussion. In some areas, this took place by means of only small inputs of labour and capital. In Gīlān it was enough to cut down the jungle ; in Khurāsān and Astarābād the pacification of the Turkomans enabled lands which had been abandoned in the first half of the century to be brought back into cultivation ; in Kirmānshāh, Khūzistān and Sīstān the revival of old

trade routes and the establishment of new ones were accompanied by the imposition or by the strengthening of government control, which brought some law and order to these areas. Thus, for instance, the fertile districts along the Kārūn river which were still neglected and depopulated in the first decades of Nāṣir al-Dīn's rule (1848–96) were repopulated and recultivated after the opening of the Kārūn to international navigation and the establishment of a closer control on the part of the central and provincial governments.¹³ The increase of the cultivated area was, however, also combined with capital investment, particularly in the construction of new *qanāts* and the repair of old ones. Besides the increase in the cultivated area, some of those lands that were already under cultivation began to be more intensively exploited. The output of crown lands (*Khālīṣa*) which had often been greatly neglected and mismanaged, increased upon their sale to private owners. The spread of various cash crops also brought about an increase in the total crop area, as spring and summer crops (rice, cotton, etc.) were increasingly added to the cycle of agricultural production.

(iii) Increased capital inputs in agricultural production came mainly from private investors, of whom the Iranian big merchants (*tujjār*) were very significant. Foreign trading firms, landlords and a few provincial governors also invested capital in agricultural production. The main object of investment was the improvement of the irrigation system. Not only were new *qanāts* constructed, but there were cases in which big merchants and landlords undertook to repair or construct new dams.

Undoubtedly the most significant economic outcome of the growth in the cultivation of cash crops was the growth in the total agricultural product. There are even several indications that up to the end of the nineteenth century the increase in agricultural production brought about an increase in the real income of some sections of the settled rural population, and that a certain improvement in the standard of living of the peasants took place. First, there are various pieces of evidence to show that peasants in many areas had a more diversified daily diet, consuming commodities which they could have hardly afforded before. Rice, sugar, tea and tobacco are perhaps the best examples of articles which peasants consumed in large quantities in the late nineteenth century. Secondly, their consumption of both foreign and locally made industrial goods increased, part of the growing import of textiles finding its way into the villages.¹⁴ Thirdly, it seems that in some areas peasants were able to accumulate small savings. Writing on the conditions of the peasantry before the constitutional revolution of 1906, Percy M. Sykes, who held various consular appointments between 1894 and 1919 in Kirmān, Sīstān and Mashhad points out that a peasant 'manages to save about £1 a year, but if he is single his savings are sometimes higher'.¹⁵ This amount, equal to *qn*50–60 at the turn of the nine-

¹³ See, for example, 'Report by Major-General T. E. Gordon on a journey from Tehran to Karun and Mohamrah, viā Kum, Sultanabad, Burujird, Khoremabad, Dizful, and Ahwaz', FO, *DCR*, Miscellaneous Series (hereafter MS) 207 (1891), 10 (hereafter Gordon, 'Journey', 1891, *DCR*, 207).

¹⁴ 'Report on the trade and commerce of the Province of Ghilan for the Year 1891' by Harry L. Churchill, FO, *DCR*, AS 1189 (1893), 4 (hereafter Churchill, 'Ghilan', 1891, *DCR*, 1189); see also MacLean, 'Khorassan', 1890–91, *DCR* 976, 14; 'Report on the trade of Khorasan and Sistan for the financial year 1892–93 by E. C. Ringler Thomson', FO, *DCR*, AS 1268 (1893), 4; 'Report on the trade and commerce of the consular districts of Kerman and Persian Beluchistan from March, 1894, to March 1895', by Percy M. Sykes, FO, *DCR*, AS 1671 (1896), 2–3, 12; Percy Sykes, *A history of Persia*, 3rd edition, II, London, 1969 (reprint), 391 (hereafter Sykes, *History*).

¹⁵ Sykes, *History*, II, 391. See also Gordon 'Journey', 1891, *DCR* 207, 10; Elias, 'Khorasan', 1895–96, *DCR* 1800, 23.

teenth century, could buy in Tehran some 70 kgs. of bread, or 35 kgs. of rice.¹⁶ That peasants were able to save a portion of their income is also evident from the fact that 'an ordinary peasant' was able to spend some *qn*350 (£6-7) on the marriage of his children without having to borrow this sum from the moneylender.¹⁷ This is also corroborated by Lorimer's statement that when drought in the late nineteenth century caused a severe shortage of basic food-stuffs, the population in the south did not starve, because the increase of prosperity among the people during the last decades of the century had enabled them to buy large quantities of imported food-stuffs.¹⁸ Fourthly, there are no indications that the indebtedness of the peasants increased during the last thirty years of the nineteenth century. Fifthly and finally, there are several descriptive pieces of information which also point to an improvement in the economic welfare of part of the peasant population. Percy Sykes, having in mind what he saw in the Punjab province, one of the most fertile regions in the Indian subcontinent, writes :

... the peasant in Persia, and especially in the cold parts of the country, is certainly better housed, better clad and better fed than people of the same class in the Panjab. The household comforts, too, are greater. In the Panjab the peasants are in the hands of the money-lenders to a considerable extent, whereas in Persia this is rarely the case.¹⁹

Thomas E. Gordon, who served as an oriental and military secretary at the British legation in Tehran in the years 1889-93 and re-visited the country in 1896, writes in his *Persia revisited* :

... improvement in the circumstances of the cultivators had taken place more or less all over the country. There was then little demand for products which are now exported and paid for in gold [i.e., cash crops], thus giving a high price in the silver currency of the country . . . Formerly insecurity and want of confidence confined cultivation and stock-breeding to the barest limits, but it is evident now [1896] that the inhabitants can look to enjoy fruits of their labour, and they are extending their fields of exertion.

In the course of my journeying in Persia, I generally found excellent quarters in the village houses. The rather mean outer appearance of the dwellings conveys the idea of poor accommodation within, but the reality is a pleasing disclosure of plain but well-carpeted rooms, with dados of matting or felt for the backs of the sitters by the wall.

... On the whole, it may be said that the peasantry and labouring classes in Persia are fairly well off, and I think their condition can bear a favourable comparison with that of the same classes in other countries.²⁰

Most other sectors of the economy also underwent a process of growth. This occurred to a large extent as a result of developments in agriculture. An

¹⁶ Coujet to Delcasse, Téhéran, 14 May 1900, *Téhéran*, v (1897-1901), *Correspondance commerciale*, Archives du Ministère des Affaires Étrangères, Paris.

¹⁷ Sykes, *History*, II, 391-2. V. A. Zhukovski quotes a popular song of the late nineteenth century which tells that both peasants and merchants in the opium-growing areas became wealthy. See *Obraztsy Persidskago Norodnago Tvorchestva*, St. Petersburg, 1902, 104.

¹⁸ J. G. Lorimer, *Gazetteer of the Persian Gulf, 'Omān, and Central Arabia*, 1/2, Calcutta, 1915, 2132 (hereafter Lorimer).

¹⁹ Sykes, *History*, II, 392. Although Sykes wrote in general terms, he was presumably referring primarily to those places in Persia of which he had personal experience.

²⁰ Thomas E. Gordon, *Persia revisited* (1895), London, 1896, 39-40 (hereafter Gordon, *Persia*).

increasing number of the economically active population, in absolute and relative terms, was engaged in commerce. Real incomes derived from services, mainly commerce and banking, also increased to a great extent.²¹ Foreign and, to a lesser extent, local investments resulted in a modernization of the banking and transport systems. In 1888 the New Oriental Bank Corporation (London) was established and a year later, in 1889, another British Bank, the Imperial Bank of Persia (IBP), was founded. By the late 1890s the IBP had branches, agencies and correspondents in almost all the major towns of the country. In 1890 Iran's first bank-notes were issued by the IBP, after exclusive rights for the issue of notes had been granted to the Bank by the central government. As far as transportation is concerned, in 1888 the first railway line of 8 miles was constructed, and by the end of the century over 500 miles of metalled roads had been built, mainly with Russian finance. In Tehran's main streets a tramway line was laid, and various additional works to improve the country's land-transport system were carried out by British and Russian firms as well as by the Iranian central and provincial governments. As to water communication, in 1888 the Kārūn river was opened to international commercial navigation; installations at the ports of Enzeli and Bushire were improved, and the Iranian commercial fleet expanded. Other means of communication were developed already in the late 1860s, when the Iranian government constructed a telegraph network of some 4,000 miles, an addition to the lines that had been constructed by the Indo-European Telegraph Company. These lines linked the capital to almost all urban centres in the various provinces. In 1874 the foundations of a modern postal service were laid, and three years later Iran joined the International Postal Union.²²

Hence, the widening connexions between the Iranian economy and the West generated structural changes in the economy, renewed the process of economic growth and resulted in an increase in the real income of various sections of the society.

The question of the 'agents and bearers' of economic growth and modernization is, of course, of great significance. It is obvious that the central government played only a marginal role in affecting these developments. The activities of foreigners, particularly Europeans, were of some importance. But, the modernizers of the economy were a small group of Iranian nationals, most of whom were Muslims and big merchants by profession. The big merchants played a central role in bringing about growth in certain sections of agriculture, traditional and modern industry, transportation and other services. In most cases their investments in these branches of the economy were closely linked to their commercial activities.

The structural changes in agriculture, particularly the expansion of opium cultivation, were to a large extent a direct result of their enterprise.²³ By financing the costs of opium cultivation and by increasingly buying land they

²¹ Preece, 'Ispahan', 1894-95, *DCR* 1662, 24; 'Report on the trade and general condition of the city and province of Kermanshah' by H. L. Rabino, FO, *DCR*, MS 590 (1903), 13-14.

²² A. Houtum-Schindler, 'Persia (Geography and Statistics)', *EB* (11th ed.), xxi, Cambridge, 1911, 194-6; *SY* (1906), 1247-8.

²³ 'Memorandum on the opium of Persia', in 'Reports by Consul-General [Edward Charles] Ross on the trade and commerce of the Persian Gulf for the years 1873-78', *PP, A & P*, LXXXIII (1880), 255; 'Report on the trade and commerce of the consular district of Bushire for the year 1892', by Adelbert C. Talbot, FO, *DCR*, AS 1252 (1893), 5; 'Chatrut', U.K., Government of India, Quarter Master General's Department, Intelligence Branch, *Gazetteer of Persia*, Confidential, iv, Calcutta, 1892, 89-90.

managed to acquire control over production itself. Perhaps the best example to illustrate this statement is the sale of the Shūlistān *Khālīṣa* lands (north of Kāzirūn) in Fārs to the big merchant Ḥājji Āqā Muḥammad Mu'in al-Tujjār Būshihri, one of the wealthiest persons in Iran in the late nineteenth century. In 1901–2 the *ṣadr-i a'ẓam*, Mirzā 'Alī Aṣghar Khān Amīn al-Sultān, in an attempt to ease the central government's financial stringency, arranged the sale of the major part of the Shūlistān lands to the Mu'in al-Tujjār Būshihri, who, *inter alia*, was one of the private bankers of the Shah. The area, populated by the Mamassanī tribesmen was famous for the excellent opium that was grown there. Mu'in al-Tujjār, who was interested in bringing more arable land under cultivation, sought and received a *farmān* which 'gives him right of "*haute et basse justice*" over the lands and tribes purchased by him; and over which the Governor-General of Fārs has no right of jurisdiction or taxation'.²⁴ After Mu'in al-Tujjār Būshihri had managed to obtain a full control over the Shūlistān *Khālīṣa* and its population, by using his economic influence and with the cooperation of the Mamassanīs, he brought fallow lands under cultivation, mainly of opium poppy.²⁵

So far as industry is concerned, it was primarily due to the big merchants' investments and entrepreneurship that carpet-weaving increased in many rural areas, particularly among the tribal population.²⁶ The *tujjār* were also active in the late nineteenth century and early twentieth century in introducing modern industrial enterprises into the country. For example, glass and porcelain factories were established by the merchant Ḥājji Muḥammad Ḥasan Amīn al-Ḍarb in Tehran. Later he opened a modern silk reeling factory in Rasht. Two other merchants, Ḥājji 'Abbās 'Alī and Ḥājji Riḍā, erected a porcelain factory in Tabriz. By the turn of the century Ḥājji Raḥīm Āqā Qazwīnī established a cotton spinning mill in Tabriz, and Ḥājji Mirzā 'Alī Muḥammad Iṣfahānī founded a cotton ginning plant in Sabzawār.²⁷ In the 1900s Iranian merchants also constructed several small electric power stations. Amīn al-Ḍarb, for example, opened an electric plant in Tehran in 1907–8 and supplied electric power to light the capital's main streets and the shops on these major arteries.²⁸

The big merchants also played an important role in improving means of transport in the country. The establishment and growth of the Nāṣiri navigation company is a relevant example. At the end of 1888, after the lower Kārūn river had been opened to international traffic, a special concession was given by Nāṣir al-Dīn Shāh to a local syndicate, the Nāṣiri navigation company, of which the most prominent members were two wealthy merchants, the Malik al-Tujjār Ḥājji Muḥammad Miḥdi Mu'tamid al-Sultān and the Mu'in al-Tujjār Ḥājji Āqā Muḥammad Būshihri. The company was given exclusive rights of navigation on the Kārūn and its branches above Ahwāz. By 1891–92 the company's steamers carried about four-fifths of the river cargo. In 1891 the company constructed a carriage tramway from Nāṣiri to Ahwāz, and in 1893 the owners of the Nāṣiri company announced the opening of the Diz river to traffic. The big merchants also financed the foundation of the Shāhanshāhi Company, the second Iranian navigation concern which ran steamers on the

²⁴ 'Momassanī', *GP*, III (1910), 653.

²⁵ 'Kāzarūn', *GP*, III (1910), 503.

²⁶ Abdullaev, 59.

²⁷ Mirzā Muḥammad Ḥasan Khān I'timād al-Saltana [Sanī' al-Dawla], *Tārīkh-i muntazam-i Nāṣiri*, lith., III, Tehran, 1300/1883, 271, 281; *idem*, *Kitāb al-ma'āthir wa al-āthār*, lith., Tehran, 1306/1888–9, 82, 95–96, 102; *idem*, *Mir'āt al-buldān-i Nāṣiri*, II, Tehran, 1294/1877, 254, 282; Muḥammad 'Alī Jamālẓāda, *Gandī-yi Shāyghān*, Berlin, 1335/1917, 93–95 (hereafter Jamālẓāda); Churchill, 'Ghilan', 1891, *DCR* 1189, p. 3.

²⁸ Jamālẓāda, 94–5.

Kārūn.²⁹ The *tujjār* also invested in constructing new caravanserais and in breeding beasts of burden.³⁰

It seems that the phenomena of the big merchants in Iran—a local group playing a central role in the process of economic growth—was unique in the history of nineteenth-century Middle Eastern economies.

During the 1880s and 1890s inflation prevailed in almost all of the main towns of the country, to a great extent a result of the country's surplus in its current account. The prices of basic necessities increased by 2 to 3 times.³¹ As against this, wages and salaries increased, in nominal terms, at much lower rates. Thus, artisans, labourers, government officials, and other groups which lived on wages and salaries were hard hit by inflation. All the same, as often occurs in periods of inflation, peasants, tribesmen who were engaged in agricultural and export-oriented industrial production, and merchants, not only did not suffer from this development, but rather enjoyed an increase in terms of their real income at a rate higher than it would have been, had the country not been suffering from an inflationary process. This was particularly true with respect to the big wholesale merchants who took advantage of their increasing control over the supply of basic foodstuffs, to the extent that they were able to fix prices of such commodities as wheat and barley, at a level still higher than the market forces would have established.

The growing economic involvement of Iran with the West also affected the financial position of the central government and the ruling classes in general. Two fiscal processes began in the late 1860s and early 1870s: on the one hand, in real terms, central government expenditure increased, while on the other its revenue, in real terms, decreased. In nominal terms, expenditure increased in the period from 1867 to 1906 from *qn* 42.5 million to *qn* 105 million, while revenue increased in the same period from *qn* 48.4 million to only *qn* 75 million.³²

The increase in expenditure was affected by a rapid increase in consumption by both the court and the central administration. Nāṣir al-Dīn and Muẓaffar al-Dīn's various trips to Europe, the increase in allowances and pensions both to members of the royal family and the upper echelon of the bureaucracy were, to a great extent, responsible for this development.³³ There was also a considerable increase in the expenditure of the central government on defence, subsequent to the formation of the Persian Cossack Brigade in 1879 and to naval developments in the 1880s.³⁴

The decrease in revenue, in real terms, was the result of both economic and administrative developments. First, the central fiscal administration was unable to keep pace with the structural changes which were taking place in the

²⁹ Lorimer, 1/2, 1726–8.

³⁰ For details see 'Agda', *GP*, II (1905), 12–13; 'Gīlak', *GP*, II (1914), 186; Gordon, 'Journey', 1891, *DCR* 207, pp. 8–9; Curzon, I, 559–619.

³¹ Gad G. Gilbar, 'Trends in the development of prices in late Qājār Iran, 1870–1906', *Iranian Studies*, xvi, 3–4, 1983, 180–6, 188–97.

³² See and compare 'Report by Mr. [Ronald F.] Thomson, Her Majesty's Secretary of Legation, on the Population, Revenue, Military Force, and Trade of Persia', *PP, A & P*, LXIX (1867–68), 250–2, 258 (hereafter Thomson, 'Report', 1868); *AG* (1909), 1026. Mihdī Malikzāda, *Tārīkh-i inqilāb-i mashrūṭiyyat-i Irān*, III, Tehran, 1328/1949, 92 (hereafter Malikzāda); Edward G. Browne, *The Persian revolution of 1905–1909*, Cambridge, 1910, 240 (hereafter Browne).

³³ For an example on the cost of these trips see Browne, 105. The annual allowance of Shu'ā' al-Saltāna, the second son of Muẓaffar al-Dīn Shāh, amounted in 1906 to *qn* 1,115,000. Malikzāda, III, 92. See also Shaul Bakhash, *Iran: monarchy, bureaucracy and reform under the Qajars: 1858–1896*, London, 1978, 263 (hereafter Bakhash).

³⁴ Thomas E. Gordon, *A varied life*, London, 1906, 315–6 (hereafter Gordon, *Life*); *SY* (1888), 875; Bakhash, 276.

economy. This is evident from the fact that the central government's land tax assessments were not properly adjusted during the 1880s and 1890s to the growth in agricultural production which occurred in many regions. Secondly, of still greater significance is the fact that the land tax assessments were not fully adjusted to the fall in the real value of the *qirān* in the capital and most other major urban centres of the country. Thirdly and finally, the central government was in the last three decades of the nineteenth century too weak to enforce its fiscal demands throughout the country. In contrast to earlier decades, provincial governors more frequently refrained from remitting all but a fraction of the taxes due from their respective provinces to the central government, while the latter rarely had recourse to the use of military force to collect arrears. Even such classes as the merchants were, until the end of the century, strong enough vis-à-vis the government to prevent any change in the system and rates of taxation which would have affected them.³⁵

Consequent upon these developments the government revenue from direct taxes, in constant prices, was in the late 1890s, if not earlier, lower by at least 50 per cent in comparison with the years before the great famine. During this period total revenue (both direct and indirect taxes) fell, in constant prices, by at least 30 per cent. It thus appears that already by the mid-1870s the government was faced by a permanent deficit in its 'budget'.

The various economic developments described above brought about or contributed to the evolution of several social changes. Of particular significance were developments in the ecological distribution of the population. There was a certain movement from nomadism to sedentarization. Certain tribes established themselves in villages while others migrated to towns. The gradual increase in the cultivation of cash crops, resulting in higher returns for settled agricultural activity, affected the attitude of certain tribes, especially those which had been greatly weakened and impoverished by the great famine, and led them to a settled life. Some tribesmen, particularly certain sections of Lurs in Fārs, established new villages and began to cultivate cash and subsistence crops on their own initiative. Others, such as Mamassanīs in Khūzistān, were persuaded by large wholesale merchants and landlords, who furnished them with the necessary funds to cultivate cash crops, to engage in settled agricultural production.³⁶

Iran also underwent a process of urbanization during the second half of the nineteenth century and the early twentieth century. Whereas in 1868 the country had apparently only 30 towns (settlements with 10,000 inhabitants or more) which together had some 850,000 inhabitants, in the early twentieth century, there were apparently 58 towns in which about 1.8 million people dwelt. In other words, the population of townsmen increased from 8 or 9 per cent in the mid nineteenth century to some 18 per cent of the total population in the early 1900s. Three towns numbered in the early twentieth century 100,000 inhabitants or more: Tehran had about 280,000 inhabitants, Tabriz 200,000 and Isfahān 100,000, Kirmān and Shīrāz had each 60,000, and Yazd 50,000.

Of the seven largest towns Tehran alone grew at a rapid rate. From the probable 70,000 inhabitants residing in the capital after the great famine the number of its population rose to 280,000 in 1908. The implication of these

³⁵ Gordon, *Persia*, 39; W. Morgan Shuster, *The strangling of Persia*, London, 1912, 247-9; Ann K. S. Lambton, 'Dariba (5)—Persia', *EI* (2nd ed.), II, 151.

³⁶ See further Gilbar, 'Demographic developments', 146-7.

figures is that the population in the capital increased at an average annual rate of 8.6 per cent during the years 1873–1908. The rapid growth of Tehran was consequent upon the development works carried out in the town in the 1870s and the growth of its commercial importance so that it became in the late nineteenth century the country's most important commercial and services centre. The bulk of the increased population was accounted for by newcomers from the rural areas. Thus, a class of unskilled labourers, most of whom had been peasants and nomads (known as the *kulāh namādī*), grew up in the capital.

Of the other major towns the growth of Isfahān on the one hand and that of Tabriz on the other are of some interest. In the period under discussion the long process of decline in the number of Isfahān's inhabitants finally came to an end. In the years from 1873 to 1891 the town grew at an average annual rate of 4.4 per cent, from some 50,000 inhabitants to 90,000. This increase slackened in the 1890s and the early years of the twentieth century, when the town grew at an average annual rate of only 0.7 per cent. The growth of Isfahān during the eighteen years which followed the great famine is a clear indication of its growing commercial functions which resulted from the introduction of opium cultivation in the central and southern provinces, and the growth in the volume of Iran's foreign trade through the Persian Gulf ports. As against that, Tabriz grew in the years from 1873 to 1891 at an average annual rate of only 1.0 per cent. This was hardly higher than the natural growth rate of its inhabitants. The lack of migration to Tabriz was an obvious outcome of the decline in its commercial importance subsequent upon the decline of the Trebizond–Tabriz trade route.

The average annual growth rate of the other major towns bears witness to a substantial growth in their commercial activity. In spite of the decline of traditional industries, these towns which had earlier been important industrial centres, grew at a higher rate than the natural growth rate of their respective inhabitants.³⁷

Emigration to certain urban centres of the Middle East and India, such as Istanbul, Cairo, Damascus, Karachi, Bombay and Calcutta, was also on the increase. Most emigrants to these places were merchants or people who became engaged in commerce after they had established themselves in their new places of residence. To a great extent they were agents and representatives of large Iranian import and export trading firms.³⁸

In view of the deteriorating fiscal position of the central government steps were taken to change the distribution of wealth in Iranian society, especially in regard to the public sector as against the private sector. This policy resulted in a major confrontation between the central government and various sections of the population, particularly the big merchants.

The first attempts to reform the fiscal administration and the collection of direct taxes were carried out in 1872 and in 1875–76, then in 1878, in 1885–86 and in 1889–90.³⁹ However, none of these efforts resulted in a substantial

³⁷ *ibid.*, 147–51. On the development and growth of Tehran see Mansoureh Ettetahdieh, 'Patterns in urban development; the growth of Tehran (1852–1903)' in C. E. Bosworth and C. Hillenbrand (ed.), *Qajar Iran, political, social and cultural change*, Edinburgh, 1983, 201–3.

³⁸ Gilbar, 'Demographic developments', 153–4.

³⁹ William G. Abbott to William Taylor Thomson, no. 8, Resht, 31 March 1875, enclosure no. 2 in William G. Abbott to the Earl of Derby, no. 6, Resht, 6 April 1875, FO 60/374, Public Record Office, London (hereafter PRO); Hājji Mirzā Ḥasan Fasā'i, *Fārs nāma-i Nāṣiri*, lith., 1, Tehran, 1313/1895, 337; 'Report by Consul [Henry Adrian] Churchill on the trade and commerce of the province of Ghilan for the Year 1878', *PP, A & P*, LXX (1878–79), 473–4; Ann K. S. Lambton, *Landlord and peasant in Persia*, London, 1953, 167–70; Bakhash, 102–4.

increase, even in nominal terms, in the central government's revenue. Various steps that had been taken to bring about an increase in the revenue from customs were, by 1900, only partially successful.⁴⁰

Against this background the Shah and the government tried to effect an increase in revenue in other ways. The sale of offices and functions spread; greater use of *pishkash* was made; and concessions for the establishment of monopolies in various fields and for the development of the country's resources were granted both to local and foreign nationals.⁴¹ But the gap between revenue and expenditure was becoming so large during the 1880s and 1890s that the income derived by these devices was not sufficient to offset the budgetary deficit. Loans from local big merchants were taken to an increasing extent, but this was only a short-term solution.

It seems that in the mid-1870s the government already considered the taking of a loan from foreign banks. According to rumours in Tehran a special envoy on behalf of the government went to European financial centres to check the terms on which it would be possible to borrow money from European banks.⁴² Fiscal developments in the 1870s in both the Ottoman Empire and Egypt seem to have had a great effect on the Persian government's attitude towards the taking of foreign loans, and the issue was dropped. Consequently, Nāṣir al-Dīn began to use gold and silver reserves which had been accumulated in the royal treasury, and during the 1870s and 1880s these reserves decreased by some 66 per cent: from £1.5 million in 1868 to about £0.5 million in 1888.⁴³ The £500,000 that the Iranian government borrowed in 1892 from the Imperial Bank of Persia for the payment of compensation to the holders of the tobacco concession after the Régie had been abolished, was borrowed at a time when there had already been a decrease in the royal reserves and when there were no longer large funds in the Shah's treasury. Such reserves as remained were entirely eaten up within a few months of Muẓaffar al-Dīn's accession to the throne.⁴⁴

Thus, by the late 1890s the Shah and his government were faced by a situation in which only two possibilities were open to them if a financial breakdown of the central administration was to be avoided: (i) to cut drastically the expenditure of the Shah, the court and the central administration, or (ii) to take loans from foreign governments and banks. In 1897-98 the *ṣadr-i a'zam* Mirza 'Alī Khān Amīn al-Dawla and his minister of finance Abū 'l-Qāsim Khān Naṣir al-Mulk made a final attempt to restrict the Shah's and the government's expenditures. This failed because of strong opposition on the part of

⁴⁰ *SY*, 1888, 876.

⁴¹ F. Stolze and F. C. Andreas, *Die Handelsverhältnisse Persiens, mit besonderer Berücksichtigung der deutschen Interessen*, Petermanns Mitteilungen, Ergänzungsheft, no. 77, Gotha, 1885, 2-3; Curzon, I, 438-40. In the years 1888-90 to 1900-1 the central government revenue from rents and leases of monopolies and concessions increased from *qn* 1,070,000 to *qn* 5,775,000. See Curzon, II, 477 and Houtum-Schindler, *EB* (10th ed.), 621.

⁴² William Thomson to the Earl of Derby, no. 159, Tehran, 2 November 1876, FO 60/381, PRO. These rumours were strongly denied by the Iranian ambassador in Paris. In a letter which was published in both *Le Figaro* and *The Times*, he writes: '... in the course of the present month [April 1876] several journals have affirmed, accompanying the assertion with sundry malevolent insinuations, that Persia is upon the point of negotiating a loan. After seeking instructions from my Government, I am authorized formally to deny this statement, and to declare that Persia has never entertained the intention of entering upon that path of money-borrowing which she would consider as fatal, both to her present interests and her future prospects'. See *The Times* (London), 26 April 1876; *Le Figaro* (Paris), 25 April 1876.

⁴³ Thomson, 'Report', 1868, 259; Curzon, II, p. 484, n. 1.

⁴⁴ Sykes, *History*, II, 374; Valentine Chirol, *The Middle Eastern question or some political problems of Indian defence*, London, 1903, 51. Cf. Spring Rice to Salisbury, no. 110 (89), Gulahek, 18 September 1900, FO 416/4, PRO.

both Muzaffar al-Din and prominent members of the court, who were not prepared to reduce their level of consumption, or to give up future plans which demanded large funds.⁴⁵

Because all the measures which had previously been taken to eliminate the deficit failed, taking loans from foreign governments and banks became inevitable. But the use to which the borrowed money would be put—to finance consumption—made the loans a short-term remedy. The first loan to finance the repayment of current debts and proposed expenditure was given by the Russian government in January 1900. It amounted to 22.5 million roubles (£2,370,000) at an interest rate of 5 per cent per annum. In 1901 the Iranian government took a loan of *qn*10 million (£251,000) from the Imperial Bank of Persia at an interest rate of 12 per cent per annum. The Russian government gave another loan in 1902 of 10 million roubles (£1,063,000) at an interest rate of 5 per cent per annum. In 1903–4 the Imperial Bank of Persia made a further loan of £300,000 at an interest rate of 5 per cent per annum. In addition to these loans both the Russian Discount and Loan Bank and the British Imperial Bank of Persia made it possible for the government to have a considerable credit in its current account, and by 1906 the government's debt in this respect was not less than £761,000.⁴⁶

In order to obtain these loans the Iranian government had to offer a reliable guarantee, namely, a source of revenue which was sufficiently large to secure the payment of the interest and the principal. Both foreign banks and governments which were asked to make substantial loans considered customs revenue to be, in principle, a suitable guarantee. But the actual amount that was transferred to the central government by the lessees of the custom-houses was not big enough to secure the sums for which the Iranian government was asking; nor was the control of the central government over the collection of customs duties satisfactory. In short, a fundamental reform of the customs administration and collection was required in order to obtain substantial loans from foreign institutions. It was mainly for this reason that the central government in 1898 invited Belgian customs experts to come to Iran, and it was only after the government handed to them the administration of the custom-houses of Āzerbāijān that the first Russian loan was given.⁴⁷

The Belgian customs reform did not result in a basic change in the government's fiscal condition. Although the Belgian officials managed within two or three years to double the government revenue from customs duties, the budgetary deficit became larger, not smaller. The main significance of the customs reform, from the central government's point of view, was that it made possible the negotiation of additional loans, since the government could point to the improved administration of the customs and the great increase in customs revenue. The political price of the reform of customs was, however, heavy.

It has already been pointed out that the reform in the customs collection and regulations adversely affected various sections of the population, such as the *bāzārīs*, the artisans, and certain groups of the religious classes, and in particular the big merchants. The reform brought about a major change in commercial relations, and deprived the big merchants of possibilities which had hitherto contributed to their growth and prosperity. Further fiscal

⁴⁵ Browne, 99, 417. Cf. Gordon, *Life*, 322.

⁴⁶ See Memorandum on 'Persian loans and finances', Enclosure no. 1 in C. Spring Rice to Edward Grey, 'General report on Persia for the year 1906', no. 45 (8914), Tehran, 28 February 1907, FO 371/306, PRO.

⁴⁷ Lorimer, 1/2, 2595.

reforms threatened to bring to an end those conditions that had enabled them to become one of the most economically powerful groups in society.⁴⁸

Whereas the greater part of the population in the major commercial centres, in their struggle with the government, sought to bring an end to these reforms, the big merchants realized the wider economic implications of fiscal reform in general and the unfavourable effect the presence of the Belgian officials was likely to have on their own economic position. For them, the dismissal of the Minister of Customs, Posts and Telegraphs, the Belgian Joseph Naus, was not enough: what they sought was to maintain or exert some degree of control over the fiscal administration: hence their decision towards the end of 1905 or early in 1906 to create the circumstances in which the government would have no alternative but to grant a constitution and to establish a representative assembly. In the accomplishment of these two aims the big merchants used their economic power and social influence with other groups of the population, and turned to their advantage the general economic distress which had affected large sections of the urban population. It seems that largely as a result of the activities of the big merchants, the demand for a constitution (*qānūn-i asāsī*) was put forward and accepted by Muẓaffar al-Dīn Shāh.⁴⁹

To conclude, the economic penetration of the West into Iran in the nineteenth century was to a large extent an asymmetrical development. While there was an impressive increase in the value and volume of European exports to and imports from Iran, there was no corresponding increase in Western direct economic involvement (man-power, capital and economic enterprise) in the Iranian economy. In other words, the indirect economic penetration of the West into Iran created new economic forces and new opportunities calling for economic enterprise. Iran was not flooded by foreign investors. Local enterprise, run by the big merchants, was able to emerge. Thus, the big merchants, by their various activities, were in fact the agents and bearers of economic growth in nineteenth-century Iran.

Interestingly enough, the economic penetration of the West into Iran further weakened the ability of the central government to rule. Because of their growing economic and political weakness, the Qājārs were ready to accept an increase in the direct involvement of Europeans in the economy of Iran. The possibility of a symmetrical European economic involvement aroused strong opposition on the part of those who benefited from the asymmetrical situation, namely the big merchants. Other sections of the Iranian society were also hostile to more direct European penetration, but for different reasons. The conflict that evolved between these groups and the government greatly contributed to the fall of the Qājārs.

⁴⁸ Gad G. Gilbar, 'The big merchants (*tujjār*) and the Persian constitutional revolution of 1906', *Asian and African Studies*, xi, 3, 1976-7, 293-5.

⁴⁹ See further *ibid.*, 295-303. See also Ann K. S. Lambton, 'The Persian constitutional revolution of 1905-6', in P. J. Vatikiotis (ed.), *Revolution in the Middle East*, London, 1972, 175-82. For different approaches see W. M. Floor, 'The merchants (*tujjār*) in Qājār Iran', *ZDMG*, cxxvi, 1 (1976), 133-4; Ahmād Ashraf, *Mawānī '-i tārikh-i rushd-i sarmāyah-dārī dar Irān dawra-yi Qājāriyya*, Tehran, 1359/1980, 112-16; Mohammad Reza Afshari, 'The *pishivarān* and merchants in precapitalist Iranian society: an essay on the background and causes of the constitutional revolution', *IJMES*, xv, 1983, 148-53.