

Book Review

Revolution and Economic Transition: The Iranian Experience

By Hooshang Amirahmadi. Albany, NY: State University of New York Press, 1990, 384pp.

In this book, the author offers an empirical and theoretical analysis of the relationship between the Iranian Islamic revolution and the performance of the Iranian economy. The book is divided into three main chapters plus an introduction and a conclusion.

In the introduction, the author gives a profound analysis of the prerevolutionary period with a special emphasis on the Shah's open-door economic policies which led to rapid and uneven economic growth and eventually increased Iran's economic dependence on the capitalist world. The author also analyzes the emerging political, cultural, and social ideologies in the Iranian society which set the stage for revolution. The proclaimed aims of the revolution were listed as achieving economic development, sovereignty, and justice. These were subsequently transformed into an Islamic vision as reflected in the constitution and the first socioeconomic plan of the Islamic Republic.

In the second chapter, the forces influencing the postrevolutionary economy are pointed out. The major force was the war which erupted with Iraq in the early 1980s. Apart from the destruction and loss of life, the war had an overwhelmingly negative and permanent impact on the economy.

The decline in world demand for oil in the 1980s and OPEC's policies caused a huge decline in oil revenues and further constrained the economy. The trade sanctions enforced by America and its allies in the wake of the hostage crisis made it extremely difficult for the Islamic Republic to do business in the international market. Its dependency on oil revenues and on external resources for domestic industry caused a severe underutilization of indigenous productive capability. The result was a sharp decline in both the national GDP growth and in its sectoral distribution.

In the third chapter, the author focuses on the economic trends and problems faced by the economy. Apart from the decline in the GDP, the share of oil as a percentage of the GDP continued to decline. The author claims that the nationalization of the banking system and the introduction of interest-free banking (1985) bear a major responsibility for the failure of the banking system to contribute to the economy. The postrevolutionary economy was also characterized by huge budget deficits and high inflation rates. Although the war was considered the root cause of inflation, internal and external factors also escalated it. The poorest members of the population were the ones who suffered the most from the absence of price controls and anti-inflationary measures. Unemployment was another major problem.

Postwar reconstruction was the theme of chapter four. Here, the author considered reconstruction of the damaged areas and resettlement of displaced people as the major issues facing the Islamic Republic. He listed four major strategies for reconstruction: a) stages of reconstruction, b) goals and priorities, c) role of the public and private sectors, and d) types of policies needing to be implemented.

In conclusion, the empirical findings are listed as: the postrevolutionary economy is characterized by wide fluctuations and largely negative trends in production, investment, trade, employment, and regional development; many of the promised transformations have not been achieved; the economic recession that occurred during the war period continued to worsen even after the end of the war; absolute poverty has increased and per capita income has dropped; inflation and unemployment were and are still high and, most importantly, the postwar reconstruction remains in its initial steps.

In preparing this book, the author has relied on his own collected data and information about the economy, research, interviews of insiders and policy makers, official announcements, manuscripts, and various sources of information. The author deserves credit for producing this valuable book.

Abdel-Hamid Bashir
Economics Department
Grambling State University
Grambling, Louisiana