"Social Structure, Economic Development and Political Upheaval In the United States, Russia, Nicaragua and Iran."

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Social Structure, Economic Development And Political Upheaval

In the United States, Russia, Nicaragua And Iran

Although social conflicts are experienced in all social orders, the outcome of such conflicts differs from one social order to another. Contrary to Marx's prediction, social revolutions have not occurred in the core capitalist countries. Rather, these societies have been characterized by varying degrees of social reforms, whereas it has been Third World societies that have experienced revolutionary upheavals. To some extent reforms in the core and revolutions in the periphery are interrelated, since they are parts of single world system. On the one hand, the economic preeminence of core countries in the world system makes possible social reforms, thereby diffusing internal conflicts. In the periphery, however, foreign domination undermines local attempts at industrialization, thus fueling social revolutions. An understanding of the location of different societies within the world system is necessary to begin an analysis of differential political development. But a more determinant of social conflict and its outcome -- reform, revolution or repression -- is the study social structures.

Unfortunately even the best works in the field have devoted little attention to social structure. Recent works by Barrington Moore and Theda Skocpol illustrate this oversight. Barrington Moore's latest book, Injustice, raises important and interesting issues regarding collective action. His analysis confirms that human suffering by itself is not sufficient to generate collective action. Although Moore analyzes some of the conditions which alternatively stifle or encourage oppressed groups to act together in the hope of overcoming injustice, he largely ignores social structure. Where he does deal with structural issues such as division within the dominant classes or the influence of outside agitators in revolutionary change, the analysis lacks new dimensions. Moore is to be lauded for raising fundamental issues, but his analysis of
social conflict and collective action needs to be carried further.

In contrast, Theda Skocpol, in her book *States and Social Revolutions*, proposes to develop a structural theory of revolution, arguing that "the key to successful analysis lies in a focus on state organizations and their relations both to international environments and to domestic classes and economic conditions" (p. 291). Specifically, Skocpol views international pressures and upper class resistance against reform as central factors leading to the collapse of administrative-military apparatus which in turn paves the way for social revolution (p. 50).

Skocpol's analysis seems to suffer from three problems. The first concerns upper class resistance to state reform. The split between the state and upper class, she claims, is a main condition for revolution. According to Skocpol, state managers and the upper class are polarized. However, this is not always the case in contemporary revolutions; on the contrary, segments of the upper class have usually continued supporting the existing regime to the end. Even where dissident elements of the upper class have joined the opposition, their intention is often to bring about reform rather than revolution.

Another troubling feature of Skocpol's analysis revolves around the collapse of the military-administrative apparatus. For social revolutions to occur, this collapse must ultimately take place. Skocpol maintains that external pressures such as wars or conflicts between the upper class and the state are the mechanisms by which this breakdown occurs. Furthermore, she argues that prior weakening or collapse of military-administrative apparatus is necessary before mass revolutionary action can emerge. However, the revolutionary experiences of Third World countries reveal that neither of these two conditions need exist for a revolution to occur. Autonomous, strong class coalitions have brought down Third World governments and states in the absence of prior weakening or collapse of military apparatus. The collapse of the Cuban army at the end of 1958 was neither due to defeat in external war nor
complete upper class defection. Popular uprising, rather than defeat in war, was responsible for revolution in Iran and Nicaragua—in Nicaragua armed struggle played a much more important role in the final stage; the same would have happened in Iran, as it was shown in the last days of the Shah's rule, had the struggles had continued a little longer.

A third criticism can be directed toward Skocpol's theory of the autonomy of the state. If the state is largely autonomous, as she claims, social reforms that presumably serve societal interests could be carried out despite upper class resistance. Theoretically, autonomous states should be less constrained by upper class vested interests, especially where the upper class is disorganized and weak. But in the real world, states vary in their relationship with the dominant classes. Only low levels of autonomy hinder the capacity of the state to effect reform. Skocpol's assertion that states are generally autonomous confuses our understanding of revolutionary processes.

Although Moore and Skocpol have each broken new ground in their studies of collective action and social revolution, their works suffer from a lack of attention to structural features of social conflict. In the remainder of this paper, I will first present an alternative theory collective action and revolution and then apply it to four case studies.

**An Alternative Theoretical Model**

An alternative theory of revolution must not only specify the conditions which effect fundamental change, but must also predict alternative possibilities in the absence of revolution. Social revolutions are but one outcome of social conflict and injustice, and analysts must specify the conditions which generate other results. Under what conditions do human beings join together to bring partial or fundamental changes? Alternatively, under what situations do aggrieved groups grant inevitability to their suffering? When do the aggrieved end up blaming themselves or other
victims for their suffering?

To answer these broad questions, I will analyze two important factors: first, the link between political-economic structures, and second, the level of solidarity and consolidation among adversely affected groups. To begin, social structures vary in their degree of vulnerability to collective action and revolution. In capitalist societies where political and economic structures are differentiated, revolutionary collective action is less likely to occur. On the other hand, societies with integrated political and economic structures tend to be more vulnerable to collective action and revolution. By integration of political-economic structures, I mean direct state intervention in the process of allocation and accumulation of capital; differentiation, in contrast, implies the absence of such involvement. Concerning the second factor, it is usually the case that without consolidating and developing autonomous organizations to mobilize and coordinate their resources, disadvantaged groups cannot launch effective struggle against their adversaries. By levels of consolidation, I refer to the proportion of population that is both disadvantaged and organized in a bloc. Table 1 presents a schematic view of the relationship between levels of political-economic integration, levels of consolidation of the adversely affected groups and their possible outcomes.

I shall argue that relative inaction is highly likely when the levels of consolidation and political-economic integration are both low. Under such conditions, social problems and suffering are mostly experienced and defined as problems on the level of the individual. As a result, victimized individuals tend to direct their rage against themselves or other victims. The target of attack here is not the political structure which consequently remains intact. On the other hand, segmented conflict occurs where there is a high degree of integration and a low level of consolidation. Segmented conflict often involves proactive struggles such as student movements, guerrilla warfare, and struggles for autonomy. Segmented conflicts may also result
from defensive grievances such as rises in taxation or food prices. Because they are segmented, they can be repressed or made ineffective. Social reform may result from a high level of consolidation in combination with a low level of integration. Under such conditions the issues of conflict tend to remain economic, and non-zero sum game, thus increasing the likelihood that political structures will remain unchallenged. Finally, high levels of consolidation along with a high degree of political-economic integration increase the likelihood of revolutionary conflicts when state policies have polarized the society. The integration of political-economic structures make the state vulnerable to attack by collectivities sufficiently consolidated to seize state power and effect fundamental change.

Levels of Political-economic integration

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Levels Of Solidarity And Consolidation
To clarify the logic of this theory, the relationship between various forms of political-economic structure will be presented along with their implications for the likelihood of collective action. Secondly, the effect of solidarity structures on collective action will be analyzed. The paper will conclude with some illustrations.

Social Structures and the Transparency of the Social Origins of Injustice

For collective action to occur, the causes of suffering must be viewed as social (or human) and consequently amenable to change... As Moore (1978, 455) has put it: "It is not the objective suffering that is the main cause of moral anger; it is the apparent social cause... To perceive the causes as human is a necessary first step toward doing something about human misery and injustice". Blaming fate, the gods, other victims or oneself will inhibit the development of a sense of injustice and thus impede collective action, even in the face of extreme misery... Hence, disadvantaged groups need to identify a concrete social cause responsible for their suffering in order to polarize and engage in collective action...

The focus of such attacks has varied widely. When directed against specific targets in the private sphere such as landlords and merchants, the result has been land reform or changes in commodity prices. But when the entire state apparatus comes under attack as the source of injustice and suffering, the social may experience revolutionary transformation.

Whether a society will experience reform or revolution depends on the character of that social order. Different social structures may obscure the connection between the suffering of victimized groups and the human or social causes of that suffering. In general, states that can present an image of serving social rather than segmental interests reduce the likelihood of being challenged... On the other hand, states that appear to serve particular vested interests foster increased attacks... In the real world, capitalist states are caught up in a continual round of contradictions, the most
important of which is the necessity of simultaneously representing the general societal interest and particular dominant class interests. The state's general obligations include protecting against external aggression, maintaining peace and order, and providing for the material security of its subjects; of particular concern is the maintenance of class domination and setting conditions for capital accumulation. The ways in which the state deals with these often contradictory tasks have a profound impact upon the economic situation, political consciousness and intensity of class struggle. Thus it is important to study the intersection between state and economy.

In capitalist systems, state policies may affect capital allocation and accumulation in a variety of ways. With regard to the likelihood of challenge and attack against the state, at least three distinct possibilities emerge: 1) the state may avoid any systematic intervention and allow market forces to operate; 2) the state may indirectly influence the economy in order to "defend" it against recurrent crises such as recessions and depressions; 3) the state may directly engage in economic activities, attempting to promote accumulation and economic growth by controlling resource allocation.

Although the above classification refers to ideal types, it can be seen to reflect historical and existing cases fairly closely. The first type roughly represents the nineteenth century policy of "laissez faire" in Western societies; the second type reflects roughly the condition existing today in these same countries. The third type represents the conditions of the presently "developing" capitalist societies.

Of these three types, the laissez faire system is the least likely to engender revolutionary collective action because of the lack of direct and transparent linkage between the political and economic institutions. In the first place, economic conflicts and inequalities deriving from the operation of the market cannot be easily articulated into political issues because of the abstract, and depoliticized nature of economic transactions. In market economies buyers and sellers of all commodities,
including human labor power, are considered legally free and equal individuals and
groups and, as such "voluntarily" enter into any contracts they choose. To economic
actors, the market appears as a set of objective conditions within which they must
work, and which therefore cannot be attacked. Moreover, the fact that the market
occasionally causes misfortune for certain wealthy capitalists adds to the illusion of
the impartiality of the market system itself. Consequently the impersonal nature of
market systems obscures the social origins of human suffering and injustice, thus
reducing the likelihood of collective action.

Secondly, for revolutionary situations to arise, the whole state apparatus must be
called into question. But where the economic system is managed and directed by a
"self regulating" market, the likelihood of revolutionary challenge is sharply reduced.
In such social structures, the state reproduces the external conditions of production,
thereby maintaining the system as a whole without directly intervening in the
economic sphere. The state can then claim to stand above and beyond all social
classes, serving no interest but that of the nation. Once the state can evoke an
image of neutrality, it can thus serve as an integrative rather than a divisive force,
thereby avoiding attack and revolutionary challenge.

It is important to note that the reduced likelihood of collective action under such
systems is not due to the absence of suffering... The actual historic experience of the
West generated considerable human suffering that probably was unavoidable. As
Polanyi has argued: "To allow the market mechanism to be the sole director of the
fate of human beings and their natural environment, indeed, even of the amount and
use of purchasing power, would result in the demolition of society... For the alleged
commodity 'labor power' cannot be shoved about, used indiscriminately, or even left
unused, without affecting also the human individual who happens to be the bearer of
this peculiar commodity. In disposing of man's labor power the system would,
incidentally, dispose of the physical, psychological, and moral entity 'man' attached to
that tag. Robbed of the protective covering of the cultural institutions, human beings would perish from the effects of social exposure; they would die as the victims of acute social dislocation through vice, perversion, crime, and starvation" (Polanyi, 1944, p. 73).

This does not mean that the process of the rise of market system itself gave rise to no collective action. On the contrary, as Barrington Moore has noted (1966), the capitalist transformation generated tremendous amount of conflict and often collective action initiated by those whose established rights and interests were violated. But they did not succeed and market principles eventually prevailed. Once market mechanism was established, collective action was largely directed against specific social practices rather than the whole social order.

The second type of social structure approximates the conditions that already exist in most Western societies. The crisis of the 1930's led to a restructuring of economic systems in the West, from limited state involvement in the economy to the pursuit of Keynesian demand-management and social welfare policies to stabilize the macro-economy and enhance the economic security of firms and individuals (T. Weisskopf, 1981). Subsequent state policies have mostly consisted of attempts to maintain full employment, control inflation, and provide unemployment or accident insurance and welfare programs for the underclass, as well as assisting ailing industries.

Today Western states vary in their degree of involvement in the economy. But in general, it can be argued that most Western social structures, especially the United States, remain moderately differentiated. The state does not significantly intervene in the allocation and accumulation of capital. Many state activities, such as welfare and social security, are redistributive rather than accumulative. Even state investments in certain sectors such as utilities and basic industries in Europe are not accumulative although they may prove so for the private sector. State labor
legislation and fiscal-monetary policy influence the condition of accumulation. But this is the realm of reproduction rather than production and accumulation. Overall, direct state intervention in capital allocation occurs when the market mechanism actually fails. Thus state intervention in the process of allocation and accumulation of capital is still low in most Western countries.

The low level of integration of political and economic institutions has two significant consequences. First, the state can still present itself as an entity separate and independent of existing social classes, thus symbolizing the whole society and serving the "national interest". Therefore, it can obscure the reality of class domination. Once it can evoke such an image, the state can escape responsibility and avoid revolutionary challenge. As a consequence, all social strata can be given formal representation in the political arena. Formal popular representation in turn creates an illusion of equal power among all social classes. Therefore the state again becomes an integrative force rather than the focus of revolutionary conflict.

Second, since labor and capital still relate to each other primarily through the market, not the state, the likelihood of revolutionary collective action against the state will be largely reduced. Unlike state structures, the market cannot be attacked, criticized or overthrown. The market remains a depoliticized phenomenon. Consequently social conflicts remain restricted to the economic sphere falling short of politicization, and rarely evolve into ideological conflicts and struggles. Instead social reforms become the alternative path of development.

The nature of these reforms are dependent on many factors such the capacity of the actors, the historic development of the society, etc. A central element, however, is the intersection between political and economic structures. The greater the transparency of this link, the more radical might be the nature of the reform. But no matter how radical, they remain to be reforms because of the low levels of political-economic linkages in most Western societies. For now revolutions are not
the likely alternative..:

Social revolutions have been prevalent in the Third World.. Unlike Western countries, states in developing societies have played an active role in the allocation and accumulation of capital.. Due to the complex social and political factors, internal as well as external, that gave rise to the colonial experience, a strong commercial-industrial class required for modernization did not develop in these societies.. Deprived of the advantages of colonial exploitation, confronted with powerful international competition and rising costs of international capital in the twentieth century, the commercial-industrial class remained weak in third World nations. As a consequence, the state in these societies played an interventionist role in capital formation designed to hasten the industrialization process..

Of course, there are variations in the nature of state intervention among Third World countries. But many of them have pursued many of the following strategies. Many of these states invest extensively in infrastructure, and heavy industries, as well as directly assist the private sector in accumulating capital. In some countries state investment accounts for as much as 60 percent of the national investment (World Bank Report 1983). All this is possible because of state control over vast economic resources such as banking, financial institutions, and raw material such as oil.. The state not only accumulates capital, it also allocates capital to the private sector; it even enters into joint ventures with private business..

In addition, to prevent market misallocations and waste of resources, states in Third World countries engaged actively in economic planning, especially the promotion of import-substitution industries. To that end, governments have pursued various policies such as tax concessions, subsidized interest rates, credit rationing, quotas and limited licensing, wage-price controls, tariff walls and overvalued foreign exchange rates in favor of state and large private industrial corporations..

In general these policies have adversely affected various social classes and
interests. The widespread neglect of agriculture in favor of industry has led to the deterioration of agriculture. In many countries, resources, credit and machinery, are insufficiently allocated to the agrarian sector. Overvalued currency, designed to facilitate the purchase of capital goods and machinery, reduces the value of agricultural exports. Food pricing policies combined with government subsidized food imports adversely affect agricultural producers. Even where the state has moved to improve the agrarian sector, intervention has tended to be on the side of big and resourceful producers at the expense of small cultivators. This has resulted in the growth of income disparities in the rural sector. More importantly these policies have widened the income gap between rural and urban sectors. This in turn has led to rapid urbanization. But government emphasis, in most Third World countries, on capital intensive industry has not helped absorbing the expanding labor force. The reserve army along with ever present government repression against the working class have acted to increase the capacity of wealthholders to augment their capital. Thus growth in income inequality and greater class polarization. Furthermore, state capital allocation and price controls have not served small and medium size firms. Tariff walls and limited licensing have encouraged growth of inefficient monopolies at the expense of consumers from all classes. Finally the need for rapid accumulation impelled led the state and the private sector to build on the best and invest in relatively developed regions. Such policies have widened the gap between regions, adversely affecting ethnic and racial minorities residing in less developed areas. The overall results have been the growth of inequality of wealth and income; all in the interest of the compradore class.

The particular development has had significant political consequences. The first result has been the politicization of economic issues. The integration of political and economic institutions in developing capitalist societies has undermined the "invisible hand" operating in the more developed market systems, politicizing the economy by
involving the state in economic conflicts. The greater the integration, the greater the politicization. Once the market is politicized, victimized collectivities more readily identify the state, rather than an abstract invisible market force, as the source of their suffering. A second result is the polarization of society. Once the state enters into a direct and visible alliance with major capitalists, the state can no longer claim to symbolize the society and the "national interest", for it becomes obvious that it really serves particular interests. State-compradore alliances in Third World countries today have often led to the exclusion of most of the social classes including the national bourgeoisie, the traditional middle class, the working class and the peasantry. As a result, social support for the state is eroded, in many Third World societies, leaving it vulnerable to attack. In sum, high levels of revolutionary collective action, repression, and political instability in developing societies can be attributed in large part to the integration of political and economic institutions.

Thus far I have analyzed the relationship between social structures and the likelihood of collective action, showing in particular how certain social structures are more vulnerable to collective action and revolution than others. The following section will focus on the capacity of social groups to engage in collective action.

**Solidarity Structures, Consolidation and Collective Action**

As the above discussion demonstrates, institutional integration and the transparency of the origins of injustice provide the motives and targets of collective action. However, this does not tell us whether or not collective action will actually take place. To be able to act upon their condition of oppression, victimized classes or collectivities need to develop solidarity structures that can mobilize their resources, giving them greater strength and hope that it is possible to do something about their situation; to overcome the sense of inevitability of suffering and injustice.

To achieve this, they need to develop: 1) strong solidarity structures, 2) an effective
communication and resource mobilization network, and 3) some form of coalition with other collectivities to consolidate their forces to counter the power of their adversaries. Solidarity theorists, such as Gamson, Tilly, and Zald maintain that social solidarity, meaning the integration of individuals into community life, facilitates the mobilization process. It does so because it can provide a common set of values and interests shared by members of the community, a communication network, and an authority structure providing leadership that can minimize factionalism. Thus, the greater the solidarity structure, the greater the capacity of the community to claim resources from individual members while at the same time reducing exit and disloyalty.

The social structure influences the capacity of different groups and classes to mobilize for collective action. In general, the greater the degree of collective cooperation in production and distribution, the greater the cohesion of the group. Stratification also influences the degree of solidarity. The greater the stratification within the victimized group, the greater the difficulty of mobilization due to a low level of solidarity or cohesion. In contrast, the lower the level of stratification, the less the difficulty of mobilization.

Finally the nature of relations between aggrieved groups and their adversaries must be considered. Clearly, conditions that give rise to collective action are characterized by a high degree of polarization. A high degree of vertical cohesion between victims and their victimizers, in combination with a high degree of dependency of the former on the latter, may seriously limit polarization. If the victimized groups or classes are not capable of severing their ties to their victimizers, no collective action can take place.

A functionalist approach would emphasize the significance of shared values, beliefs and ideologies, as sources of stability that reduce the propensity to break from the social order and engage in collective action. It is true that ideologies
attempt to legitimize the existing social relations in order to secure the submission of the underlying social classes. On the one hand, ideologies tend to emphasize the relative superiority of the dominant classes and their greater contribution to societal functioning, survival, and progress. On the other, ideologies tend to deny or repress the fact of structural conflict by emphasizing harmony and order through the promotion of "higher values" such as race, religion or nationality. Finally, they tend to convey a sense of naturalness and inevitability in the existing social order.

However, most functional theorists can neither explain the origins of social values, nor the fact of their change and transformation. They assume social inertia and give no explanation for it (as though it was all descended from heaven). However, there is a great deal of sociological and historical evidence that reveals how certain social principles gain hegemony and affect social stability. Barrington Moore (1966, p. 486) put the point brilliantly:

"The assumption of social inertia, that cultural and social continuity do not require explanation, obliterates the fact that both have to be recreated anew in each generation, often with great pain and suffering. To maintain and transmit a value system human beings are punched, bullied, sent to jail, thrown into concentration camps, cajoled, bribed, made into heroes, encouraged to read newspapers, stood up against a wall and shot, and sometimes even taught sociology. To speak of cultural inertia is to overlook the concrete interests and privileges that are served by indoctrination, education, and the entire complicated process of transmitting culture from one generation to the next."

Indeed this has been a very complicated process and by no means very consensual. Force and violence have played decisive roles in the development of human civilization. Under repressive situations, victims of social processes find themselves incapable of resisting their adversaries not because of inability to conceive of alternative measures, but due to the repressive nature of established institutions and the inability to do anything about them that is the core of the problem. In fact, the very existence of repression is indicative of the existence of alternative
possibilities, at least for some segments of the population.

The application of repression diffuses whatever anger victims might have developed against their victimizers, thus reducing the likelihood of collective action. Unable to change their circumstances, victimized and powerless groups might come to abandon their struggle (otherwise they may only prolong their suffering); some may even implicitly grant legitimacy to a seemingly unalterable existing order (Moore, 1978, p. 459). In extreme cases, some people may even go as far as reifying the social reality, fearing perhaps that otherwise the pain and suffering might become more severe and even intolerable. Some victims then may end up identifying with their oppressors, repressing the outrage and humiliation that emerges out of the condition of oppression. Consequently, the sense of outrage and hatred may collapse and transform itself into obedience and submission. Individuals might unconsciously turn the repressed rage inward, resulting in a sense of inferiority. As long as the aggression is directed inward or fateward, that is toward God and religious rituals, it no longer poses a threat to the extant social order...

If the preceding arguments are correct, then there seems to be some degree of association between the level of solidarity within collectivities and their capacity to recognize their condition of oppression and injustice. The greater the level of solidarity, the greater may be the capacity for recognizing the condition of suffering, its sources, and the need for a remedy. In the absence of strong solidarity structures, given the difficulties of organizing and mobilizing, overcoming the fragmentation of social life, and breaking away from the established social order, human beings are likely either to repress and deny the existence of the suffering (which results from the functioning of the social structure) or to accept the given situation as inevitable (possibly due to their own faults), hence failing to question or challenge the prevailing social order.

Thus to overcome the power of their adversaries, challenging groups need to build
coalitions, for without consolidation fundamental social change cannot actually take place. Fragmented collectivities may engage in protracted conflicts without any results. Therefore consolidation of forces is a necessary step toward assuming power. The greater the level of consolidation among the adversely affected groups, the greater the likelihood of success in assuming power.

The likelihood of consolidation increases during economic crisis when alternative options for living and action become limited for major social groups. Economic crises are highly disruptive of modern urban living conditions, challenging established rights and ways of life. They also tend to generate divisions within the dominant classes or deepen already existing ones.

But it is important to note that crises situations do not automatically result in collective action; they merely set the stage for it. Only if there is a class or colectivity with a revolutionary conflict, lacking a viable non-violent option, could we expect collective action. This class, if strong enough, may be able to draw other adversely affected groups into a coalition.

Third World societies are highly susceptible to frequent economic crises. There are several reasons for this. First, the economies of these countries lack resilience because of a low level of accumulation. In addition, most Third World societies rely heavily on a single crop for their trade in the world market. As Myrdal has noted, they leave all the eggs in one basket. Finally these societies are highly dependent on external markets and foreign aid. Their reliance on single crops and external dependence makes them extremely vulnerable to the fluctuations and crises of the world market. Given these conditions, Third World societies tend to experience frequent economic crises which serve as a stimulus to consolidation.

The argument has been advanced that low levels of political intervention in capital allocation and accumulation combined with a low level of consolidation generate conditions highly conducive to relative inaction. Adversely affected
individuals or groups may largely direct their suffering against themselves (accepting responsibility and blame), against other victims, or accept it as inevitable. The cause of this is the absence of a clear social or human origin for their suffering combined with inability to act collectively. Blaming oneself may result in shame, guilt and inferiority feelings, which may in turn lead to a strengthening of the bond between the victims and their "superiors" who would be viewed and respected as symbols of strength and virtue. Because of the opaqueness of the causes of suffering, imposed upon victims through the market, outrage may find expression in aggression toward outsiders and minorities, culminating in racism and discrimination. A third response can be seen in the growth of religiosity as a means to channel individual guilt and aggression in condition of helplessness and inevitability.

Political conflicts may be weakly expressed under conditions of high political-economic integration and low levels of consolidation. Here the incapacity to act collectively is the main impediment. Guerrilla warfare, under such conditions, initiated by small group of revolutionaries may emerge. On the other hand, institutional reform is more likely when the social structure is characterized by low level of integration and a high level of consolidation. In this case, economic conflicts usually fall short of politicization because they are handled outside of the political arena. Consequently issues relevant to the totality of the social structure do not get raised in the political sphere. Thus politics can only effect reforms. But the reforms do not emerge automatically. Groups that lack strong solidarity structures will not be able to effect change. Finally intense revolutionary conflicts are likely to emerge where there is a high level of state intervention in capital allocation and accumulation and a high level of consolidation. State intervention politicizes economic issues and reduces the likelihood of obscuring the social origins of injustice. Neither market forces nor fate can be blamed for social problems or threats against established interests. More significantly, state intervention, in the
Third World context, often polarizes the society, pitting the government apparatus and its tiny compradore ally against the rest of the population. If challengers are strong enough, they can seize state power and bring a revolution. Otherwise, there will be a period of intense repression. This is what many Third World countries are experiencing today.

Although the above theory can be tested in a cross national research, an examination of single cases may better illuminate the argument. For this purpose I have chosen the case of the U.S., Russia, Nicaragua and Iran. The United States is characterized by a free market economy with a low degree of state intervention in capital allocation and accumulation. In contrast, Tsarist Russia presents an example of a backward European power attempting to industrialize through state activities. This pattern of development has actually been adopted throughout the Third World today. Iran and Nicaragua represent two examples of contemporary Third World societies, at varying levels of development and potentials, that have experienced fundamental social revolutions.

The United States

Despite the existence of social and economic problems throughout the present century, the likelihood of revolutionary change in the United States remains very slight. Even the most acute period of economic hardship during the Great Depression led to a series of reforms, enabling organized labor to augment its share of national income later in the post war period. Similarly, the struggles of blacks in the 1960's also resulted in reform, the Voting Rights Act. Revolutionary change in the U.S. is not a possibility today despite the existence of social problems and economic crisis.

Some theorists explain the lack of revolutionary potential partly in terms of the higher standard of living enjoyed by the American working class as a result of imperialism (Piven and Cloward, 1977, p. X). Implied in this argument is a
comparison between the American standard of living and that of other countries where revolution has taken or might take place. Despite the clearly higher living standard of American workers, this observation contributes little to a theory of revolution. In the first place, evidence shows that the standard of living in revolutionary Cuba and Iran was higher than many of their neighbors that did not experience revolution. Generally, numerous historic examples can be cited to suggest that impoverished people do not necessarily engage in collective action. Tilly (1975) has discussed the absence of collective action in the cases of Irish famine in the nineteenth century and the impoverished southern Italy in the same period; the histories of Persia, India and China are replete with instances of peasant passivity in the face of extreme poverty and misery.

More important than the standard of living is the way in which resources, power, and privileges, are distributed throughout society. According Lester Thurow, with the exception of France prior to the 1980, the U.S. has had the most inegalitarian distribution of wealth and income among Western nations in the twentieth century. Not surprisingly the U.S. has also experienced one of the highest rates of unemployment. A considerable portion of the American population has lived in poverty throughout much of the twentieth century. Yet none of these problems has generated a revolutionary condition.

The theory advanced here explains this situation in terms of low level of political-economic integration and low level consolidation. Although the share of government spending in the U.S. has increased from 10 percent in 1940 to 22.6 percent in 1980, the state has no industrial investment of its own, nor does it directly intervene in capital allocation and accumulation under ordinary conditions. Significant economic issues are determined through the market, organized labor and private corporations. Occasionally the state chooses to intervene defensively in crises in the private sector such as those of Chrysler bail out and Illinois Central Bank.
however, the level of integration remains low, thereby inhibiting polarization and the emergence of a revolutionary situation.

Although American society has experienced periods of intense social conflict, the target of attacks has rarely been the state. Conflicts have largely emerged between the working class and the industrial upper class, with the state remaining outside of most disputes. When the level of consolidation has been considerable among challenging groups, reforms have resulted. A brief historical review reveals our point.

Following the Civil War economic development in the U.S. was primarily achieved through a free market economy based on the initiative of entrepreneurs and private enterprises. In 1860 the U.S. was the world’s second industrial power with some 500,000 business firms. By 1890 the U.S. had attained first place, surpassing England. Between 1870 and 1920, U.S. manufacturing output rose over ten-fold, while that of England rose by less than three fold (Bagwell and Mingay, 1970, 158).

This impressive economic growth was achieved largely independently of state intervention. Throughout the nineteenth century, the U.S. government abstained from engaging in capital accumulation, although it played some role in building infrastructure and capital allocation in the form of land grants for railroad construction, formation of semi-public corporations to finance inland navigation, turnpikes, banks and insurance. Much of this development occurred prior to the Civil War and failed to survive the post war period when the American economy experienced its most rapid growth and industrialization. After the Civil war, the government imposed a high tariff to protect northern industry, thereby encouraging accumulation in certain enterprises such as the tinplate industry, then in its infancy. By the end of the nineteenth century, American technology had outstripped that of Europe invading the British market with American goods (Bagwell and Mingay, 1970, 165). Thus the American economic development proceeded with minimum state intervention in capital allocation and accumulation.
By the end of the century, however, a significant shift in sentiment toward *laissez faire* policies was discernable among American intelligensia. In 1885 a small band of economists established the American Economic Association, proclaiming the legitimacy of a "progressive theory of regulation". Henry Carter Adams, a University of Michigan professor and one of the cofounders of the AEA, playing a leading role in the ICC, advocated the harmonious use of state power and the energies of the entrepreneur in the further development of the private economy as a whole. In 1886 Adams argued that "...The collapse of faith in the sufficiency of the philosophy of *laissez faire* has left the present generation without principles adequate for the guidance of public affairs... We are now passing through a period of interregnum in the authoritative control of economic and governmental principles.... Principles of action we must have, for nothing is so mischievous as the attempted solution of great question on the basis of immediate interests alone" (quoted in Skowronek, 132).

It is noteworthy that economic transformation also led to popular demands for state intervention in the economy. Agitation by farmers, and merchants was instrumental in the passage of the Interstate Commerce Act of 1887, establishing the first federal regulatory agency. In 1890, anti-wealth, anti big-business sentiments led to the passage of the Sherman Antitrust Act. For the most part, such regulation failed to control big business and instead in some ways the agencies were used effectively by the business to coordinate their industries and serve their own interests (Heilbroner and Singer, 1984, 207-215).

Thereafter the government did not move forward in business regulation; although some presidents made limited attempts toward that direction, the congress impeded the changes (for example, the congress rolled back the expansion of the administration after World War I). Thus the American economy was left largely unregulated. The failure of regulation derived in part from the absence of strong administrative capabilities (Stephen Skowronek, 1982, 121-123). Unlike European and
Asian nations that inherited some form of beaucratic states from their preindustrial times, the U.S. entered the industrial era with a weakly developed administrative capacity. An additional factor was the reluctance of American state builders to intervene in business affairs.

The plea for regulation of the business and economy went unheeded. In fact the American industrial upper class seemed to be a class beyond beauracratic controls. This upper class was so powerful that it was able to hire its own private army, the Pinkerton Agency, to defend itself against the working classes. By the end of the nineteenth century, the active Pinkerton agents (2000) and its reserves (30,000) totalled more than the standing army of the U.S. (Jeremy Brecher, 1972, 55). This force along with state militia was able to keep the working class in place.

But there were also other factors that weakened the working class in its struggle against the employers (Piven an cloward underemphasize the significance of these factors). Radical segments of the working class attempted to mobilize the working class through their organizations such as the National Labor Union (with about 200,000 to 400,000 members in 1870), the Knoghts of Labor (with some 700,000 members in 1886 just prior the Haymarket which led to its dissolution) and later the Industrial Workers World. But they could not succeed. A high level of consolidation did not occur. There various reasons for this failure. Worker solidarity was undermined by the enfranchisement of all white male in the early nineteenth century; the arrival of immigrant labor willing to work for reduced wages; the possibility of upward mobility; the disunity between skilled and unskilled workers as well as ethnic and racial divisions. In the face of these divisive influences militant labor organizations were unsuccessful in enlisting mass class support. For example, at the height of labor influence in Chicago in the wake of the famous Pullman strike of 1894, the Labor-Populists won only about 20 percent of the potential vote (40,000 out of 230,000). Moreover, the success of labor was restricted to specific regions rather
than the whole country (Mike Davis, NLR 123, 1980).

Thus the American upper class continued its domination into the twentieth century competing successfully in foreign markets while resisting regulation and government interference at home. With the wide-spread suffering caused by the depression, however, the state-business relationship changed somewhat. The depression caused economic hardship for major segments of the American population and generated conflicts among various social groups leading to electoral change and major social reforms.

Perhaps the single most telling impact was in the realm of unemployment; which rose from about 1.6 million in 1929 to 4.3 million in 1930, and 8 million in 1931. By 1933 some 12.8 million, or a quarter of the labor force, was without employment (Heilbroner and Singer, 1984, 278). Two other significant consequences of the depression were rising bankruptcies especially among the small business and subsequent wage cuts initiated by industries. Eighty five thousand businesses failed. To remain competitive or make up for profit losses, many other firms began reducing wages.

"In Pennsylvania workers were paid 5 cents an hour in sawmills; 7 cents in general contracting. In Ohio the earnings of office workers were cut by a third, those of store clerks by nearly half" (Heilbroner and Singer, 278).

Also among those adversely affected were the American farmers. While people went without food, crops rotted in the fields in many areas. "Western ranchers, unable either to market their sheep or feed them, slit their throats and hurled their carcasses into canyons." Cotton as much as 13 million bales in 1932, could not be sold for enough profit to pay for the picking. While farm income dropped, taxes and mortgage obligations remained constant; as a result, thousands of farmers lost their land. In a single day in April 1932, one-fourth of the entire area of the state of Mississippi went to auction, leading the governor Bilbo to declare that even he was turning pink (William E. Leuchtenburg, 1963, 22-25).
Percieving the social order in an individualistic manner, most of those who were suffering, especially the unemployed workers initially felt guilty and ashamed about their predicament. As individuals they kept contemplating about what they did wrong. Thus they failed to demand relief. But as their savings ran out and unemployment mounted and there was some official acceptance of the social nature of the problem, the unemployed began changing their views. Many of the unemployed came to believe that if there were no jobs, then at least they had a right to an income that would enable them and their families to survive. This realization led many workers to stop blaming themselves and initiate collective action.

Early on food riots were a common form of popular protest. With the appearance of organizers, especially the communists, political demonstrations were organized in a number of major cities. Most of the poor directed their protest against the inadequate relief system in effect and cared little about who was actually doing the organizing. Although some improvements were made in the relief system, the arrangement was still inadequate and kept breaking down (Piven and Cloward, 1977, 56-60).

Farmers' collective actions, the struggles of the unemployed, wage cuts and business failures eventually culminated in the Democratic victory in November 1932 by a large margin. Franklin D. Roosevelt swept to victory with 22,880,000 votes to Hoover's 15,750,000. Roosevelt carried more counties than any presidential candidate had ever won before, including 282 that had never gone democratic. With the exception of 1912, when the party was divided, no Republican candidate had ever been defeated so badly (William Leuchtenburg, 17). The unemployed workers pressures was so great that often congressmen and senators who advocated adequate relief appropriations were elected.

By inauguration day economic conditions were critical. The national income that had declined dramatically from $380 billion in 1929 to $50 billion in 1932 was further
declining, every bank had closed its doors and unemployment was rising because half of all manufacturing units had closed down. In response, President Roosevelt passed the New Deal legislation at the end of the first "Hundred Days" in June 1933. FDR's National Industrial Recovery Act was to promote economic recovery through cooperation between business and government. Business was to be encouraged through measures such as fixed prices to insure fair competition and stabilized production. To ensure the political support of labor, the NIRA gave the workers the right to organize and bargain collectively. Farmers were appeased by cheap credit, price supports, limited production and government purchase of surplus crops. Most urgent was a program of emergency relief for the unemployed; between May 1933, and June, 1936, the Federal government spent $3 billion on relief alone.

This signaled a major shift in government policy. Although after World War I business had initiated some measure of self-government through its own trade associations—Roosevelt himself had become in 1922 president of one of these associations, the American Construction Council—, it had not invited state intervention. By 1931, some business leaders, especially Henry Harriman of the Chamber of Commerce and Gerard Swope of General Electric, along with leaders from oil industry were calling for national economic planning. In unstable industries like coal and the garment, the demand for planning came from spokesmen for organized labor such as John Lewis, from the United Mine Workers. Workers in some very competitive industries were experiencing much hardship and thus it made sense to have some kind of regulations in their part (Arthur M. Schlesinger, 1959, 88-89).

Although designed to direct the nation's economic recovery, the National Industrial Recovery Act itself exasperated some of the existing conflicts and even generated new ones. Encouraged by the Section 7(a) of the NIRA, the industrial working class began organizing for unionization and collective bargaining. For about a century American workers had the right to organize in; but had been frustrated by
employers' rejection of union organization... With the NIRA the federal government gave its official approval of unionization. Once again militants, especially communists, played a key role in the unionization struggles. In response many industrial firms sought to capitalize on ambiguity of the law and began organize company unions. Employers interpreted the law in a self-serving manner. Not surprisingly labor resisted the imposition of company unions, engaging in major strikes against a number of large industrial firms. Three times as many workers struck in 1933 after the passage of NIRA as in 1932. Many of the strikes culminated in violent confrontations between workers and employers. But this time, employers unable to resort to previous tactics such as court injunctions, or repression by the Pinkertons and the state militias. Although in a matter of months Roosevelt's support for labor was to decline, the working class gained the right to collective bargaining through the Wagner Act in July 1935 (the Wagner Act also established minimum wage, maximum working hours, and abolished child labor). This significant victory was achieved through a combination of factors such as industrial workers' strikes, Senator Wagner's efforts in the Congress, and some middle class support for labor.

Despite the labor victory other segments of the NIRA was eliminated. Just as labor confronted the industrialists after the passage of NIRA in 1933, segments of business began attacking the government. To implement the Title 1 of the NIRA, the regulation of industrial economy, General Hugh Johnson, appointed as the head of NRA, moved to develop codes for fair competition in industries. Partly because of lack of administrative personnel, he recruited most of his officials from the very industries to be regulated. Major corporations were thus able to use their political position to their economic advantage. Thus they stabilized production, and granted monopoly prices to their own firms. This process of course adversely affected those industries that had been left out of government-business "cooperation". Eventually, as
a result of small business dissatisfaction (a suit by a small poultry-processing company) the NIRA was declared unconstitutional. Consequently government intervention in the economy was reduced.

Despite the emergence of various conflicts during the Great Depression no revolution occurred in the U.S.; this lack of a radical outcome might be explained by Leninist analysts as a mis-directed emphasis by the vanguard on unionization and economic issues. Although such an argument may be correct as it goes, it does not tell us why even by the Communist Party pursued such a strategy.... In my view the failure of revolutionary condition to emerge lies in the social structure, in other words, the political economy of market societies. Because of the historic differentiation between political and economic structures in the U.S., working class conflicts were directed against the capitalist class rather the state or both. With the depression, the state promoted the interests of the working class through the section 7(a) of the NIRA. The emerging conflicts were directed principally toward private corporations rather than the whole social structure. Therefore reform rather than revolution resulted.

Similarly, had the state intervened in capital allocation and accumulation, unemployed workers might have become more politicized and mobilized for a confrontation against the state apparatus. But, as we have seen, American economic transformation was largely independent of the state, occurring instead through a free market economy... Thus the struggles of the unemployed were directed against local authorities for an efficient relief system. They only attempted to establish a more efficient relief system in the worst years of the depression...

Meanwhile, the state did become the target of small business and major industrialists left out of the close and narrow alliance between big business... With state regulation of prices and production during the New Deal, market forces weakened and the economy became politicized. The politicization of the economy
turned the state into a target of attack. The result was the reduction of government intervention in the economy and the affirmation of market mechanism.

To further depoliticize the economy, the capitalist class steadily pursued policies designed to weaken the capacity of the working class in collective bargaining. With the leftward shift of a segment of the CIO after 1935, middle class sympathy for labor waned; by late 1937 labor strikes had been put down by New Deal governors in a number of states with no opposition from Roosevelt (Mike Davis, NLR, 124, 1980). American labor was weakened further by subsequent events such as the division between CIO and AFL, and the Second World War. Among the most important restrictions was the impact upon labor by the passage of Taft-Hartley Act which came with the Cold War. Some saw this as a direct corporate attack on labor. Representative Donald L. O'Toole of New York put it "the Bill was written sentence by sentence, paragraph by paragraph, page by page by the National Association of Manufacturers (quoted in Boyer and Morais, 1955, 347). The Taft-Hartley Act gave courts the power to fine for alleged violations and established a sixty-day cooling off period during which strikes could not be declared. It outlawed mass picketing and secondary boycotts. Perhaps more significantly, it outlawed the election of communists as union officials. The last measure led the CIO to expel eleven of its unions in 1949, further weakening the union. The expulsion made possible the 1955 merger of the AFL and CIO. In succeeding years, labor organizations have limited themselves to primarily economic issues.

Had government intervened directly in the process of capital allocation and accumulation, the politicization of the economy would have increased labor militancy resulting in greater resistance against the assult and the consequent depoliticization. Had the NRA continued its existence, the state would have been seen as an ally of the big industry and liable to attack (indeed shortly before the end of the NRA some labor leaders, such as John Lewis, began making such charges; but when the day
came to take a stand for or against, they stood for the NRA). However, with the end of NRA in 1935, state intervention in private industry decreased, leading to a reemergence of the market mechanism in the U.S. economy.

Today although the share of government spending has increased from 10 percent in 1940 to 22.6 in 1980, the state does not directly intervene in capital allocation and accumulation in the U.S. It has no industrial investment of its own, nor any joint ventures with private industry. Significant economic issues are determined through the market, private corporations and depoliticized labor unions. Although the state occasionally intervenes directly in the affairs of particular firms, such as the Chrysler bailout, this is generally a low level of activity initiated primarily for defensive purposes.

That recent massive layoffs have not politicized the American working class from politicizing the massive layoffs initiated by the American employers can be seen as a part of the general depoliticization of economic issues. In general, American workers tend to blame themselves for their social situation, feeling shame and guilt for what they perceive as underachievement (Sennet and Cobb, 1972). Such a perspective on life has important social and political consequences, as illustrated an interesting study of the connection between unemployment and mental illness. According to congressional testimony, a 1 percent increase in the unemployment rate sustained over 6 years was associated with 20,240 cardiovascular deaths, 920 suicides, 643 homicide, and 4,227 state mental hospital admissions (Harvey Brenner, October 1976).

In sum, in the United States, important social problems have relatively little impact on politics due to a low level of political-economic integration and a low level of consolidation. Unemployment is inarguably a social problem (pre-capitalist societies did not have this problem and it would be a contradiction in terms to say that slaves or serfs were unemployed); it is the result of market operation and therefore difficult to blame. The result is political inaction. During those times of
a high level of consolidation, the state tends to introduce limited reforms to relieve the situation. To the extent that social problems are addressed, the state is perceived as supporter of the victims, thereby escaping revolutionary attack and challenge.

Russia

In contrast to the United States, an number of developing societies have experienced massive revolutionary upheavals, beginning with that of Russia. An examination of the social formation of the Russian experience after the 1861 reform is an instructive example of the interaction between political-economic integration, and solidarity structures, leading to a revolutionary outcome.

From a comparative historical perspective, the Russian landed upper class, although dominant upon other classes, never achieved the level of immunity, autonomy and economic strength of its Western counterparts. In addition to strengthening the Imperial state, the abolition of serfdom in 1861 further undercut the position of the landed upper class already indebted to the government. With such a weak base, this class was not in a position to industrialize the country and consequently remained subordinate to the state.

As a response to the humiliation of defeats in the Crimean War (1853-55 with England and France), toward the end of the nineteenth century the Imperial state initiated a series of economic measures intended to industrialize Russia rapidly. But the government had to depend on Europe for this development. To receive Western help, the government needed a large and visible surplus for trade to enable it repay the foreign loans and interest charges (Alec Nove, 1969, 18). To obtain foreign loans, Russia was dependent on the export of grain. From 1890 until 1911, grain accounted for 46-52 percent of all Russian annual exports (G.B. Carson, 1959, 120-1).

Dependence on sizeable grain export resulted in little benefit for landlords or
cultivators. On the whole, agrarian interests favored free trade or low custom duties, to avoid increases in prices of imported manufactured goods. Such a policy along with some improvements in cultivating technique would have increased production. Improvements of the agricultural sector would have in turn widened the extent of the market for the industrial sector. But state policy (initiated by Witte after 1890) rejected this alternative. Instead the state pursued policies to restrict peasant consumption. In addition to redemption payments, peasants paid between 10 to 40 times more taxes than estateowners. The state put a heavy tax on the peasantry. Whereas landlords paid between 2 to 10 percent of their income to the state, peasants were assessed at more than 50 percent. Of the 208 million rubles levied in 1872, peasants paid 195 million rubles and landlords a mere 13 million. By the end of the century, the peasant share increased even further (Peter Lyashenko, 1949, 446-7). The state also imposed a heavy excise tax on alcoholic beverages (government monopoly) highly consumed by the low income rural population, the great majority of whom were alcoholic. The state also taxed the peasants with the sale of kerosene, matches, sugar and tobacco.

Lack of improvements in productivity, along with population growth and increasingly heavy extraction of agrarian surplus led to a deterioration of peasant life. Per capita output declined after the 1890's (Gerchenkron, 1960, 48). Per capita grain consumption fell by about 20 percent between 1883 and 1914 (Carson, 1959, 121). With population increases, the size of the average peasant holding shrunk from 13.2 desyatinas (one desyatina is 2.7 acres), in 1877 to 1.4 in 1905. The number of cattle also declined from 37.2 per hundred persons in 1880 to 30 in 1909. Peasant nutrition, already estimated to be deficient by 30 percent even under normal circumstances, as a report to Premier Count Witte noted, worsened with harsh government policies (Chamberlain, 1935, 14-15). Despite a rise in the frequency of famines government export policies paid little heed to the plight of the starving
The declining standard of living of the peasantry paid for the economic development as the extracted agricultural surplus subsidized industrial development. The state had to propel industrialization since under a low level of living voluntary saving would not have been likely. Increased export revenues allowed the state to expand its encouragement of industry, railway construction, telegraph communication and credit institutions (state Bank, Peasant Bank, the Noblemen's bank). The Russian state owned vast tracts of land encompassing 60 percent of all forests in the country. In addition, the state also possessed valuable mines in the Altai, the Urals, and Siberia, processing their ore at state-owned plants (Lyashchenko, 1949, 554). Railways and alcoholic beverages were also government monopolies which yielded large revenues for the state.

With expanded economic activities, the state was able to assist the private sector toward rapid industrialization. In the 1870's and 1880's, Russian industrial organizations requested and were granted protective tariffs. By the end of the century, tariffs for several heavy industries had risen so much that certain imports had practically become prohibitive. Additional programs initiated by Count Witte in 1890's were instrumental in Russian economic development until 1914. For example, the government contracted railroad and port construction to Russian industries to the exclusion of foreign firms. As a result, Russian business enjoyed a monopoly of large construction projects and were able to charge correspondingly high prices for their services. Finally in an attempt to maintain a favorable trade balance the state shifted its paper currency to gold to insure Russian and foreign firms of the soundness of the Russian currency.

State efforts paid off and Russia experienced rapid development. Between 1890 and 1900 Russian industry grew at an average 8 percent per year, while industrial production more than doubled. The value of production amounted to 26.1 million rubles a year of added industrial production during 1878-1887; it rose to 41.6 million
during 1888 and 1892, and 161,2 million rubles during 1893-1897 (Lyashenko, 1949, 526-27). In 1900, Russia's oil production was the highest in the world (Nove, 1969, 13). State policies also generated an impressive number of industrial enterprises. In 1881 there were 21,173 firms, a mere five later, their number had risen to 38,401 (chamberlain, 1935, 15).

Despite rapid industrial growth, the development was uneven affecting social groups and classes differently. Government policies encouraged heavy industries such as iron, steel, petroleum and machinery industry. Within these sectors a small number of firms utilizing more sophisticated machinery accounted for a major share of the output. In the petroleum industry, for example, less than 10 percent of the firms produced 69 percent of all petroleum products. In 1898, 4 percent of all coal mines accounted for 43 percent of the total coal output (lyashehnko, 531). Crucial to the industrial development of Russia, were railroads constructed by a dozen "favorite" plants owned primarily by persons close to the upper circles. By supporting monopolistic practices, the state virtually subsidized and supported this giant industry. Even modest estimates indicate that overpayment cost the national treasury 15 million rubles a year (Lyaashchenko, 560).

Such policies enriched not only Russian industrialists but their foreign associates as well, for fully one third of the invested capital in Russia in the late nineteenth century was supplied by foreign firms (Nove, 18). Civil servants connected with large enterprises reaped profits from state-imposed controls, regulation, licensing and capital allocation. In contrast, small firms producing consumer goods were ignored. They did not receive any of the preferential treatments extended to large enterprises. This followed directly from the government strategy avoiding to pursue development of light industries based upon mass-market demand.

More serious was the economic plight of national minorities and the urban working class. Since Russian industrialization was concentrated in relatively few
regions of the country, national minorities received little benefit from the economic
development. Consequently regional disparities widened during the period of heavy
industrialization. The industrial working class also labored under adverse conditions,
working from 12 to 17 hours a day. The government prevented effective labor
organizations. Thus wages remained low in general. Workers in light industries such
as textile were paid extremely low wages, partly because light industry did not
receive any government subsidies. Employees in heavy heavy industries fared little
better. Oil workers in Baku worked 16 to 17 hours daily for low wages (Lyashchenko, 545-49).

Toward the end of the nineteenth century, in response to worker pressure, the
government promulgated some legislation to modify the situation. New laws regulated
conditions of hiring, prevented child labor and outlawed payment in kind. In 1896,
legislation was enacted limiting the workday to 11 hours, and establishing Sunday and
holidays as days of rest for all workers. However, this legislation applied only to
enterprises that employed more than 20 workers, and even then were rarely enforced.
Although the government modified some of the labor laws regarding industrial
accidents, the situation of industrial workers remained largely the same (Manya
Gordon, 1941, 25-29). In sum, the Russian working class at the turn of the century
was both highly exploited and defenseless.

With the depression of 1900, economic growth slowed and the plight of workers
grew more desperate. The deepening economic crisis left the working class no
alternative but rebellion. Strikes spread rapidly and assumed political character. In
the summer of 1903 the Baku oil workers' strike was quickly taken up in Tiflis,
Batum and other Caucasian towns. Other workers walked out in Odessa, Kiev and
elsewhere in Russian.

Strikes and rebellions gradually widened assuming nation-wide proportions by
1905. Throughout that year there were continual work stoppages; the total number of
Strikers reached 2,865,145, an enormous number given the fact that the total number of Russian industrial workers was less than two million. Of course many workers participated in several strikes. Roughly two-thirds of the strikes were political for they were directed against the state and its capitalist allies, the large firms. During this period numerous workers Soviets were found.

Rural areas also showed signs of rebellions in early 1900's. Poverty-striken peasants in some districts raided and attacked the estates of landowners in the spring of 1902 (Chamberlain, 1935, 46). Peasant rebellions also assumed a larger character in 1905. Early 1905, agricultural workers struck and engaged in illegal cutting of timber belonging to the state and landlords. In August of that year, a gathering of peasant delegates, along with a few representatives from revolutionary parties, met near Moscow to declare itself "the Constitutional Assembly of the All-Russian Peasants' Union" and for the abolition of private landed property. By autumn, peasant rebellion had spread throughout the countryside (Chamberlain, 1935, 49-55).

However lack of a clearcut program, leadership and coordination of collective action fatally weakened the movement. Most of the peasant rebellions were sporadic and unorganized. Although workers in cities were better organized, their coordination was inadequate. The resistance of about 2000 armed workers collapsed in Moscow in the face of joint attack by the Moscow garrison (manned by lots of reluctant soldiers) and additional reinforcement from St. Petersburg. While the urban poor backed the revolutionaries, they were forced to act in small groups to avoid the army fire. This weakens the solidarity. Furthermore, military reinforcements would not have arrived at all has workers in St. Petersburg struck, paralyzing the railroads as they had done earlier in October. Finally as Count Witte had calculated, the granting of a constitution and promise of civil liberties in October 1905, split the liberals and socialist forces. This eliminated the likelihood of consolidation leading to the final defeat of all forces. By mid June 1907, the Second Duma had been dissolved by the
Tsar along with whatever liberties the liberals had gained earlier.

In the next few years, the Russian state was forced to reduce the scope of its economic development policies. The Russo-Japanese war and the internal problems severely reduced state resources, forcing the private sector to rely on its own resources on an increasing scale. However, industrial and development policies remained unchanged because banks and financial institutions, still dependent on the state, retained their previous emphasis on large, heavy and modern industry as opposed to small, light traditional manufactures (Gerschenkron, 1960, 57). During this same period, the industrial structures created by the state were further solidified through industrial concentration and formation of monopolies (Lyashchenko, 1949, 669).

In the area of agriculture, state policies underwent some changes. Recognizing the potential danger of rural communes, the government attempted to break them up in favor of private plots. In November 1907, a law was passed weakening the compulsory communal life of peasants by giving them the right to demand their share of land from the consolidated holding. A second law of July, 1910 made possible the dissolution of any commune by a majority vote of its members. These reforms, initiated by Stolypin, had little success, as evidenced by the fact that only 22 percent of peasants living communally chose to leave the commune. Of these, relatively few, already more prosperous, benefited from the reform. The majority of peasants continued to live in their traditional communes.

In sum, the structure of Russian society changed little in the years following the 1905 uprisings. The pattern of rapid economic development proceeded. The income of agriculture increased by 88.6 percent from 1900 to 1913. Grain exports were 50 percent higher during the period 1911-13 than they were from 1901-05. Exports of butter, flax, and other agricultural products also increased (Nove, 23). Protective tariffs encouraged greater cultivation of cotton in central Asia region, a policy which benefited those who used modern equipment, only a small minority of producers.
Industrial development was also impressive, as the total value of industrial output increased 72.9 percent from 2,839.1 million rubles in 1897 to 4,908.7 in 1908 (Lyashchenko, 1949, 670).

At the same time, the government continued to tax the population through its monopoly of alcohol and railroads while borrowing money from international sources to finance industrial development. As a result the national debt grew from 6,392 million rubles in 1901 to 9,055 million rubles in 1909, decreasing only slightly to 8,824 million rubles in 1913. At that time Russia ranked second in the world in absolute size of its national debt. "In amount of payments per year on service of the debt, however, Russia was first; in 1913 this ran to 424,378,000 rubles" (Carson, 131). The cost of all this was paid by the extraction of surplus from the peasantry and the industrial working class, while state managers and the tiny industrial upper class continued to benefit from the industrial growth.

The particular state-sponsored development expanded the Russian proletariat in a very concentrated form. Due to foreign investment and emphasis on heavy industry, Russian firms were highly concentrated in comparison with more advanced economies. According to Gordon "In the concentration of production Russia as early as 1895 had surpassed Germany. In that year the wage earners in Russian factories with more than 500 employees constituted 42 percent of all workers, whereas in Germany these large establishments accounted for only 15 percent of the working population. By 1912 the workers in Russian factories with more than 500 employees were 53 percent of the whole. As late as 1925 in Germany the establishments with 1000 or more employees had 30 percent of all workers in factories with more than fifty hands. Russia as early as 1912 had 43 percent in factories employing 1000 persons and over. Even more striking is the comparison with the United States. Of all employees in establishments with more than fifty hands the workers in enterprises of five hundred hands or more were 47 percent in the United States in the year 1929."
They were 61 percent in Russia in 1912" (Gordon, 354). This great concentration of course enhanced the capacity of the Russian working class to act collectively...

Adversely affected by the several decades of state-sponsored development, the Russian working class had both a clear target of attack and the capacity to act collectively. State economic development policies had politicized and polarized the Russian economy and society.... The state policies had substituted for the invisible hand of the market, thus politicizing the most important economic issues. The narrow state alliance with the tiny industrial upper class had a negative impact upon the rest of the Russian society, thus polarizing the population.

Following the economic slowdown of 1907-9, workers re-intensified their struggles in 1910. Official data show a rise of workers' strikes during the five years prior to the First World War... The strikers evinced considerable solidarity among themselves. For example, in 1912, a wave of strikes broke out across the country to protest the massacre of several hundred workers in Lena gold fields of Siberia. Throughout 1913 and 1914, thousands of strikes took place most of which were political in character. In March 1914, just few months before the war, the industrialists recognized the dimensions of the crisis declaring a huge lockout in St. Petersburg that affected some 70,000 workers. This resulted in large-scale demonstrations. Rural areas also experienced great tumult during this period. Between 1910-14, more than 13,000 disturbances broke out among the Russian peasantry (Iyashchenko, 1949, 692-4).

Thus, it was under condition of politicization and polarization that Russia entered the European conflict. The War aggravated the situation of the working class, causing shortages and rising inflation. Despite wartime restrictions, strikes persisted throughout 1915 and 1916 as food riots spread. Eventually, as the working class strikes assumed a national character and consolidated itself with the peasantry in a large bloc against the Tsarist state, the soldiers, suffering heavily from the hardships and defeats of the war and in sympathy with the opposition, stopped fighting for the
Tsar and joined the rebellious workers beginning in Petrograd. In March 1917, the last Tsar, Nicholas Second, fell from power preparing the way for the Bolshevik seizure of power in October.

The Bolsheviks expanded state intervention in capital allocation and accumulation thereby politicizing all social and economic issues. Forced industrialization and collectivization polarized major segments of the society against the state which could preserve the social order only through massive repression. In the 1950's terror was reduced under Khrushchev's reforms. The changes also improved the standard of living of the Soviet working class. Workers also gained the right to change their job at will. Although the reform created a semi-free labor market, they did not change the basic social structure in which the state controlled capital allocation and accumulation.

This structure has led to worker-state confrontation whenever the state has threatened workers' established rights. In 1962 a workers' revolt in Novocherkassk against state-initiated price increases was brutally crushed. In later reforms, the Soviet leaders attempted to rationalize the economy by reducing reliance on central planning while increasing the role of individual enterprises in promoting efficiency and profitability in the 1960's. As a result, these "reformed" enterprises drastically reduced the number of workers, improved work organization and productivity, lowered costs and stimulated the economic interests of the remaining workers. By placing greater emphasis on technicians, engineers and experts, such reforms adversely affected the interests of lower and middle level bureaucrats. More importantly, the reforms suddenly converted semi-skilled workers into a "reserve army" of unemployed laborers. Not surprisingly, an informal alliance was formed between the discontented bureaucrats and workers interrupting the reforms in the early 1970's (Victor Zaslavsky, 1982, 48-52).

Today the Soviet working class, prevented from participating in decision making,
accepts the prevailing distribution of power as long as the prices of basic necessities and major services remain low, jobs are guaranteed, and people are free to seek individual ways to improve their living standards (Zaslavsky, 133). Deterioration of these conditions may lead to polarization against the state. Given the absence of market mechanism and popular control over capital allocation and accumulation, this outcome remains inevitable.

To reduce the likelihood of popular confrontation with the state, Soviet leaders have pursued strategies to fragment and atomize the population. The rising inequality within the working class through the promotion of closed enterprises and closed cities employing skilled labor with higher pay and provision of channels of upward mobility for highly talented individuals are among such devices. Along with the everpresent fear of repression, these factors reduce the chances of collective action. As a result, most people choose individual ways of improving their lives. Those who fail to deal with their situation may resort to alcoholism, a historic Russian solution predating the revolution.

Under these conditions, those who reject the inevitability of the extant order can only generate a segmental conflict which rarely succeeds in effecting change, for a segmental conflict can be repressed. Only when society is polarized and consolidated against the state, can effective collective action be anticipated. The likelihood of collective action has already been facilitated by the integration of political and economic structures and politicization of social and economic issues.

Nicaragua

The Nicaraguan revolution of 1979 occurred within a primarily agrarian structure that was undergoing some measure of state-sponsored economic development. Significant changes in the world market and international relations in the decades following 1950 enabled the state to take the initiative in the country's economic development. Despite some success, state activities polarized and politicized various
segments of the population below the compradore class resulting in the revolutionary struggles of 1977-78 that culminated in the downfall of the Somoza regime in July 1979.

The roots of the growing state involvement in the economy can be traced to the cotton boom of the 1950's. During that period of growth, Nicaragua's real gross domestic product (GDP) increased at an average rate of 9.5 percent per year, while the per capita GDP rose from $170 in 1949 to $245 in 1955. Although the economy experienced sharp cyclical downswings in the late 1950's and late 1960's, in general the post-war era can be characterized as the most dynamic period in Nicaragua's economic history.

The growth of the cotton industry did not, however, take place in a free market setting, in response to increased demand alone. Although the government had no direct investment in cotton, which made up only 15 percent of the GNP (Thomas Walker, 1981, 59), the state played an important role in capital allocation and accumulation. In addition to building the appropriate infrastructure, it provided favorable exchange rates, tariffs and pricing policies, all of which stimulated investment in labor-saving machinery. In 1950, Nicaragua had less than 500 (estimated) tractors, while by 1955 there were 2,500. The state also subsidized irrigation and research projects as well as storage, processing and marketing facilities. More importantly, the state pursued a subsidized credit policy. By the mid 1950's, cotton growers were receiving two-thirds of the value of all bank credit (Jaime Biderman 1983). After 1960, the Banco Nacional extended credit on the basis of yield which further encouraged rationalization of production (Joseph J. Brooks, 1967, 194). Perhaps most significantly, the state utilized the National Guard to repress the labor force... Wages were kept low and the state prevented the formation of unions among the majority of rural workers. In the 1970's, church-related organizations attempted to promote workers' organizations, but these too were brutally repressed.
The results of these policies were impressive. In combination, they were responsible for generating the highest yields in the world for nonirrigated land, twice the level of yields in the U.S. (Brooks, 1967, 208). Later these state policies were extended to other export-oriented enterprises such as beef, sugar, bananas and irrigated rice. The sectors also prospered rapidly.

But state allocation of capital was biased in favor of large, modern firms which led to further concentration. For example fewer than twenty exporters were responsible for all cotton exports, with most of the trade falling to five firms. Large cattle ranchers also benefited tremendously from the state policies. Twenty-seven percent of all cattle and more than half of the available pasture area was controlled by a mere two percent of ranchers. The same conditions prevailed in the sugar, tobacco and banana firms.

The uneven policies had an adverse impact on small and medium-size firms as well as the rural proletariat, many of whom were displaced. While agricultural production increased 137 percent from 1960 to 1977, the proportion of workers engaged in agriculture declined from 58 percent to 50 percent. In 1977, 16 percent of the agrarian labor force was unemployed (John Booth, 1982, 84). An AID sponsored inquiry undertaken in 1982 concluded that if some actions were not taken, the difference between have and have-nots could lead to social upheavals (Biderman 1983). Although some reforms in state credit policy and land distribution emerged out of the recommendation, they proved too little and too late.

The state also promoted industrial development through a policy of import-substitution. Encouraged by the alliance for progress (initiated by the U.S. to reduce the chance of leftist revolutions), and the Central American Common Market, the Nicaraguan state took crucial steps toward industrialization in the early 1960's. In addition to building infrastructure, the state extended subsidized credit, tax holidays and favorable exchange rates. Through licensing, it eliminated business competition,
thereby providing secure markets. Most importantly, workers' wages were kept low and state repression kept the labor organizations weak. By the early 1970's about 5.5 percent of the urban workforce had been unionized (John Booth, 1982, 122).

These state policies together with increasing U.S. economic aid (with the Alliance for Progress, American economic assistance more than doubled and military aid rose sevenfold) generated positive results. The GDP increased two and half times between 1960 and 1975. The GDP share of manufacturing rose from 15.6 percent to more than 23 percent by the early 1970's, despite the loss of about 10,000 manufacturing jobs in the earthquake of 1972 (John Booth, 1982, 77-78).

As was the in the agricultural sector, the state intervention in industry favored large and modern enterprises resulting in heavy concentration. Of the 600 industrial plants employing five or more persons, 136 produced 72 percent of the total output in 1971, and only 28 accounted for 35 percent. In contrast, 13,000 small enterprises generated only 5 percent of the country's industrial production (George Black, 1981, 40).

Three segments of the Nicaraguan bourgeoisie were beneficiaries of government policies. The first group, the Banco Nicaraguense (BANIC), had its origins among old-line liberal landowners and the emerging cotton sector in the 1950's. The second group, the Banco de America (BANAMERICA), was tied originally to the conservative oligarchy. In the post war period, both invested heavily in manufacturing, commercial enterprises, real estate and construction. The third group was the Somoza family and its closest collaborators. They also invested heavily in modern agriculture, industry and commerce. Taking advantage of the Central American Common Market's (CACM) reduction of trade barriers, the Somoza family entered in interregional commerce, fishing and fish canning, meat packing, tobacco products, shoes, rice growing and processing. They also invested in domestic construction, real estate, the mass media, auto products and automobile importation.
Although the three factions converged through various joint ventures in the 1960's and early 1970's, the Somoza group always held the upper hand. Supported by funds extracted from the state (and foreign aid) and its autonomous entities—the National Bank, The National Light and Power company, the National Lottery, the National Social Security Institute among others, the Somoza faction was better able to compete with its two rivals. Control over state power enabled the Somozas to operate illegal business, create legal monopolies for themselves, and demand bribes in cash or stock in business in exchange for licenses, concessions and contracts (John Booth, 1982, 80-81).

The earthquake of 1972 exasperated these tendencies of the Somoza rule. The quake cost the lives of more than 10,000 people and leveled a 600-square-block area in the heart of Managua. Rather than helping the distressed citizenry, Somoza turned the national disaster to his economic advantage. While the National Guard looted the devastated commercial sector and sold international relief materials, Somoza and his associates pocketed international funds donated for relief. AID funds were disproportionately used for the construction of luxury housing for the National Guard officers, while the homeless poor had to live in hastily constructed wooden shacks (Thomas Walker, 1981, 31-32). Somoza surely enriched himself. On arrival in Miami for exile, Somoza told reporters that he was worth only $100 million, but U.S. government sources placed the figures at $900 million (George Black, 1981, 34).

As a result, the distribution of income grew more lopsided between 1960 and 1970's. The upper class absorbed a growing share of the pie, while the middle and working classes received progressively less. In 1970's, the bottom half of income earners received 15 percent of the national income, while the top 5 percent received 30 percent. Government policies failed to improve the quality of life for most Nicaraguans. Nearly half of the country's housing (80 percent in rural areas) lacked indoor plumbing. The average Nicaraguan had life expectancy of 53 years, the lowest
in Central America. Infant mortality rate was the second highest in the region. Lack of portable water outside the cities caused epidemic intestinal diseases that resulted in almost one-fifth of all deaths. Compared to other Central American countries, the Somoza government allocated the smallest share of its budget on health and education (John Booth, 1982, 85).

By the mid-1970's, an economic crisis had emerged. The construction boom that followed the earthquake petered out after 1974. Despite higher prices for coffee, foreign exchange declined in response to decreasing value of cotton, sugar and meat exports. By 1977 the GDP had dropped by 5 percent and foreign debt reached $1 billion for the first time, representing a fourfold rise over six years. This led the World Bank and the International Development Bank to question their policy of extending soft loans to Somoza. The Nicaraguan government turned to U.S. private banks. In 1978 tax exemption on industrial profits was abolished, providing the government an extra $19 million in revenues. This policy, however, antagonized segments of the business community.

Government policies antagonized other classes too. The postquake reconstruction program raised the work week from 48 to 60 hours and froze or cut wages. To finance the war against the FSLN the government doubled military expenditure which could be financed by printing more money (60 percent more than planned in 1978). The resulting inflation inevitably cut real wages and salaries (George Black, 1981, 66-67) and added to the discontent of workers and all those on fixed income.

With the exception of the big bourgeoisie allied with Somoza, the particular development experiences of Nicaragua had adversely affected all social classes. Consequently, some Nicaraguans gradually voiced their opposition against the regime. But individual or segmented opposition could effect no results. And there was no strong and independent political organization able to rapid mobilization, since the repressive state had prevented their formation. Thus the opposition needed to
consolidate its forces in order to become effective. To that end the Sandanistas played an historic role aggravating the social conflicts, seizing leadership from reformist forces, and mobilizing the masses to overthrow the regime.

By 1974 the Sandinistas had been conducting an unsuccessful guerrilla warfare for more than a decade. With the emerging crisis, their chances of success increased. In a brilliantly executed raid on December 27, 1974, they attacked a reception for the U.S. Ambassadore, Turner Shelton, at the mansion of Jose Maria ("Chema") Castillo Quant, the Minister of Agriculture, formerly linked with Somoza's office of security. Somoza was forced to bow to guerrilla demands including $2 million ransom, release of a number of their prisoners including Daniel Ortega Saavedra, dissemination of their communiques in La Prensa and its broadcast over two TV channels and six radio stations, increased wages for workers and enlisted men in the National Guard.

The success of the daring attack encouraged all segments of the society. The moderate bourgeois became more openly critical of the regime while the working class revealed a striking combativity. In response, Somoza declared a stage of siege which lasted for 33 months. The resulting repression weakened and split the FSLN in three ways. But since discontent was mounting the Carter Administration pressured Somoza to lift the siege. Somoza acted accordingly on September 5, 1977. Upon this popular protests spread rapidly.

But there was yet much schism within the opposition. In particular, the non-Somoza business was divided and weak. They lacked organization and political experience to lead the opposition. Some demanded democratic freedoms and minimum constitutional guarantees, others went further and demanded the removal of Somoza. Without forging alliance with other social groups, they could accomplish little, if any.

As various political organizations within the business sector emerged and declined, the Sandinistas sought to collaborate, always rejecting reformist tendencies, especially those encouraged by the U.S. and segments of the Nicaraguan business, as
"Somocizmo sin Somoza" or Somocism without Somoza. In October 1977, 12 prominent professionals (two lawyers, two businessmen, two priests, an academic, a writer, an agronomist, an architect, a banker, and a dental surgeon) signed a political document supporting the FSLN. The public declaration bestowed considerable respectability on the FSLN, in addition to bridging between the guerrillas and the non-Somoza bourgeoisie. With the failure of business to take the lead in what was rapidly becoming a mass movement, a radical faction of the FSLN, the Tendencia Insurrectional, called for immediate armed insurrection. They believed that the working classes, the middle classes and the church groups would support such a policy and would participate in armed insurrection. Thus they began forming their national political organization, United People's Movement, in early summer of 1978. At the same time, they proceeded to form coalitions with left wing parties and organizations.

Finally this faction of the FSLN, the Tendencia Insurrectional, took another important step which further enhanced its popularity and support. This was the attack on National Palace on August 22, 1978. The FSLN gained $10 million, freed some 50 political prisoners, and received media publicity. The operation also united the three factions together. From then on, they worked intensely, along with other political organizations and church groups, organizing and unifying the fragmented Nicaraguan working classes, and the middle classes for the final assault. The formation of these coalitions consolidated all the major forces against the regime. On the basis of the urban strikes and the armed insurrection of many consolidated communities and barrios the FSLN was able to seize power from the Somoza regime and the compradore class.

Iran

Our last case is the Iranian revolution of 1979. Since this revolution is least understood, let us investigate it in some detail. Iran's modern industrial development began after the 1963 "White Revolution". The land reform carried out in the
following years weakened the power of large landlords and allowed the Shah to expand his power. With its more concentrated power, the Shah's regime attempted to industrialize the country through the tiny Iranian industrial upper class. But, as oil revenues increased, the state expanded its own economic activities and became the most significant agent of development. The oil revenues gave the state an extraordinary economic capacity, allowing it to engage in an aggressive attempt to industrialize the country. In contrast to western states, dependent on a widely diffused tax base, the Shah's state relied heavily on one major resource: oil revenues. At the same time, the control of oil revenues gave the state a high level of economic independence, for it no longer relied on any internal sources of revenues. The eventual result of this socio-economic arrangement was the almost total domination of the society and the economy by the state.

This does not mean, however, that in the post-1963 period Iranian society lacked an upper class. On the contrary, it did have such a class, consisting of the upper echelon of the bureaucracy (including the army), a small group of entrepreneurs engaged in large-scale commerce, finance and industry, and capitalist landowners. Within this bloc, the bureaucratic fraction held the upper hand.

But the crucial issue is that none of these fractions had any independent power base vis-a-vis the Shah's state. The Shah did not rule in alliance with any independent social class. No segment of Iranian society could launch a major economic undertaking without some form of involvement on the part of the royal family (Zonis, 1971, p. 33). By and large, the majority of those who emerged as the new barons could do so through their political ties with the royal court. Few of these men came from simple origins; such were people like Khayami and Sabet. After their initial success, these "self-made" men, were drawn into the royal orbit, where they were ordered to start certain industrial ventures. It is important to note that whatever the origin of these wealthy people, they always needed to have
political ties with the royal court in order to link up to foreign corporations and assume influential status.

Despite massive accumulation, this class still remained very small and economically dependent on the state. The extraordinary dependence of this class on the Shah's state did not just result from political factors. There were also obvious economic factors involved. State control over oil gave the Shah a powerful means to control major aspects of Iran's economic life. The tremendous revenues gave the Shah's regime the appearance of managing a very strong state. But this seeming strength did not finally translate into a strong social base of support for the Shah's rule through the creation of a large industrial upper class. The state development policies could not overcome the historic weakness of Iranian capitalism which invested a major part of private capital in trade and real estate. The historic weakness of this class was not overcome during the Pahlavi rule. Consequently, the Iranian industrial upper class remained small and very weak. In 1976, there were about 50,000 industrial employers in Iran. This was little more than 1 percent of the urban work force (and had increased by less than 10,000 since 1966). About two thirds of these employers were still located in the manufacturing of food and textile. Paradoxically, then, the Shah's state remained weak socially and politically, even though it was very strong economically.

The economic strength of the state and its autonomy did not, however, mean impartiality or absence of interference in the social and economic structures of Iranian society during the Shah's rule. Although largely independent of the dominant classes, the Shah's economic development strategy always favored the rich over the poor, the big over the small in both industry and agriculture, the urban over the rural, and the skilled over the unskilled. Enriching a minority of wealthholders and the elite, the Shah's regime ultimately failed to broaden its social base of support. Further, the direct and visible alliance between the state and the upper class clearly
revealed the class nature of the state. To most Iranians, this state was determined to serve particular, rather than general interests. These characteristics of the state, along with its particular economic development policies, led to its confrontation and downfall. Let us now examine these processes.

Oil and Economic Development

An explanation of the political events of the 1977-79 period requires an analysis of the economic development policies of the Shah's state; the way the government resources were utilized; and their subsequent impact upon various social classes and political interests. This means that it is necessary to look at the development of the oil sector...

Oil revenues, the primary state asset, and indeed the basis of the whole economy in the 1970's, rose at a high rate from 12 percent of the GNP (40,000 million Rials) in 1963 to over 25 percent of the GNP for 1971-72. In 1973, it suddenly increased to 1,333,300 million Rials (nearly $18 billion), providing 50 percent of the GNP; but by 1978 it slowly fell back to 1,284,900 million Rials, still just under 35 percent of the GNP (Katoozian, 1980, 257).

As the financial resources of the Iranian government quadrupled in the last quarter of 1973, due to the increase in oil prices, the Shah of Iran called a news conference to announce the sudden increase in the wealth of the nation. He declared free education up to the 8th grade, free school milk, and free higher education for those who wished to serve the government after graduation. Shortly afterwards, the government set aside the five year plan which was less than one year old, and in its place introduced a new set of objectives costing $69 billion, and thus doubling the original cost.

In the following two years, the Iranian economy witnessed a period of unprecedented boom. From March 1974 to March 1975, the government spent $22
billion. This was a huge amount; it almost equalled the entire expenditure of the three previous years. The GNP, which had risen by 8 percent per annum in the 1960s, rose by 14.2 percent in 1972-73, by 30.3 percent in 1973-74 and by 42 percent in 1974-75. Between 1972 and 1978, the GNP grew from $17.3 billion to an estimated $54.6 billion; GNP per capita rose from $450 in 1971 to $1,344 in 1974 (Halliday, 1978, p. 11).

Iran's industrial growth was one of the highest among Third World nations. Manufacturing grew at an average of 12.3 percent per annum for the 1963-72 period. According to UNIDO, this is almost twice as fast as the average growth of this sector in other developing countries. The rate of industrial growth for the decade of 1965-75 was 15.2 percent per annum.

But Iran's economic development was highly uneven. The agrarian sector did not benefit from the general economic growth. The rising urban income expanded the demand for agricultural commodities. But the Iranian agrarian sector could not meet this rising demand. The inability of the peasantry to take advantage of the situation and try to increase supply had nothing to do with the myth of "the peasant lack of response". Rather, the failure of the agrarian sector was due partly to technical and institutional constraints, and partly to a deliberate neglect of agriculture in the government development strategy.

The institutional constraints were partly rooted in the way the land reform had been carried out. First, the land reform did not cover one-half of the village families, excluding them as recipients of land since they lacked any formal sharecropping agreements with their landowners. Not receiving any land, this group was quickly transformed into a rural proletariat that lived in extreme poverty. Second, of the other half which received any land, about 75 percent obtained less than the seven hectares needed for subsistence agriculture. Third, because roughly half of the best land was never subjected to redistribution, most of the distributed
land, due to its quality and quantity, was barely adequate for cultivation. This was a result of the fact that the government allowed the absentee landlords to select freely which part of their land would be subject to sale (Hooglund, 1980 and 1981, p. 15).

Absentee landlords (about 2 percent of the landowners in 1960) who owned 55 percent of the arable land were able to keep about half of their holdings (this was about 20 million acres out of a total of 42 million acres). The majority of the absentee landlords managed their arable land through the sharecropping system that operated in the pre-land reform period. Only a minority of these landlords, whose holdings averaged 250 or more acres, engaged in capitalist agriculture, hired wage laborers, used machinery and other production inputs such as fertilizers.

However, this did not lead to any major transformation of agricultural production. Real investment in agricultural machinery and equipment during 1963-71 grew by 6.7 percent per annum, while that of total investment grew by 20 percent; and the share of agriculture in GNP declined from 16.6 percent in 1963 to 5.1 percent in 1971 (Walton, 1980, p. 281).

The government development strategy almost totally neglected the agricultural sector as compared to the industrial sector. The government carried out the land reform and left the peasants to their own, as though the formal transfer of land title would generate peasant incentives causing miracles in agricultural productivity. Government investment, on the whole, was low in this sector. But wherever there was extensive state investment in the form of land improvement, machinery, tractors, leveling, irrigation, fertilizers, etc., the results seems to have been at least satisfactory. But such resources could not be used by the majority of agricultural producers since the government extended its low interest rate credit only to big producers. Rich landlords paid less than 5 percent interest while others had to pay more than 14 percent. The government decision, in the 1970's, to pay a greater attention to the agricultural sector came too late...
As oil revenues rose, and faced with growing agricultural shortages, the government began importing and subsidizing food items. For political reasons, through its generous subsidies, the government kept food prices down. By 1977, the costs to Iranian farmers for production of a ton of wheat or rice were greater than the prices of these goods in the urban retail market (Hooglund, 1980). Consequently, agricultural production declined even further. The final result, at the end of the period, was unfortunate and saddening. "Never before had the country been so rich and its peasants so poor and incapable of feeding the people."

A country that prior to its land reform imported very few food products now became one of the leading importers of food and agricultural products in the Middle East. According to Burn and Dumont, by 1978 Iran's importation of food was increasing at 14 percent per annum. At this rate, they maintained, Iran would be importing half of its food by 1985. Instead of at least cautioning the government against such a policy, the International Bank for Reconstruction and Development, in 1974, advised the government that: "Iran should not consider itself vulnerable to fluctuations in world supplies and prices if it adopts a logical long-term import policy.....Iran can in addition import many agricultural products at a lower cost than it would take to produce them locally....Imports could thus serve to reduce consumer prices". (Burn and Dumont, 1978).

The impact of these policies on agriculture was very serious. The deterioration of agricultural conditions led to peasant migration. From mid sixties approximately a quarter of a million peasants left for cities. This in turn further worsend the situation of the rural sector. This was because the young left the countryside and a great deal of the traditional irrigation canals, Ghanats, dried up either because of disrepair, lack of upkeep or because of the sinking watertable, which resulted from uncontrolled pumping by machines belonging to rich farmers, agri-business, or state-run farm cooperatives. Deprived of the energy of its most active and able members,
the younger generation, the agrarian society was unable, for the first time in the Iranian history, to utilize much of its resources. Also for the first time, large pieces of agrarian land were left fallow, with no one tending or even fighting over rights of possession in many parts of the country.

The contrast with England is instructive. Whereas in England, according to Thomas More, "sheep ate men" in the enclosure movement, in Iran the government development policies ate both sheep and men. In England this was a process of "primitive accumulation" which separated the producers from their means of production, resulting in rapid economic development. But in contrast to the British experience, whose history of expropriation, according to Marx (1967, p. 715), "was written in the annals of mankind in letters of blood and fire", the Iranian experience of peasant expropriation neither involved violence and bloodshed, nor economic development, even though it entailed pain and suffering.

The peasant exodus exacerbated already existing urban problems: housing shortages, speculation, and growing inflation. These problems along with government policies widened the income gap in society. In a study on income distribution, the International Labor Organization concluded that the Gini Coefficient (a measure of income inequality) for Iran in 1969-70 was higher than any country in the East and Southeast Asia, considerably higher than in Western countries and probably as high or higher than in Latin American countries for which data are available.

In Iran, there were many factors responsible for the growth of income inequality in the urban sector. The following are some of the most striking causes. First government industrial policies highly favoured the monopolies in the import-substitution sector. As Keddie has noted, profits of 30 to 50 percent were normal and profits of 100 to 200 percent were not unknown in the industrial sector (Keddie, 1979, p. 21). Second, the capital intensive nature of the industrial development, which used mostly skilled labor, created a labor aristocracy and further stratified the
labor force (this also adversely affected medium size capital since it prevented them from investing in the most profitable sector). Third, as is natural, the banks only loaned to those who could prove that they could afford to return what they borrowed; this type of policies always operate to the disadvantage of the poorer segment of the society. Fourth, peasant migration increased the quantity of the unskilled work force, intensifying the rate of urban inequality. Fifth, the government set a ceiling on the profit rate of the traditional middle class at fourteen percent. Six, rising inflation functioned to the disadvantage of the social classes that lived on fixed incomes. Finally, government development policies ignored the national minorities, especially the Kurds, giving rise to regional inequities.

Thus the Shah's regime failed to transform positively the social structure of Iranian society in such a way that it could remain strong and independent of oil and the world market. By the end of the Shah's rule, more than half of the labor force was still employed in agriculture, claiming less than 10 percent of the national income. The industrial upper class remained tiny (about 1.04 percent of the urban work force) but possessed a disproportionate share of the wealth of the nation. What actually took place in Iran was not genuine and independent economic development, industrialization or modernization; it was rather rapid economic growth with the establishment of some enclave industrial apparatuses highly dependent on the world market and without adequate backward or forward linkages to the rest of the Iranian economy. Obviously, an historic opportunity had been missed.

The most significant structural transformation was the state penetration and politicization of the economy. At the end of the period, the state itself was the major wealthholder: its oil claimed more than a third of the country's national income, it also owned all the other sources of energy and minerals; it owned all the large modern industries, most of transport, communications, banking and insurance; the state also owned a sizeable number of the farms and agri-businesses. The whole
private sector seems to have claimed less than 20 percent of the national income (Katoozian, 1980, p. 370).

The government had become the prime economic power and the vehicle for dispersing and distributing the new wealth; it had increasingly become a visible actor, playing a most crucial role in the economic development of the country.... However, the government could not continue to increase its expenditure as it had expected. Continued world-wide recession, a mild European winter, and a relatively modest increase in the OPEC price of oil soon reduced oil production and oil revenues in Iran. Already by December of 1975, oil production was running twenty percent below the same period one year earlier (Graham 1979, p. 97). By 1978, oil revenues slowly fell from 1,333,300 Rials in 1973 (supplying 50 percent of the GNP) to 1,284,900 million Rials, slightly less than 35 percent of GNP (Katoozian, 1980, p. 257). Consequently, by mid 1976, government expenditure exceeded its revenues, precipitating a fiscal crisis; soon the Iranian government had to borrow funds from international sources. Some commercial banks, due to heavy borrowing, had to turn to the international market for short-term funds even sooner than the government. But, despite all the financial shortfalls, over this period commercial banks were allowed to maintain a liberal credit policy as the money supply kept increasing at a rate of sixty percent per annum.

Therefore, by mid-1975, the economy was out of control. Shortages led to a price increase and a high rate of inflation. In order to reduce this inflation rate, the IMF mission in Iran advised the government to reduce the level of its expenditures. But Iranian officials ignored the advice, blaming the imported inflation for the rapid increase in prices (Graham 1979, p. 85). The high rate of inflation led the government to control prices on the one hand, and increase the volume of imports (by lifting the tariffs) on the other. As far as the imports are concerned, neither had the Iranian ports the facilities to handle the increased imports, nor was there an
adequate infrastructure to satisfy the demands of this suddenly hyperactive economy. The bottlenecks created by the lack of facilities in the ports, and the transportation inadequacies, led to the lining up of about 200 ships at a time in the ports to unload their cargo with an average waiting time of 160 days (Walton 1980). This led to the waste of a lot of resources and imported goods.

The government price control policy had far-reaching and greater consequences. The favorable conditions provided for industry by the government and the construction boom made possible by the explosion of oil production allowed a high rate of return for those who could take advantage of the opportunities. As it was noted earlier, profits of thirty to fifty percent seemed to be normal, and profits of one hundred to two hundred percent were not unknown in the industrial sector (Keddie 1979, p. 21). Such high rates of profit contributed to the high rate of inflation. It was under such conditions that the government decided to impose price controls and launch a campaign against "profiteering". In August 1975, the government rolled back the prices of 16,000 items to their January 1974 levels. It set their profit rate at 14 percent while the inflation rate, according to the government's own reports, was at least twice that amount. Anyone who violated the price controls was to be arrested.

However, the government decision to control prices was carried out at the retail market level where merchants and shopkeepers operated, with no control at the factory level, where commodities were produced and priced, and no control of the few giant importers. So the nature of the campaign was very uneven. As a result, very few industrialists were arrested in the course of this campaign and often the names prosecuted were outsiders, such as Elghanian, a Jewish industrialist, or Habib Sabet, a member of the Baha'i community who stayed in Paris, never returning home after the government summoned him for profiteering.

The impact of this campaign on the traditional middle class, namely merchants and shopkeepers, was entirely different. In the first few days of the campaign, the
government immediately arrested 7,750 shopkeepers (August 8, 1975, Kayhan International). According to the Ministry of the Interior, by the end of the year 1977 (approximately a year before the revolution) 20,000 shopkeepers had been put into jail. Moreover, a report by Ettelaat, one of the two main daily newspapers, indicates that by the end of October 1977, over 109,800 out of a total of 200,000 shopkeepers in Tehran city had somehow violated the price controls; and all of these people had files in the court pending investigation (Ettelaat 5 Aban 1356). The total number of shopkeepers violating the price controls for the whole country was 220,000 by the fall of 1978 (Ettelaat 4 Mehr 1357; September 26, 1978). Clearly, it had become extremely difficult for most of the people in this sector to do business without violating the regulations.

The traditional middle class could not avoid the emerging conflict by observing the price control guidelines set by the state. That meant sacrificing their own interests and rights. In due course, the crisis of revenue absorption, itself resulting from the crisis of production (originating in the inadequacies of the productive forces and organizations to meet the increased demands), was carried into the realm of politics. This process occurred through the government "anti-profiteering" campaign against merchants and shopkeepers.

To sum up, as the oil revenues increased, there was further integration of the state into the economy. The increased oil revenues also intensified the existing inflation in all economic sectors. The central cause of this demand pull inflation was, in the first place, the uneven development of the oil sector, with minimal backward and forward linkages to the rest of the economy. The uneven sectoral development resulted in the crisis of revenue absorption, leading to a high rate of inflation (and speculation), a crisis which necessitated some measure of price control. The price controls set the stage for a revolutionary conflict between the state and the traditional middle class.
The traditional middle class, even though on the decline, was still a large and powerful class. In urban areas, it constituted almost a quarter of the work force. More importantly, in addition to its commercial networks, this class had retained some of its links with the mosque. Actually, certain members of this class still participated in mosques and supported it through their religious taxes. As a consequence, they could utilize the mosque as their support base against the Shah, especially since there some clerics in mosques who, following Ayatollah Khomeinie, opposed the Shah. Their mobilization eventually brought the working class (blue collar and white collar), adversely affected by the rising inflation, and the national minorities, especially the autonomy seeking Kurds experiencing uneven development, into a coalition in the fall of 1978. The consolidated forces were eventually able to overthrow the Shah in the February of 1979.

Conclusion

The United States has had a strong industrial upper class that relied largely on the market mechanism to operate the economy. Rejecting state intervention in capital allocation and accumulation, this class generated tremendous economic development toward the end of the nineteenth century. At the same time, the problems caused by this development gave rise to popular pressures in favor of some state control of the economy. But state intervention remained very limited until the decade of depression. During the depression, partly because of popular struggles and partly due to the economic crisis, the state initiated some reforms which affected capital allocation and accumulation, assisting certain large firms while adversely affecting firms left out of the deal, especially small ones. Ultimately business succeeded in having some of the reforms revoked, reducing government intervention in market processes. In the 1940's, the American upper class assaulted the labor movement by depoliticizing unions through the Taft-Hartly Act. The outcome has
been supreme capitalist rule in the U.S. and the exclusion of the working class from the exercise of political power. During the recent crisis, American employers were able to lay off massive numbers of workers without facing any significant challenge. The market was largely blamed for unemployment. Even had strong protest surfaced against the layoffs, reform, rather than revolution, would likely have emerged.

In Russia, in contrast, the social structure was vulnerable to collective action and revolution. Toward the end of the nineteenth century, the weakness of the Russian industrial bourgeoisie led to state intervention in capital allocation and accumulation. This strategy not only politicized social and economic issues, undermining the market mechanism, but more importantly, polarized society against the state and its narrow base of support. By 1917, the development policies had adversely affected all the major social classes in Russia. The social and economic crisis of 1917 consolidated all these classes against the state culminating to the revolution and the Bolshevik seizure of power.

The Bolsheviks stepped up state intervention in capital allocation and accumulation, thereby politicizing social and economic issues and further undermining the market mechanism. As a consequence, confrontation between the state and popular forces has erupted whenever the government has challenged the established rights of significant social groups. Primarily because of this direct confrontation, the state was unable to enforce its reforms to increase productivity. Massive worker layoff, achieved by American capitalists, could not be carried out in the Soviet Union. Because social and economic issues are highly politicized, the state in the post-Stalinist period has attempted to avoid policies that lead to confrontation. At the same time, it has devised mechanisms to fragment the population thus reducing the likelihood of consolidation. These policies have been relatively successful. The segmental conflict that emerges can be kept under control.

In Nicaragua and Iran revolutions occurred under similar structural conditions.
Although the two countries differed in their resources and levels of economic development, both governments pursued similar development strategies. Each regime took initiatives to promote economic development through state intervention in capital allocation and accumulation. Like Tsarist Russia, these policies politicized economic issues and eventually polarization society. The narrow base of support for these regimes made them extremely vulnerable to collective action and challenge. As long as opposition was segmented, repression could maintain the existing rule. Once the crises deepened and conflicts intensified, popular struggles were consolidated against the state. The opposition could no longer be confined to underground revolutionary organizations, and revolutions became inevitable.

In Nicaragua, the leading role was played by the Sandinistas who relied largely on worker-peasant support. Their revolution has the potential of fundamentally transforming Nicaraguan society. In Iran, the traditional middle class, allied with the clergy, was in the forefront of the revolution in the struggles against the Shah. Merchant mobilization centered in the mosques enabled the clergy to assume power and establish a theocratic regime.

This brief analysis of the four cases reveals that a high level of state involvement in capital allocation and accumulation increases the likelihood of social revolution. Social revolutions occur when both integration and consolidation are high. Russia in 1917 and Iran and Nicaragua in 1979 are revealing examples. Where consolidation is high but integration is low reform may take place. The reforms of the 1930's in the United States is an example of this case. Inaction becomes highly likely when both integration and consolidation are low. The United States today fits this situation. Finally, in situations where the level of integration is high but consolidation is low, the result is segmented conflict. The Soviet Union and many Third World societies are experiencing such conflicts today.
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