

MUSADDIQ 'S MEMOIRS

By: Dr. Mohammad Mosaddiq, Champion of the Popular Movement of Iran and Former Prime Minister

Translated by: Hassan Amin, Advocate (Edinburgh) and Former Professor of Law at Glasgow Caledonian University

CHAPTER 16 MEMBERSHIP OF THE AUDITING COMMISSION FOR GOVERNMENT EXPENDITURE

After the First World War broke out, Mustawfi al-Mamalik, the prime minister¹ of the time, having sought the views of a number of wellintentioned and knowledgeable people, decided to declare Iran's neutrality in the war. It was for this reason that the Majlis which had just convened after its third general election voted in favour of Mustawfi for prime minister. However, for reasons that will be made clear later, his government did not last long. The Majlis then voted in favour of Hasan Pirniya, Mushir al-Dawleh. He duly formed his cabinet but his government did not last long either.

Prime Minister Pirniya was trying to use the rivalry between the allies, i.e. France, Great Britain and Russia, and the central powers which consisted of Germany and Austria in such a way as to benefit Iran. He did not succeed in executing this policy and was therefore obliged to proffer his resignation. The reason for his failure was that none of the warring powers was willing to observe Iran's neutrality. On the one hand the Russian Empire sent some armed forces under General Baratov. On the other Turkey, which was Germany's ally, took similar action by sending its troops to the Western part of Iran.²

The allies requested the government of Pirniya to protest against Turkey for invading Iran. The prime minister refused to do so, because the Russians had invaded Iran before the Turks, and he was of the opinion that protesting to one side only

was contrary to Iran's neutral position in the war. Pirniya undertook to make the protest demanded by the allies provided the Russians would withdraw their troops from Iran. The allies did not accept this condition and the prime minister resigned. What Pirniya did achieve during his short term of office was to bring to an end the contract of a Belgian adviser by the name of [Joseph] Mornard. This Belgian, who headed Iran's public treasury, was an effective figure in implementing the policies of foreign powers. Mornard had been promoted to that office after Morgan W. Shuster, the American adviser. Shuster had secured for himself sweeping powers under the Law of 23 Jawza for the reorganisation and administration of Iran's financial system, and Mornard was abusing the authority given to his predecessor under the provisions of that law. The prime minister was also successful in proposing a new bill, which he had drafted himself, to the Majlis for the reorganisation of the ministry of finance.

After Pirniya's resignation, Ain al-Dawleh formed a new cabinet. In this administration, Haj Amir Nizam Hamadani (previously titled Sardar Akram) was appointed to the ministry of finance. This minister not only was ignorant of matters financial but also utterly ineffective and void of any willpower as an individual. To take a decision he used to resort to fortune telling by using a rosary³ which he often held in his hands. His conduct can be illustrated by the way that he handled the law of reorganisation of the ministry of finance, which had been proposed by Pirniya to the Majlis and approved after his resignation. That law had envisaged the establishment of a number of departments within the ministry of finance. These included a department for the assessment of incomes, a department of finance and accounts, a department of public treasury and a legal department. Each of these departments needed a director. It was neces-

sary first to appoint those directors so that the other personnel and heads of sections could be appointed later, with the approval of the respective director of each department.

Haj Amir Nizam Hamadani was thinking about whom to appoint to lead the department of public treasury. Again he sought guidance from his rosary. If the division of the number of beads in his rosary showed an appointment as being good then he would have another go with his rosary to see whether his decision not to make that appointment would be bad. Even when his fortune-telling on both counts confirmed the appointment of a person as being good, he still hesitated to make that appointment. As a result, the department of public treasury would have no director. Even when his rosary alternatives were in favour of appointing a candidate and showed that it was bad not to make that appointment, he would still make the appointment of the director of this department dependent on the result of all other fortunes told for the other departments. As it was impossible that all the various fortune-tellings would be in favour of the appointment of all the directors, and bad for making no appointment for any of them, the organisation of the ministry of finance did not materialise as long as Haj Amir Nizam Hamadani was the minister. After the collapse of Ain al-Dawleh's government, Mustawfi al-Mamalik again became prime minister. Then Vusuq al-Dawleh who was well informed in financial matters and was also a decisive man was appointed to lead the ministry of finance. It was only then that the law of reorganisation of the ministry of finance was put into action.

One of the central organisations of the new ministry of finance was the commission for auditing government expenditures. This commission consisted of five members to be elected by the Majlis. The commission was duly set up and I was elected as one of its members. The main duty of this commission was to consider any application for expenditure coming from any government department to the ministry of finance. If the expenditure budget demanded was consistent with the approved credit for the respective ministry, the commission would certify and approve the application. Upon this

approval the finance and accounts department would issue a draft and send it for signature to the minister of finance, and after his endorsement, the department of public treasury would make payment. In short, this set-up meant that no money could be taken out of the public treasury unless there were already funds for its payment as approved and certified by this auditing commission. However, as the country's annual budget had never been precisely defined, the implementation of the tasks of this commission was no easy matter.

The First Majlis had established a balance between the country's revenues and expenditures. This was a very useful exercise but did not amount to providing a national budget. A budget is a plan of the revenues and expenses for the next financial year in the country. By contrast, the functions of the fiscal committee of the First Majlis were confined to preparing a list of all the state revenues and expenditures, as applicable to the financial system of that era immediately before the establishment of the constitutional system. In the post-constitutional era, as time passed, the style of work and the nature of organisations changed and this had a certain impact on the country's budget. Accordingly, none of the first few parliamentary sessions had been able to approve a comprehensive national budget. Those budgets considered and approved by the Majlis special committees, such as the budget for the royal court fixed by the First Majlis at 300,000 rials per month, were selective and specific, not general and comprehensive. Now we must see how the First Majlis established a balance between the revenues and the expenditures of the country.

1. In the pre-constitutional era, in addition to the taxes which had been fixed by the central government, there was a differential credit which the governors-general of the provinces and the governors of cities were entitled to collect to their own individual credit from the taxpayer. In the post-constitutional era, this differential credit was incorporated in full as part of the formal revenue of the central government. I say in full because even in pre-constitutional Iran, part of that differential credit was paid to the public treasury as advance payment by the provincial governors.

2. The First Majlis abolished the tuyul sys-

tem, which was common in the old regime. At that time some important persons, and others who were on a state grant, would obtain a tuyul by taking over a given estate, or a number of freehold or state properties, as the source of their own salary. This allocation had two advantages for them. First, the governors-general of the provinces and the governors of the cities could not refuse to pay the respective salaries of the tuyul-holders, in the name of their own differential credit against the central government. In this way those who held an estate in tuyu/could obtain their salaries, irrespective of local government-central government balance. Secondly, if the subject of tuyul was a freehold estate owned privately, the tuyu/-holder could pocket any additional tax due from that estate. Alternatively, if the subject of tuyul was a property owned by the state, the tuyu/-holder could improve the land and pocket the additional produce from the state land. The tuyul system also brought some incidental benefit to the neighbouring landlords and the residents of the estate attached as tuyul. They would be generally protected by the tuyulholder, and, in particular, would be immune from the atrocities of government officials. After the abolition of the tuyu/ system, the additional credit, previously pocketed by the tuyu/-holders, was also paid into the public treasury.

What contributed more than anything else to the achievement of a balance between the state revenues and expenditures was a reduction in, or sometimes a total cut of, salaries and grants. The recipients of these salaries often did not need any salary from the state because they themselves were rich and wealthy. Previously, many people, because of their family status and influence, had been allowed substantial grants from the country's public treasury. The First Majlis boldly reduced the budget of the royal court and the salaries of the princes, leading personalities and ladies, or sometimes cut these altogether and without exception. Because that was an assembly composed of genuinely-elected deputies of the people, neither the shah nor the privileged people could object to its decisions.

In short, there had never been a complete and

thorough budget approved for the country as a whole to guide us in the auditing commission. When there was a relevant act of parliament approving a specific credit for any of the government organisations, the commission would compare all the requests with that statutory credit. In the absence of such legislative guidelines, the requests for expenditure had to be matched with the resolutions made by the council of ministers. Accordingly, it was not always possible for this auditing commission to carry out the real tasks laid down for it by the legislator. Indeed, in most cases, the people who were approving the funds were the very same persons who were making applications for the expenditure. That is to say, in both cases it was the cabinet which approved the applications, whereas the legislator's objective had been to check the excesses of executive power.

In spite of all these limitations, the auditing commission continued to function in the ministry of finance. Because of some divergence of opinion which existed amongst its membership, the commission did not progress satisfactorily. At the end, the delays posed by the commission caused the ministry of finance to try and bypass it. The minister would directly order the payment of those expenditures which were urgently needed without having the approval of the commission, and only those payments which were not immediately necessary would be sent to the auditing commission. Even that referral was mainly because there was no money in the department of public treasury. In this way, the commission was being used as a delaying tactic so that the application could be left open until such time as the treasury had funds to pay for it. Members of the commission made no complaints about the fact that some applications were not being sent to them for approval. They regularly received their own salaries, at any rate, because the pre-constitutional system which made the officials' income directly dependent on rendering specific services had been abolished.

As a result of political difficulties, Mustawfi al-Mamalik resigned from the premiership. In his place Prince Abdul Husain Mirza Farmanfarma⁴ was instructed to form a cabinet, and he invited me

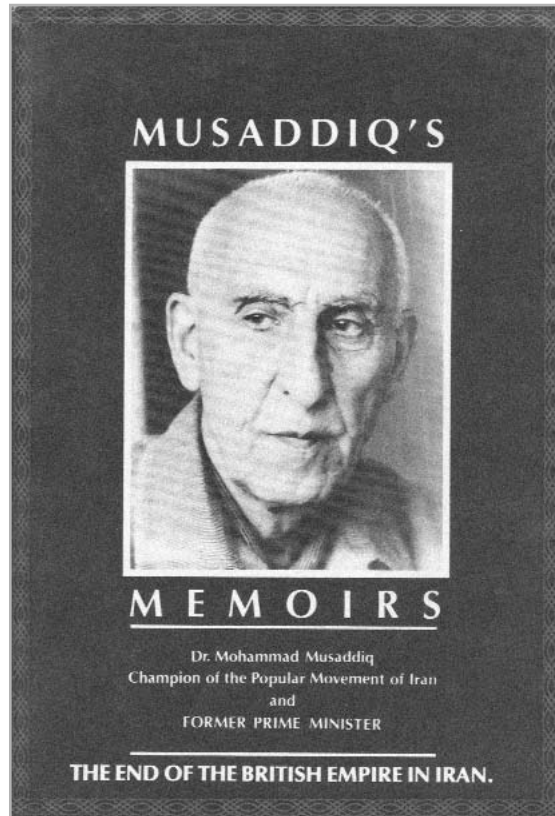
to take up the ministry of finance. At that time I worked at the auditing commission for government expenditures. Farmanfarma did not fill the post of minister of finance for several days, in the hope that my mother could persuade me to accept that position. I did not join his cabinet because I was opposed to Farmanfarma's politics. Disgruntled by my decline to serve in his cabinet he refused to see me as long as he was prime minister. The day he resigned, however, he came to see me. He asked me whether I would like to know why he had resigned and I answered that I was quite interested to know the reason. He said he resigned because, as the grandson of Abbas Mirza⁵ he could not cheat his country. Although he did not elaborate the point further, it was rumoured that, prior to his resignation, he had requested Haj Amin al-Zarb to intrigue with some people to attack the government in order to provide him with a pretext to resign as prime minister. Not long afterwards, the cause of his resignation i.e. the [foreign] demand which he had refused became public knowledge.

After Farmanfarma, Mohammad Vali Khan Sepah-Salar became prime minister. Following this change of administration, the head of the Russian trade delegation in the Russian embassy in Tehran asked to see me. I happened to know him because he had rented from Sa'd al-Mulk a residential property which is now part of the site of the Marble Palace. He had to pay the rent to my wife on account of the debt that the landlord owed to her. Once, since there were some differences over the rent accounts, we had a meeting, and this had led to our acquaintance.

The head of the Russian trade delegation came to tell me that the Russian Embassy's first secretary and himself had been to see the new prime minister, Sepah-Salar. The prime minister had confided in the first secretary of the Russian Embassy that he had it in mind to set up an international commission to supervise the country's financial affairs. The premier had also said that he had someone good in mind to chair that commission, mentioning my name as the chairman designate. As the Russian secretary had said that he had never seen or heard of Musaddiq, the trade delegation chief who knew me wanted to introduce me to the secretary, and that is why he had come to see me. He further mentioned that the proposed commission entrusted with the supervision of the ministry of finance was to be composed of five members. Three of its members were to be nominated by Iran, the fourth by the Russian government, and the fifth by Britain.

I had been nominated to chair that commission with a salary of 10,000 rials per month, to be paid by the Russian credit bank (the previous Banque d'Escompte de Perse in Tehran) for the rest of my life. The Russian advised me that, given the fact that the commission's majority was composed of the appointees of Iran, it would be a very good idea if I accepted this appointment. He counselled that I should supervise that commission at least for a little while until things got under way, and resign afterwards if I wished. If I were agreeable, he could immediately take me to the embassy so that he could introduce me to the Russian minister plenipotentiary.

I said that if the duties of the proposed commission were to supervise the ministry of finance I was



doing the same thing at that time in the auditing commission. The only difference was that in my existing job I had been elected by the Majlis and that I drew a salary of 2,000 rials per month. If I was to leave my current appointment and accept the chairmanship of the proposed international commission, the people would think that the excessive salary payable for life had persuaded me to leave a national appointment for an international one. The trade delegation chief of the Russian embassy was a simple man. He innocently said that the solution to the problem was in my own hands. If I agreed to draw the same salary as I was doing before, then no one would say that I was being bribed.

I noted that there was no point in continuing this conversation so I said that I would think about it and let him know. Immediately, I made an appointment with Sardar Kabir who was a fellow member of the Moderation Party and was also the new prime minister's brother. Through him I requested that the prime minister should not consider me for this appointment. It was only then that I realised why Farmanfarma had resigned from the post of prime minister.

The international commission was set up under the chairmanship of J.B. Heynssens of Belgium, who was the chief administrator of the customs department. The members of the commission were Haj Muhsin Khan Amin al-Dawleh, Abdul-Husain Khan Sardar Mu'azzam Khurasani (Taimur-Tash) and the representatives of Russia and Great Britain. Situated in an office opposite our auditing commission, we could see members of this international commission going to the White Palace to be introduced to the prime minister. It was a scene which affronted anyone who loved Iran.

I continued to work in the auditing commission of government expenditures. As time went by my health deteriorated until it reached a point when I could no longer do my job well. The history of my illness went back a year or so, when there was a rumour that the shah was going to move out of Tehran and make the city of Isfahan his capital. Then I had a fever and a severe gastric attack. I went to Dr Khalil Khan Saqafi⁶ who was my friend and neighbour. He prescribed some medicine and

the problem went away. When the illness recurred for the second time, I went to Dr Mahmud Khan Mu'tamid, an old friend,⁷ who diagnosed appendicitis. Dr Kirk, who was the resident physician in the American Hospital in Tehran, also confirmed this diagnosis. At that time appendicitis was not common in Iran and certainly no one had undergone an operation for it in the country.

The medical advice I was given was simple. I should put a bagfull of ice on that part of my stomach which was in pain. I should not eat solid food, but only soups, orange juice and the like until such time as the swelling went away, when I should go abroad for a surgical operation. I complied with that advice and the pain eased.

One day when Dr Kirk visited me, he said that he was going to return to the United States with his wife and infant child. He said that Lavachrie, the head of the Official Mint (zarrab-khaneh), had promised to take him and his family up to Port Anzali (Pahlavi). In the circumstances I decided to go with him so that if I had any trouble on the way, I would have his help at hand. Because the number of motor cars in Iran were very few in those days, one of the ministers serving in the cabinet of Vusuq promised to get me a Red Cross ambulance from the Russians.

The following day when Dr Kirk visited me I told him about my plan. He agreed that we should depart on the same day and travel together until we reached the port of Anzali. It was agreed that I should give him 1,000 rials for this service. We waited for a number of days but neither the motor car promised to him, nor the ambulance promised to me, was made available. So we decided to travel by horse-driven coaches which were the usual means of transport. Again we spoke about his fees but this time Dr Kirk said that I should give him 4,000 rials. He explained that if we were going by motor car we would be travelling for only one day, so 1,000 rials would be sufficient. However, now that we were going by coach, our journey would last longer. Thus he would not accept a sum lower than 4,000 rials, which at that time was worth almost 80 British gold sovereigns. There was no medication or cure for my illness apart from an