

MUSADDIQ 'S MEMOIRS

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Towards the end of 1921 when I became minister of finance, I drafted a bill to fix the rate of taxation for agricultural lands, which I submitted to the Fourth Majlis. The rate of tax proposed in that bill was one-tenth of the agricultural incomes of the landlords. The bill also contained some criteria for determining the net income of the landlords and the deductibility of their costs. In areas where lands were irrigated by water coming from qanat a fifth of the landowners' income could be deducted and the rest should be subject to taxation; and in places where the irrigation was done both by water coming from qanat and from rivers one-tenth was deductible. The period for which I had obtained delegated powers from the Majlis had not yet ended when circumstances arose in the Majlis whereby the government could no longer remain in office and I was forced to resign my post.

The American advisers who came to take charge of the finances of the country shortly after I had left office, proposed a different bill. This new proposal provided that the state should collect 31/2 per cent of all the agricultural products in tax before the products were shared between the landlord and the peasants. This was not at all logical given the circumstances of the Iranian peasantry. Those who are aware of Iran's agrarian problems know well that the peasants do not take anything near enough income from the product for it to qualify for taxation. The peasant's share of the product is less than the total amount payable for his labour, for the cost of the bullocks he uses to work the land and for the depreciation arising out of these and other means of production provided by him. Therefore the imposition of tax on the share of the peasants was totally unjustified.

Those members of the Majlis who were themselves landowners did not wish to approve this bill. The parliamentary select committee on the financial legislation invited [Sayyed Hasan] Taqizadeh,

Sulaiman Mirza [Iskandari] and myself to try to settle this dispute, and we presented our views on the matter. The select committee did not pay any attention to my basic objection to the proposed bill and to my request for the exemption of the share of the peasants from tax. The other advisers to that parliamentary committee, for one reason or another, decided to accept the bill proposed by the American advisers. Then I offered my views on the difficulties on how that proposed law should be enforced. I mentioned that under previous systems, all agricultural tax liability rested with the landlord. Therefore the government was able to demand the payment of the tax directly from the landlord at any time.

By contrast, this proposed legislation made the entire agricultural product subject to tax without clarifying how the government should go about collecting this tax at source. There were no provisions envisaged for settlement of a case where the agricultural products have been divided between the landlord and peasant but the peasant later refuses to pay his share of tax. I wondered how the government proposed to pursue its claim for agricultural tax against peasants.

In response to this query of mine, a member of the parliamentary select committee stated that the government should instruct the headmen of the villages to collect and receive the agricultural tax at the time of the harvest, before the respective shares of the products were divided between the landlord and the peasants. Then it was discussed whether the headman should receive any remuneration in consideration of his tax-collecting endeavours. To begin with, an illiterate and innumerate headman could hardly perform this service. Even if he was able to read and write, the task was so involved that he would have to devote all his time during the harvest period to this one obligation of collecting taxes. In this case he would be entitled to receive a

salary at a level which would be adequate to earn his living. The end result of this proposal would have been that, in the majority of cases, the government would end up paying an extra sum by way of salaries to headmen instead of collecting any tax from peasants. It would be neither conceivable nor practical that the headman would undertake: his task without receiving any salary. It is obvious that nobody would be ready to do something so burdensome entirely free.

This brings to mind a story that I heard from my father' many years ago.

1871 when the late Nasir al-Din Shah went to the Shi'a holy shrines in aq, my father was one of the courtiers in the royal entourage. The shater ashi, a court officer responsible for facilitating the king's journey, had vented something of interest to the travelling entourage which was presented to the members of the royal court in attendance. As background information I should explain that at the time it was normal to put a glass shade known as mardangi over the paraffin lamp so that the wind would not put it out. Carrying a glass shade in the open air to light the road was not free of risk as it could easily break. Thus the shater bashi made a shade of copper so that he could use it during journeys without fear of it breaking.

My father said that the copper shade was put on the paraffin lamp at certain ceremonies worthy of this invention but, as soon as the new shade replaced the old glass shade, it went dark. Then the shater bashi ordered his men to remove the copper shade and to make some holes in various parts of it to allow some light to shine out. This time, after they had put the copper shade back upon the lamp, the wind put out the light altogether. This proved that the metal shade could not replace the glass one.

After leaving the parliamentary committee on financial legislation I went by prior arrangement to the residence of Haj Imam Jum'eh-yi Khu'i. I spoke about what had happened that day in the parliamentary select committee. He said that Colonel Macormack, head of the revenue office, was a military man. If he were at all knowledgeable about the financial affairs of his own country, he was certainly ignorant of those of Iran. The Majlis members of the parliamentary select committee who

were well informed in these matters could do nothing but agree with this proposed bill. Some of the advisers to that committee had never fed a horse in their entire life and knew precious little of what the issues under consideration meant in real life. So one should not expect too much from such a select committee.

Eventually that American-proposed bill was approved by the parliamentary select committee and then by the full house in the Majlis. As anticipated, the new law proved unenforceable. Thus, as had been the custom previously, the landowners were again made responsible for the payment of the agricultural tax. The landlords did not lose, however, either way. Before the enactment of this law, the landlords had to pay 10 per cent of their total revenue as agricultural tax. After the passing of this legislation, the rate of tax on the landlord was fixed at 31/2 per cent only. The remaining 61/2 per cent, payable by the peasants under the new legislation, was accounted to be the debt of the peasants and farmers, but it could not be collected.

Several years later, the Majlis enacted a new law, because it was thought that a reduction in the contact between state officials and villages would result in contentment among the people and this in turn would ultimately lead to an improvement of the agricultural properties. This new legislation provided that, instead of an agricultural properties tax payable at source at the time of harvest, a 31/2 per cent tax should be imposed on all goods brought into towns from rural areas. This legal reform had a very good effect on the improvement of agricultural properties and on the welfare of the peasants and farmers. The corruption in the system, however, was such that the state received no revenue from this form of taxation. Accordingly the government had to reintroduce the traditional system of taxation whereby tax liability was calculated according to the actual agricultural harvest.

Prior to the introduction of our new administrative system almost all the expenses of the country used to be met by means of the taxes collected from agricultural properties. Towards the end of the period of the reign of Nasir al-Din Shah when some 300 kg. of wheat was worth no more than 60 rials, the treasury received some 60 million rials from the

taxes on agricultural properties. Now that the price of wheat is more than thirty times what it was then, the amount that reaches the treasury from this source remains the same. This amount is not even adequate to cover a fifth of the costs and expenses that are incurred in the collection of the tax.

3. Customs Duties

In the old regime, the only indirect taxation came from customs duties. These were collected, without any regular or standard principle, at the entrance of certain ports and cities, from the importers of goods. In the reign of Nasir al-Din Shah when this source of revenue was put up to the highest bid in 1887, the state revenue from this source was in the region of 8 million rials. Accordingly, one of the basic sources of the state revenues was more or less fixed. Thus the officials in charge knew that each and every year the fixed taxes from agricultural land would be collected and were also confident that the customs duties would reach the state treasury without any deduction or loss.

4. Expenses

The second principal item of the budget of the country is expenditure. This too was not the subject of a general annual budget. Such a budget was not needed because the overwhelming majority of the people working as civil servants and government officials, did not receive a salary from the state. Only the army generals, commissioned officers of the regiments, the officials of the ministry of foreign affairs and few other civil servants received salaries. In spite of the fact that salaried civil servants were rare, a good many classes of ulama, ministers, notables and ladies received annuities or grants from the treasury whether they were in charge of a post or not. The issuance of a salary or grant during that regime was based on one of the following grounds:

(a) In consideration of services rendered. If someone had performed a service which deserved official recognition he would be granted a salary and if he already had a salary from the state, his salary would be increased.

(b) In the name of a reduction in the tax liability.

This was a small amount which, in anticipation of a new assessment being made, would be credited to the annuitant in whatever name was written in the book of accounts.

(c) Relationship with royalty. Because the shah considered himself as the owner of the country and because he had no personal assets that his dependents would inherit from him, the offspring of the shah were given salaries to be used for their subsistence both in their father's lifetime and after his death.

(d) On grounds of inheritance. Two-thirds of the salary of a deceased annuitant would be given to his or her children and/or spouse.

Receiving an annuity from the state treasury did not bar the recipients from additional payments which they would be entitled to by reason of their being in charge of a particular public office.

In relation to the expenses of the ministry of war, suffice it to say, that in the old regime, that ministry had two different budgets, one fixed and the other unfixed.

(a) The fixed budget related to the salaries of the officers of regiments of each district. These fixed salaries were payable to the salaried officers both when they were in active service and when they were on leave. In this way the chief of each regiment would receive from the local finance officer the entire amount of the salaries payable to all the members of his own regiment. He was responsible for the distribution of these fixed salaries amongst his officers and men. However, the actual payment of the salaries to the individual members of a regiment was very much subject to the character and qualities of the respective military chief. The salaries of the commissioned officers were eaten into by the chiefs far less than the salaries of the ordinary soldiers, simply because the calling up of the soldiers was based on a peculiar institution known as Tunicheh.¹ Therefore a soldier's salary was left at the disposal of the chief of the regiment in question.

(b) The unfixed budget of the ministry of war was related to the time that a regiment was in active service. During such periods the salaries of the officers and soldiers were paid in kind and in cash.

In short, those government officials who

received regular salaries by virtue of their appointments were restricted to the commanders and the commissioned officers of the military regiments, the officials of the ministry of foreign affairs and a few other officials. Their salaries were fixed and would not be changed unless absolutely essential. All other government employees were without salaries. They were allowed certain dues which they could obtain directly from the people who needed their services in consideration of the services rendered. It was an important and useful principle that no one was given a salary unless it was previously determined from which source his salary should come. As it was necessary to determine the source of a salary it was not possible to tax the poor and downtrodden in order that some useless and ineffective individuals could receive salaries in the name of being civil servants.'

New salaries were provided from sources which would entail no loss to the public treasury. The most common source for new salaries was a third of the salaries of those annuitants who had died. If the deceased had heirs and issue, a third of his salary, and if he did not have heirs and issue, all of his salary or grant would be at the disposal of the public treasury and the state could give it to anybody it wished.

While the preparation of an annual budget was not necessary in the old times, each individual province and city had its own annual balance sheet in the form of a list of its total revenues and expenses. This was known as the book of accounts, which was different from a budget in its strict modern sense. A budget is the anticipation of the revenue and expenditure for one financial year. By contrast, the book of accounts was a fixed and final order, with the contents of which the governors-general of the provinces and the governors of cities had to comply during a financial year. As such the items of revenue mentioned in the book of accounts had to be extracted from the sources identified. Also, salaries and expenses had to be paid, in full, to people who were mentioned as being entitled to them. Thus there was no annual budget for the country to prepare, but every few years a summary was prepared of all the revenues and expenditures of the whole country.² This general budget was

intended to satisfy two objectives:

First, to bring together into one single book the various categories of expenses which were scattered throughout the books of accounts of various provinces and cities. This was done so that the central government could see the entire expenses incurred in any single category. By way of example, the salaries of the local regiments were mentioned in the respective books of accounts of the individual districts. Now all such expenses had to be re-written in one single book so that the total expenditure for the regiments in the whole of the country could be ascertained. Also, the various salaries of any one person could be shown in the books of accounts of a number of different provinces and cities. By bringing together into one single master book all these salaries, the accountants could discover the total salaries of any individual in a given year.'

The other reason for the production of this general and aggregated budget was to form some idea of the balance or imbalance between the country's receipts and payments. If there was an imbalance, the balance could be restored either by a reduction of expenditure or by an increase in revenue so that revenue and expenditure would balance each other. This was how the country's budget under the old regime was prepared so that the public treasury never suffered any deficit. Indeed there was always a reasonable balance between revenues and expenditures. The public servants of the country were not particularly well informed; nor did they have all the expert knowledge needed for a good modern government. Nevertheless, they managed to administer the country in their own way, according to their own peculiar sense of wisdom and disposition and by their faith in the survival of the country. This did manage to turn the wheels in the right direction without the need to beg for money from foreigners.

It was a great pity that, towards the end of Nasir al-Din Shah's reign, this balance was upset. The Iranian government, having to pay compensation to the concessionaire for the cancellation of a tobacco concession² was forced to borrow from foreigners. This borrowing was at the time considered an unforgivable sin. Unfortunately, successive generations followed this example to the extent that,

during the reign of Muzaffar al-Din Shah, they went as far as to borrow simply to travel to Europe for pleasure. They gave the customs duties as security for the repayment of that debt.

In short, the modern regime saw an end to the previous organisations. Salaries were given in consideration of the post, and posts were created far beyond the needs of the country. Anybody could enter government service so that now almost 80 per cent of the total revenues of the national budget is spent on salaries. Whatever is added to the state's revenues will simply be spent in the same way on paying salaries to administrative staff. Nothing is spent on the welfare of the community and the provision of social services for the people.

We are in a period of transition. We adhere neither to the old principle of allowing no expenditure unless we can first identify a source of revenue, nor do we have a modern parliament composed of the true representatives of the nation who can be trusted to take into account only the interests of the country. It is not clear how long this transitional period is going to last!

FOOT NOTES

1. Tr. Qanat is a man-made underground water channel used to irrigate land.
2. T.r. Mirza Hedayatullah, then in 1871 a senior official accountant. It was several years later that he was given the title of Vazir Daftar and appointed minister of finance (1883).
3. Tr. The bunicheh system was discussed earlier by the author. See chapter 1 above.
4. Nowadays, if the people in charge of the office of the Notary Public were salaried, it would soon be observed that for any street in every town, for a few small villages, and for each district there would be one office of the Notary Public. Thus the number of government employees in these offices would have reached tens of thousands. But now that Notaries Public receive their fee from people who use their services, on the one hand the work is done punctually so that no one complains about delays, and on the other no Notaries Public offices have been established beyond what is demanded by the market. This is because no Notary Public can afford to run an office which does not generate adequate revenues to cover its running expenses.

5. In the year 1266 solar (1304 lunar/1887) the state revenues were in the region of four million and seven hundred rials (4,700,000 rials) in cash, 232,000 kharvar corn and 12,000 kharvar paddy. After the deduction of all expenses some 850,000 rials in cash, 100,000 kharvar corn and 6,000 kharvar paddy were left to the state and this was in addition to whatever sums the state would receive in the name of 'advances' and 'gifts' which would be itemised in detail.

6. A good number of the people who were salaried and resident in Tehran preferred to receive their salaries through expenditures put down in the book of accounts of the provinces and cities because they feared that the central public treasury could suffer shortage in its cash flow. Again, whenever the governor-general of a province or the governor of a city was changed and the new governor was not known for being disposed to pay the expenditures or salaries on time, the salaried persons resident in Tehran often tried to change the source of their salary to another safe province or city.

7. Tr. In 1890 Nasir al-Din Shah (reigned 1848-96) granted a tobacco monopoly to a British company which was to control the production, preparation, distribution and retail of tobacco and opium in Iran. To pre-empt it, the ulama banned smoking and fostered opposition to the government's irresponsible posture in its dealing with the concession-seeking Europeans. The opposition was so successful that the government was forced to cancel the tobacco monopoly arrangements in 1892 and paid £500,000 in compensation to the British company.

TO BE CONTINUED IN THE NEXT ISSUE

A Short Short Story

A boy sent a love letter to his girlfriend.

That night when he saw his girlfriend in the street, there she broke up with him. She walked away, he went to cross the road and was run down by a car.

That night he died in hospital. The girl was devastated. The next the mail came. she read the letter, which enclosed a shriveled rose, it read: "I love you, I can not live without you".

Yasmin Newman Amin

