

MUSADDIQ 'S MEMOIRS

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EMBEZZLEMENT IN THE OLD REGIME

Embezzlement, in its present day meaning and concept, did not exist in the old regime. There were a number of reasons why embezzlement could not be committed in those days. These included religious beliefs, a general lack of sophistication, know-how and expertise, a lack of facilities for committing embezzlement, and finally an absence of need to commit such offences for the sake of extra cash. It is appropriate that I should explain each of these points in some detail.

1. Religious beliefs

After the Constitutional Revolution, many leading personalities endeavoured to create a secular legal culture supported by a sense of national loyalty so that every citizen would learn to respect the rights of others and to obey the law. These reforming efforts, however, did not achieve the objectives that the secular leaders had campaigned for. By contrast, prior to the Constitutional Revolution there were other convictions and beliefs which were accepted to a large extent by society. One of these beliefs, which had some impact on the standard of people's behaviour, was the general attitude that one should not bite the hand which feeds one. That is to say, if a person was dependent on another for his living, he would not do anything to harm or damage the property or honour of the party on whom he depended for earning his bread and butter.¹

As the cabinet ministers and government employees earned their living from the shah and because the shah considered himself to be the owner of the country, the state officials did not cheat the government. Any conduct contrary to



Musaddiq after his legal Education in Switzerland

this principle was bound to result in an officer losing his status and reputation.

2. Lack of knowledge and expertise

In the same way that the citizens could not perform any grand service for the good of society because of their lack of knowledge and expertise, they were also incapable of doing any great harm to the interest of society. Thus they could not abuse their economic knowledge and expert information to damage the public treasury.

It was during either the fifth or the sixth parliamentary session that the government of the day contemplated the employment of a number of foreign advisers for certain government institutions, or was it for the National Bank of Iran alone? As part of a feasibility study, the President of one of the German consortia, a man called Boesche,² was invited to pay a visit to Iran. He had been working for years in Turkey in the capacity of director of the department of public debts, and was thus considered experi-

enced to advise Iran on such matters. His task was to study the Iranian situation and to give his considered advice in connection with the possibility of employing advisers from Germany. As I was a member of parliament, he came to visit me. Before leaving, he specifically asked me to let him know in advance when I was going to pay him a visit so that he could keep some time to talk to me and discuss a number of issues. That day came.

A building, now the site of the Army Hospital No. 2, was the place which the government had allocated for Boesche's residence. I went there to visit him and we spoke about some of our laws that he had studied and about which he sought some explanation. In the course of my answering his questions, he noted that I was not in favour of employing advisers from Germany. Thus he said that he did not think that the German advisers could do much in Iran in any case. He had been speaking to a large number of Iranians and all of them had mentioned that the prevailing corruption in Iran would obstruct the success of foreign advisers. To this I replied that the people who had offered those views to him were a minority of Iranians who had been educated in western countries and become familiar with the civilisation of that part of the world.

Boesche was slightly taken aback and seemed rather angry. He said, 'Are you implying that the people of the western world are dishonest and corrupt, and that your countrymen have been learning corruption from us?'

I said, 'If we accept that in this country there are some people who are corrupt, then those people consist of persons who are abusing the higher level of education and expertise that they hold.'

He answered, 'Please give some more explanation so that I would understand why there is corruption amongst the minority but there is no corruption amongst the majority at large.'

I replied, 'You are heading a consortium. You will have adequate information about different types of insurance. Will you kindly tell me whether the insurance companies who underwrite the goods which are carried to Iranian destinations make a profit or a loss?'

He said, 'They do not make a loss.'

Then, I answered, 'In this case how is it possible to pass judgement that all Iranians are corrupt without exception? In every country there are good and bad people and only a country where the majority of the people are corrupt can be described as suffering from corruption. The overwhelming majority of the people of this country are honest.'

Boesche asked me to give another example to shed some more light on this matter and I obliged by asking him; 'Yes. Do you have any idea of the type of people who take delivery in the Iranian ports of all the goods which have been carried into Iran from abroad?' He said, 'I have no idea at all.' Then I explained thus:

'These goods are delivered to people who are illiterate and of no fixed abode. These people each have a number of mules and camels and they take delivery of goods in any one of the ports and undertake to carry them to their ultimate destination. These people, even if they were so poor as to be in need of a loaf of bread to satisfy their hunger, would not cheat at all with the goods. They will deliver all the goods to the destination without any loss or damage. If the majority of the people of this country were corrupt how could it be that amongst them you find people of such a high standard of honesty and integrity? And how could it be that the insurance companies who underwrite the goods to Iranian destinations make no losses at all? Is it possible in Germany to deliver goods into the possession of a person who is illiterate and of no fixed abode?'

He said, 'That makes sense.'

Then I went on to add, 'What you have heard about corruption in Iran has come from people who abuse their knowledge because there is no law or because the law is not enforced. This is not confined to Iran. All countries experience a similar situation during the course of their legal and economic evolution. In western countries when people could not read and write, there was no need to have legislation against forgery. The illiterate people used to put their fingerprint at the bottom of the documents as a sign of their

acceptance of an obligation. They never denied their liability. As the level of public education gradually increased there was need for a law against forgery and conspiracy. People continued to abuse their knowledge until such time as appropriate legislation was approved and put into force. The case of our own country is no different from the European experience that I have just described. We are in a period of transition. Once this evolutionary process is completed, we too can live like you. This period of transition will last long only if we despair,' and we should not allow ourselves to despair.'

3. Lack of Facilities

From what was said above, it is clear how the Iranian financial system was administered during the pre-Constitutional Revolution era. The only indirect taxes we had were the customs duties. These dues were put up for bidding.³ The successful bidder paid a fixed sum to the public treasury and in return he was entitled to collect the appropriate dues directly from the importers and exporters. In these circumstances there was no way that the government officials responsible for tax collection could abuse the system of indirect taxation.

So far as the direct taxes were concerned, we had a recognised register which showed the total taxes payable. The taxes registered in this document were fixed until a new assessment was made. The collection of the direct taxes was the duty of the respective governors-general in the provinces and the governors in cities. The governors had to collect the exact amounts of tax from the sources identified. They were also obliged to spend exactly the same amount on giving fixed salaries and grants to identified people and on spending a given sum on matters which had been already approved. In this way there was no room for any type of embezzlement. Any delay in payment of grants or salaries to people who were entitled to receive them, would result in a complaint against the public servant in question. If there were many complaints against one individual official that would lead to his removal from office.

4. Lack of Need

In the old days, life was very easy and uncomplicated. Society was not burdened with the luxuries of today. Humble living was a source of credit and honour to very many grand merchants. By the same token, a lifestyle free from luxury and grandeur was evidence of the honesty and integrity of the people who held public office; very few people would be tempted to live beyond their means. There was no great difference between the residences of the people in high office and the houses of people of middle income. The only difference was that in the former houses there was plenty of food available for consumption and a good many people would be entertained there. This lack of need was a genuine reason why anybody who could would refrain from dishonesty. One would not easily allow his good name to fall into disrepute.

In those days, an official accountant by the name of Mirza Mahmud and known as Sahib Divan, was in charge of the accounts of the province of Khurasan. In the financial year of 1271 solar AH (1892/1893) he had tampered with the book of accounts for that province. This was considered to be the greatest swindle ever committed in the country's financial history, and Mirza Mahmud's misconduct attracted considerable attention from the people. It is interesting to compare that almost insignificant misconduct with the embezzlements which are committed nowadays within the country's public finance system. The following account will demonstrate how petty that breach of the law was and how little, if at all, the government funds had been abused.

As already mentioned, in the old regime, one of the accounting principles was to maintain a balance between revenues and expenditures. That is, unless a source of credit could be found, no expenses were approved. In accordance with these principles, the country's budget was always in balance. Mirza Mahmud, the official accountant of Khurasan, had wished to add salaries for some people in that province. In



Musaddiq as the Governor of the Fars Province with the local people

order to maintain a balance between expenditures and revenues, Mirza Mahmud had added as revenue in his book of accounts an extra sum amounting to 200,000 rials. He had done so without identifying the sources from which this additional amount should be obtained. Nor had he mentioned any

criteria according to which the governor-general of Khurasan should collect these additional revenues from the taxpayers. It was required to mention such criteria and if proportionately to the existing taxation, then the proportions had to be defined. So Mirza Mahmud had put down the names of various people who had been officially granted new salaries, or an increase in their salaries, as the sources of expenditure to match the additional revenues. His main fault, therefore, was that he had not identified the exact sources of these additional revenues.

It should be explained that the issuance of official orders for salaries was not all that difficult in those days. Such orders were often issued in order to satisfy some notables or in order to facilitate the fulfilment of the grand vazir's official duties. There was a standard clause which was invariably incorporated in all these orders. This clause mentioned that the payment of the salary or grant should be made in such a way that no loss was incurred by the public treasury. Accordingly until such time as a source of credit could be found, no payment was made to the

person in whose favour the order had been issued. As a result, more often than not these grant orders would remain unfulfilled in the hands of the people in whose favour they had been issued.

The Vazir-Daftar,⁴ responsible for the country's public finance, referred Mirza Mahmud's accounting booklet in the usual manner to the auditing committees in the ministry of finance. The auditing committee reported that Mirza Mahmud had recorded in his book the amount of 200,000 rials as additional revenue, without indicating the source or the proportion of the taxes to be collected from the individual taxpayers within the districts in question. It was also noted that Mirza Mahmud had recorded a corresponding amount in the name of expenditure for the grants, salaries and increases in salary of a number of people who were entitled to them. The auditing committee ruled that because the aforementioned revenues and expenditures were unauthorised, the books had to be amended.

My father sent for Mirza Mahmud and insisted that he should correct the accounting booklet. The guilty accountant had taken precautions so that he could withstand any pressure coming from my father. Indeed one of these devices had been sent to our own home. Against this background, Mirza Mahmud nodded his head and went away. This nodding had a meaning. A few months before the submission of his accounting booklets, Mirza Mahmud had sent a parcel of gifts to my mother. This consisted of three glass chandeliers and a music box which contained two dolls. On being told of these gifts, my father, knowing Mirza Mahmud well, wished to know his purpose in sending them. My mother immediately said to my father, 'You never accept any gift from anybody yourself. And now that this little gift has been sent to me, you want

to refuse that as well'. As my father was somehow afraid of hurting my mother's feelings, he said nothing, but when she left the room he said, 'May God deliver us from the aftermath of this gift'.

After sending that gift to my mother, Mirza Mahmud came to me and asked what my salary from the government was. If my memory serves me right, I mentioned it was 1,200 rials per annum. This was the salary which had been granted to me after the death of my maternal grandfather, the late Firuz Mirza Farmanfarma. Then Mirza Mahmud, in his own peculiar style, said, 'What a pity that you, the son of the Vazir Daftar, should remain satisfied with this little salary'. He then went to my nanny and asked her the same question. Her answer was that she received no state salary at all. Mirza Mahmud said that he would personally take the necessary steps to compensate the lack of courage on her part to demand a salary.

Mirza Mahmud was not satisfied with all these precautions he had taken. He also sent word to an old woman towards whom my father was known to be well disposed. She was asked whether or not she herself had any state salary or whether she wished a salary either for herself or for any of her relatives. The woman had replied, 'When it comes to doing good you do not need my permission'. Thus Mirza Mahmud wrote down the name of that woman's brother who was residing in the province of Kirman and included him on the list of salaried persons. The accountant also allocated a salary for a black eunuch who was in our service and Mirza Mahmud knew well that he had an influential voice in our household.

The grey-haired woman was an intelligent and articulate person. She reported to my father in the evening what had happened during the day. My father went white. He said that he knew that Mirza Mahmud was up to no good. He had not sent those gifts and musical toys to my mother for nothing. Mirza Mahmud had also arranged similar devices within the entourage of Amin al-Sultan,⁵ the grand vazir, as well as the courtiers close to Anis Al-Dawleh who was the

favourite among the shah's wives.

My father further discussed the matter with Mirza Mahmud and insisted that the accounting booklet had to be corrected. Following this pressure, Mirza Mahmud did not sit idle. He sent messages to all the people in our household to whom he had promised state salaries, that he had done his best but the matter was now in their own hands. Those people discussed the matter amongst themselves and each of them - in his or her own way - reacted vis-a-vis my father to put pressure on him to sign Mirza Mahmud's booklet. To explain all these events is beyond these memoirs, but suffice it to say that my father was boycotted by all the people who had been promised salaries by Mirza Mahmud. This boycott was so bad that my father used to say, 'May God take my life so as to relieve me from Mirza Mahmud's doings'. However, in spite of all these difficulties that had been created in his own household, my father refused to seal the booklet. Mirza Mahmud then started using his connections and devices within the household of Amin Al-Sultan, the grand vazir, and within the royal household. Consequently, the grand vazir wrote on behalf of the shah requesting the booklet to be submitted. My father sent the booklet unsealed. But the grand vazir sealed it and it was approved by the shah.

In that year Mirza Fath'ali Khan Shirazi, titled Sahib-Diwan, was the governor-general of Khurasan. If my memory serves me right, the governor-general had given some 600,000 rials as advance payment to the public treasury which he was by custom entitled at a later date to recover from the taxpayers within his province. Mirza Mahmud, the official accountant of that province, had added another 200,000 rials to this heading of credit, but had not identified the sources from which this additional revenue should be collected. The governor-general could neither obtain the additional amount from the taxpayers nor could he make payment to any person who had been added in the booklet as being entitled to be paid. For this reason the governor-general refused to accept the book of accounts as it stood. These events took place at

the same time that my father passed away; he died of cholera on the first day of the month of Shahrivar in the year 1271 AH solar [12 August, 1892]. I do not however, know the circumstances which later led to the governor-general's acceptance of the accounting booklet.

Mirza Mahmud was sacked for this very reason, and was replaced by Mirza Fazlullah Khan Nuri who was one of the grand vazir's private clerks. Mirza Mahmud, having been made redundant and disgraced, desperately sought help from the grand vazir Amin al-Sultan. The grand vazir, who had a reputation for being extremely generous, freely gave one of his own luxury houses to the unfortunate accountant. That house, in those days, covered almost 20,000 square metres and part of it is now the grounds of the Amir A'alam hospital.

FOOT NOTES

1. Tr. The Persian term, used by the author, is 'bread and salt'. As a statement of the obvious this has nothing to do with those two commodities individually. Rather it refers to the same 'notion' implied by the term 'bread and butter' in English.
2. Tr. A common German surname also written as Bosche.
3. Tr. Until 1899 customs duties were put up for bidding in different lots covering separate provinces and cities. In that year a national system was introduced with a view to giving the customs duties as security for the foreign loans obtained by Muzaffar al-Din Shah.
4. Tr. Vazir-Daftar was a ministerial post which may be taken as the equivalent of acting minister of finance in modern times. This also became the title of Dr Musaddiq's father, namely Mirza Hedayatullah Vazir-Daftar, after he was given the overall responsibility for public finance in 1290 AH (lunar)/1883 AD. The reference to Vazir Daftar in this page is a reference to Musaddiq's father as becomes clear from subsequent paragraphs.
5. Tr. Mirza Ali Asghar Khan Amin Al-Sultan (Atabak), the grand vazir to Nasir al-Din Shah; and later to Muzaffar al-Din Shah.

TO BE CONTINUED IN THE NEXT ISSUE

Baihaqi, The Historian

There are several essays in this issue on Baihaqi (995-1077 A.D.) by the Iranian scholars such as the late Sayed Ali Naghi Amin, Cyrus Mahdavi, Professor Hassan Amin and Dr. A .M. Radmanesh.

Bayhaghi is a classic writer and historian. He lived during the Ghaznavids who succeeded the Persian Samanid kings . His main contribution to the Iranian literature and culture is his writing of a thirty volume history book. Unfortunately the greatest part of this book has been lost and the remaining is only a fracture of the original. The articles in this issue on Baihaqi are a welcome to the current scholarship on this area. The following is an abstract of one of these essays.

The Samanids fostered law and order, emphasized popular religion, preserved customs and traditions and observed the social class system. They also helped to expand and propagate the domains of knowledge, literature and translation.

The infiltration of Turk slaves in The Samanid's court gave rise to a number of factors which eventually led to the decline of The Persian dynasty so much so it was replaced by the Ghaznavid .

However, the powerful glory of the dynasty began to waver due to such significant events as the poverty of the people owing to the unfair taxes imposed by the government; perpetual wars; disregarding the economic resources; blind religious dogma and animosity against the Shiits- particularly The Ismailieh; insensible extravagance; donating expensive gifts to local rulers and army generals; entrusting weighty affairs to petty , ignorant and sycophant officers; displeasing the friends and the learned; indulging in heavy drinking and holding expensive parties; being inclined towards Arabs and ignoring the national credos by becoming overdependent on the Arab khaliphs; disregarding the ideas of their benefactors; belittling traditions and social boundries; being easily influenced by strangers and gossip; disrespecting the relatives and faithfull officers; bringing the sycophants to the office and expelling the righteous. Unsurprisingly, these caused the empire of The house of Ghaznavid fall to ruin so that their glorious, shining star began to wane. In time, the ignominious defeat of Massoud in the battle of Dandangan and his subsequent escape to India can be considered as a coup de grace bringing the dynasty to its end.