

"AN ANALYSIS OF MALKAM XĀN'S ECONOMIC IDEAS"¹

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Malkam Xān's views on economic development were, like his views on political reform, influenced by nineteenth-century European thought. He was an advocate of free enterprise private property and individual rights as well as the parliamentary process and government by law. His views on the subject of economics are best expressed in two essays: - *U-sul-e tarraqi* (Principles of Progress), and "*Ketābche-ye via dāxel va māxarej*, (A Booklet on Incomes and Expenditures).

Malkam's views on economic development were drawn mainly from the theory of political economy. In *Daftar-e Tanzimāt*, he pointed out the possibility of increasing government revenue by applying the principles of political economy.²

Political economy was a theory concerned with the production of wealth, and its application to the material well-being of society.³ It viewed the profit motive as the only motive common to all men, and held that wealth could be increased in a suitably liberal and democratic atmosphere which gave free rein to the profit motive. Malkam's views on economics are drawn mainly from the theory of political economy as expounded by Adam Smith and John Stuart Mill. Adam Smith defined the objective of political economy as follows: "To provide a plentiful revenue or subsistence for the people...; and to supply the state with a revenue sufficient for the public service."⁴ Considering political economy as a part of the science of society, John Stuart Mill remarked that "'political economy' is not a science of speculative politics, but a branch of that science.... It is concerned with him [man] solely as a being who desires to possess wealth."⁵ Considering political economy as an inseparable branch of social

philosophy, Mill believed that "the creed and laws of a people act powerfully upon their economic condition; and this again, by its influence on their mental development and social relations reacts upon their creed and laws."⁶ Mill argued that an increase in production and wealth was directly related to social and political institutions. "When not kept back by bad institutions or a low state of the arts of life, the production of industry has usually tended to increase."⁷

Malkam Xān, in accord with Mill, considered political independence, liberty, and a well-organized and just administration as the bases for economic growth. Malkam argued that economic development and political reforms were inseparable, that in order to start an effective economic program for the development of Irān's resources effective political machinery must first be created. He therefore saw the basic reason for European domination in Asia not as the result of the Western imperialism but rather as the result of insecurity caused by the internal mismanagement of the subject countries.⁸ The only effective way to prevent Western domination in Irān, Malkam suggested, was to adopt Western methods of government, reorganize the administration, exploit natural resources, and increase production with the help of Western capital and investment.⁹ "Our only way of salvation is to follow the example of the West. Whether easy or hard, we must accept the fact that in order to save the country from its present state of affairs, we must promise work and capital, increase our production, and extend our trade."¹⁰

To stimulate economic growth, Malkam advocated that foreign companies should be encouraged to invest in Irān. However, since there was no law to guarantee the rights of the company or a group of investors, right must be first secured through reformed political machinery, an organized administration, and a workable judicial system.¹¹ Malkam's writings expressed an optimistic view of the results of foreign investment. He held that if Irān had Western capital invested in her development the Western powers, for their own commercial interest, would support and respect her independence.¹² Therefore, he argued that Irān should encourage European investment and foreign capital to create new industries and contribute to the increase of her productive capacity.¹³

Following Mill and other liberal economists, Malkam

cited three major factors as the conditions for producing wealth: land, labour, and capital.¹⁴ He went on to analyse their interaction in Iran. Iran had productive land, and what she needed most was hard work and capital.¹⁵ Hard work, Malkam pointed out, was the major factor in production. In order to encourage labour, the state should guarantee the security of life and property of the people. He argued that the full development of the productive potentialities of a nation requires liberty and security as its precondition. Therefore, the primary function of government is to define and protect the rights of its subjects.¹⁶ When a person has security of life and property, he naturally works harder and contributes to the increase of production.

The third factor of production was capital and this, like labour, was insufficient in Iran. For its scarcity Malkam's solution again was political. By giving security to private individuals, the government could encourage them to invest their capital in productive ways and also invite Western capitalists and large companies to bring their money and start an effective economic programme in Iran.¹⁷ Discussing the lack of capital in Iran, Malkam criticized Asian countries for not having a clear conception of money, and thinking of its value in terms of precious metals; Europeans on the other hand discovered paper money and found that money has no value in itself, but only as a medium of exchange.¹⁸ He argued that money not in exchange is dead capital, while money in circulation, investment and commerce, multiplies itself continuously. Thus a more rapid transfer of money from person to person increases the flow of capital and demand for goods.¹⁹

Malkam compared the flow of money to the circulation of blood in the body. A society without an active economy and a flow of capital remains as rigid and immobile as a body with congealed blood.²⁰ The establishment of banks was his answer for increasing the circulation of capital. Malkam argued that in a modern society scarcely anyone keeps much of his wealth in the form of money. Most of what a man receives is generally paid into a bank which acts as a broker, borrowing from one set of customers and lending to another. Thus, business is mainly conducted on borrowed capital which is entrusted to the bank.²¹ Malkam highly recommended the establishment

of banks as a vital necessity for economic development and called banking "one of the greatest inventions of the world."²²

As early as 1276/1859-60, in "*Daftar-e tanzimāt*," Malkam had suggested the establishment of a national bank as a necessary measure of reform. He proposed the creation of a national bank with an initial capital of one million *tomāns* (£200,000) to be provided from the sale of crown lands. The accumulated sum was to be divided into ten thousand shares of 100 *tomāns* each and sold to private individuals who together would own the bank.²³

Malkam's second theoretical work on economics is *Ketābche-ye Madāxel va Maxārej*, in which he dealt with the concepts of income and expenditure. He divided sources of income into customary and innovative [*Madāxel-e Motedāvel va exterā'i*], and expenditure into private and productive [*Maxārej-e xosusi va entefā'i*].²⁴

In his discussion of income, Malkam pointed out that the wealth of Iran was immobile and fixed. Iran's domestic economy was mainly one which began and ended in itself. In such an economy income is fixed and money is exchanged without being increased. Furthermore, Malkam argued, in such an economy one particular group gets rich at the expense of the rest. While the majority of the population scarcely has the necessities of food, clothing, and shelter, a few opportunists amass wealth and make a show of riches quite out of proportion to the general condition of the society. The result is the development of an upper-class enjoying "idle luxury" and the masses living in poverty.²⁵ These wealthy few, instead of investing their capital for productive purposes, spend it on luxury goods, expensive furniture, and beautiful homes, all of which does not serve any social function but rather is used to fulfill certain selfish individual desires. Thus the money that could have been used for productive growth is used solely for private purposes.²⁶

Innovative income is wealth created through production and is used to further economic growth. Wealth saved and devoted to production contributes to economic development and a country's prosperity. This productive or beneficial sort

of expenditure leads to the improvement of land through the building of dams, bridges, canals, and the use of better methods of cultivation. It also leads to the construction of beneficial facilities such as workshops, factories, roads, railways, all of which increase production which in turn serves the whole country and increases capital. Thus public welfare is best served through private capital employed as the instrument of production. In Malkam's view it was the use of income in this innovative fashion which contributed to the economic prosperity of Europe and made the West powerful and strong.²⁷

Malkam suggested borrowed capital as a means of expanding business beyond the extent of capital available in the market. The state could borrow in order to develop the resources of the country. However, Malkam warned that these loans should be obtained from private individuals or banks rather than foreign governments. The government should show good security and credit and use the loan only for productive purposes.²⁸ Malkam commented on foreign loans as "having prepared the grave of Iran's independence,"²⁹ since money borrowed from Russia had been used by the King for extravagant trips to Europe and the country had been brought to the verge of bankruptcy.

On the subject of trade and its advantages Malkam pointed out that the degree of the prosperity of a country depended on the expansion of trade. But he also felt that trade served a social function, preventing men from becoming isolated from each other and "as degraded as animals."³⁰ He held that trade grows in accordance with the capacity of each country - that some countries cannot produce a particular commodity which might lead them to trade with the countries whose products they need. A proper trade relationship would enable each country to produce things for which it is better adapted and to obtain in exchange for its surplus products a larger amount of another kind of wealth.³¹ Improved means of communication would help in establishing closer commercial contacts; therefore, one of Iran's major tasks should be the construction of roads and railways.³²

Malkam believed trade to be a bond of friendship and unity among nations as among individuals. Thus he pointed out that in accord with the "scientific religion of the

West," the prosperity of one country depends on the prosperity and progress of the world at large.³³ On this basis Malkam argued that the European nations, in order to increase their own wealth, like to see other nations prosperous; therefore, Iran should not be afraid of European commercial contacts, since the mutual dependence of countries on one another is beneficial to both sides.³⁴ He singled out the profit motive as the main factor in European expansion. "We must realize that the reason for Western involvement in Asia and Africa is economic gain and opportunity for new markets."³⁵ With knowledge of this fact, Iran should attract Western capital and encourage foreign investment to create new industries and contribute to her prosperity.

The paradox of inviting European capitalists to invest and to contribute to the development of the country in order to protect national independence was not limited to Malkam Xān or Iran. It was an idea shared by other Middle Eastern countries (the Ottoman Empire and Egypt) who were impressed by Western technology and industrial advancement and wanted to adopt Western methods for the regeneration of their economy. Malkam favoured concessions on the ground that opening Iran to foreign commerce and industry would bring progress and reform. He recommended giving concessions to reputable companies with good credit. One of Iran's mistakes in the past, Malkam argued, was granting of concessions to dubious characters and shaky companies unable to carry out their promises, which resulted in the loss of credit and thus made it extremely hard to attract reliable investors to Iran.³⁶

Malkam Xān's ideas on the economic regeneration of Iran were basically of nineteenth century European inspiration. Malkam Xān, impressed by the scientific and technological advancement of the West, advocated similar measures of economic reform for his country. He argued that the country possessed much under-developed wealth with great capability for improvement and progress. The main problem was the insecurity of life and property. This obstacle could be removed by the reorganization of the administration and the protection of life and property through law enforcement. He emphasized that a country's prosperity depended on the construction of works of public utility and the increase of capital through investment and production. He argued that agriculture and commerce should be

encouraged and protected, that the construction of railways, roads and bridges, should be realized, that the establishment of banks should become a reality, and that European capital should be attracted for the purpose of economic development. Malkam also suggested the employment of Western economists and administrators to serve as advisors for economic reforms.

In a report to the Ministry of Foreign Affairs, dated 1294/1877-8, Malkam summed up his views on economic development:

Acquire a loan of a hundred Crore *tomāns* [then equal to £10 million] from Europe and employ hundreds of teachers, engineers, technicians, accountants, economists, and administrators from Europe to organize our governmental institutions, under the supervision of ten Irānian ministers. Invite twenty large and reputable companies to Iran, grant them concessions and encourage them to bring another hundred Crore *tomāns* and to start the construction of roads, railroads, bridges, dams, and canals. With the help of these companies establish various commercial, national, and agricultural banks, and exploit mines, water resources, and forestry on a sound basis. Arrange a standard and fair system of taxation, and send one thousand students to study abroad. These are the substance of what Irān needs and the fundamental tasks to be accomplished.³⁷

Doubting that his ideas would ever be accepted, Malkam added to his report that "no doubt you will look aghast, and shake your head, and say alas, how utterly this simple minded Nazem ol-Molk [Malkam] is unaware of the situation in Iran."³⁸ He was not far from the mark: Wāsser ed-Din Shah added to the report the comment, "May it please God, this letter should be opened and read only in the presence of Malkam Xān. Its content is not understood in Irān."³⁹ Malkam Xān's suggestions for economic reform to stimulate production and increase capital were not adopted, although his idea concerning the creation of a national bank was considered by the constitutionalists who made the establishment of a national bank one of their goals.⁴⁰

Malkam's economic thesis has strong as well as weak

aspects. He was the first writer to present the doctrine of Laissez-Faire in a coherent system. he recognized economic factor as the principle motive of western domination in the East. He also believed in economic change on the basis of social and political development. he has likewise emphasized economic progress as a fundamental condition for national prosperity and solidification of political independence. But, he utterly failed to discern the effects of Laissez-Faire policy in the economics of the backward Eastern societies just entering modern economic life. In such cases the state's protection of national economics was a pre-condition for their material wealth. his unconditional belief in foreign investments for economic development of the Eastern countries was not a sound policy. It was a policy which would have directly led to the increase of foreign influence.

Notes

1. This article is a portion of Miss Mouraie's study on "The Life and Thought of Mirza Malkam Xān: a contribution to the History of Iranian Liberal Ideas." The book is to be published soon.
2. "Daftar-e Tanzimāt," Muhit-Tabatabā'i, pp.100, 103.
3. Alfred Marshall, *Principles of Economics* (London, 1890), p.1.
4. Adam Smith, *Wealth of Nations*, ed., E. Cannan (New York, 1965), p.397.
5. John Stuart Mill, *Essays on Some Unsettled Questions of Political Economy*, ed., John W. Parker (London, 1948), p.137.
6. John Stuart Mill, *Principles of Political Economy with Some of Their Applications to Social Philosophy*, ed., W. J. Ashley (New York, 1965), p.2.
7. *Ibid.*, p.155.
8. "Usul-e Tarraqi," *Soxan*, Vol. XVI, no.4, p.410.
- 9&10. *Ibid.*, p.408.
11. *Ibid.*, no.5, p.481.
- 12&13. *Ibid.*, no.6, p.623.
14. *Ibid.*, no.3, p.253. Mill had stated in 1848 that "the essential requisites of production are three - labour,

- capital, and natural agents." (J.S. Mill, *Principles of Political Economy*, p.155)
15. "Osul-e tarraqi," *Soxan*, no.3, p.253.
 16. *Ibid.*, no.4, p.409.
 17. *Ibid.*, no.5, p.484.
 18. *Ibid.*, no.2, pp.133-134.
 - 19&20. *Ibid.*, no.4, p.407.
 21. *Ibid.*, pp.407-408.
 22. *Ibid.*, p.407.
 23. *Daftar-e Tanzimāt*, Muhit Tabātabā'i, p.50.
 - 24, 25, 26 & 27. *Ketābche-ye madāxel va maxārej*, *Asnād-e Ā-damiyat*.
 28. In a letter to the Ministry of Foreign Affairs, 5 Rabi' II 1325/June 1907, published in Muhit-Tabātabā'i, p. 191.
 29. *Ādamiyat*, *Fekr-o Āzādi*, p.167.
 30. "Osul-e Tarraqi," *Soxan*, no.2, p.131.
 31. *Ibid.*, no.6, pp.622-623.
 32. *Ibid.*, no.3, pp.250-251.
 - 33&34. *Ibid.*, no.4, p.411.
 35. *Ibid.*, no.2, p.135.
 36. *Ibid.*, no.5, p.484.
 37. Quoted in *Ādamiyat*, *Fekr-o Āzādi*, pp.151-153.
 - 38, 39 & 40. *Ibid.*, p.153.