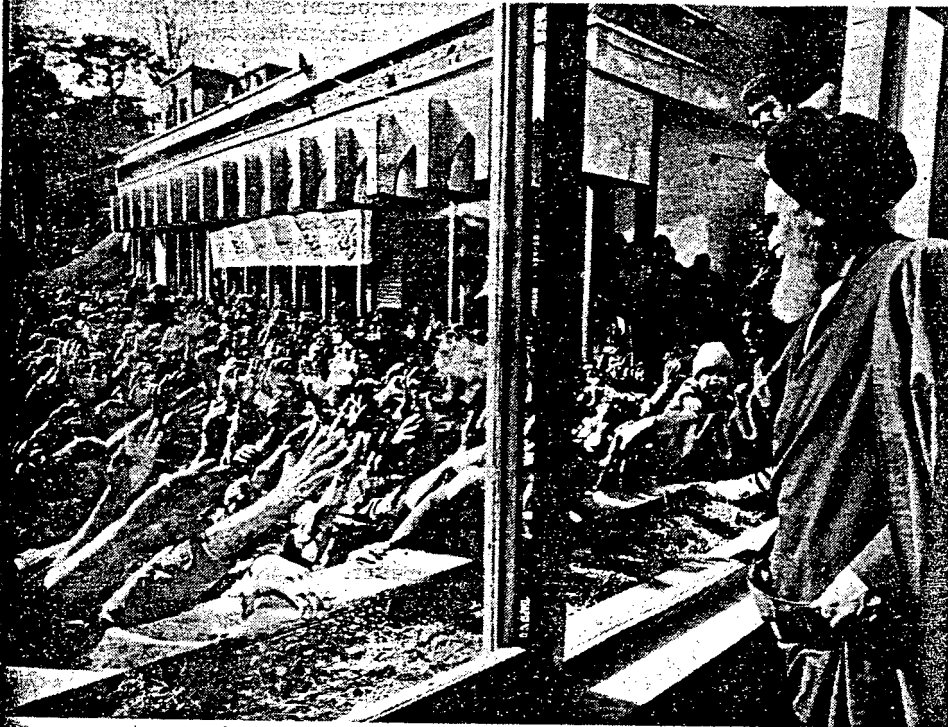


Yuse

INTERNATIONAL IRAN



A year after

Just over a year ago Iran underwent one of the most astounding revolutions of modern times. A distinguished Iranian gives his view of the people and the institutions that govern the now more or less ungovernable people of post-revolutionary Iran. He suggests that those who bank their hope, or their fear, on the belief that the volatile mystery of mullahs' rule must soon be overtaken by some more familiar system may be mistaken. It could, he believes, go on for quite a time

Post-revolution Iran is a place where deeds and their expected consequences do not flow in natural progression. The country has not had an effective army, gendarmerie or police force since the revolution last year; sometimes it seems to lack even a proper government. But there has been no general breakdown of order. Schools and universities remain open; shops do a thriving business; government offices operate normally—well, nearly normally. And, a depressing development, the new security service possesses the files of, and a more than passing resemblance to, the Shah's greatly loathed security system, Savak.

The surface calm is periodically shattered by abrupt eruptions of violence which then, just as abruptly, subside. Dire predictions notwithstanding, the nationalisation of private property and the general business uncertainty have

not led to severe shortages in the shops of food or other essential items. Huge numbers (one million? two million?) are said to be unemployed. But there is strangely little labour unrest. A heady air of participatory mass politics prevails. Yet civil rights are routinely and mindlessly violated.

The Kurds and other ethnic minorities, who are demanding local autonomy, and the government, which is reluctant to grant it to them, seem to hover forever on the verge of either a comprehensive agreement or a fearful confrontation. The whole country appears at one and the same time to be unusually calm and yet on the verge of a breakdown which, miraculously, never quite materialises.

Normality and disorder exist side by side. Even in post-revolution Iran there is a certain stability. Yet the revolution has released

powerful, and potentially disruptive, aspirations. It has spawned a plethora of political parties, interest groups and ideological schools that are locked in conflict. It has lit a blaze of revolutionary ferment that cannot easily be extinguished. What happens next depends, not least, on the attitude and acts—and now increasingly the health—of the man, Ayatollah Khomeini, who played the decisive role in shaping the course of Iran's revolution.

The mantle of the prophet

Ayatollah Khomeini remains the towering figure of post-revolution Iran. His intolerance for the views of those who do not share his particular Shiite Islamic vision has cut into the near-universal support he enjoyed immediately after the revolution. But his prestige remains immense. Among the mass of the people, he inspires a fierce loyalty. Hundreds of thousands—millions if necessary—would still come out into the streets to answer his call and do his bidding.

He serves as a source of final authority, and thus of unity, both to a country that is today torn by faction and strife and to an inner circle of men who are themselves locked in the struggle for power. The widespread Iranian fear that anarchy will ensue if Ayatollah Khomeini is removed from the scene by illness or death is an indication of the degree to which the country has once again become dependent on one man.

But there are Iranians who argue that the style and content of his leadership contribute to the division and faction. The ayatollah is a man with a vision. He intends to recreate what he believes to have been the ideal Islamic state, based on the Koran and modelled on the first Islamic community under the Prophet Mohammed in the seventh century. He holds that the leadership of the community—political, military, religious, judicial—falls by right to the clerical class, as heirs to the mantle of the Prophet.

The ayatollah is deadly serious about all this. The new constitution embodies his views. It vests supreme power in himself and in a body of religious leaders. And it lays the foundation for the reconstruction of the Iranian state in keeping with his views. The ayatollah never made a secret of his ultimate aims.

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Old mullahs, new rulers

But many of his liberal supporters did not take these aims seriously. They imagined that, having brought about a revolution under Khomeini's banner, they would be able to install a parliamentary democracy, a people's democracy, a bourgeois paradise or whatever it was that they sought. Today they are disappointed men who form part of the new Iranian opposition.

Khomeini's harsh attacks against these groups stem from his view that their pursuit of a secular state, of whatever colour, represents a threat to his Islamic vision. He has thus turned against the former guerrilla groups whose members spent years in the Shah's prisons, against other activists in the revolutionary struggle, against civil rights groups and even against the bazaar merchants whose funds helped fuel the revolution.

He denounced his own former prime minister, Mr Bazargan, for not being sufficiently revolutionary and, although he had once described obedience to the provisional government as a religious obligation, he in the end acquiesced in the destruction of Mr Bazargan's cabinet. He feels that Iranians have been presented with a unique opportunity to recreate the Islamic state. So greatly do opponents of this idea arouse his wrath that he once expressed regret that the hangman's scaffold had not been erected in the great city squares after the revolution to eliminate once and for all the enemies of the Islamic republic.

He believes it necessary to dismantle the governmental institutions of the former regime. He

thrown his weight behind the advocates of continuing revolution in the conflict between those who seek a return to normality (with a normally functioning government, ministries, judiciary and army) and those who favour continued administration by the revolutionary organisations (the revolutionary council, the revolutionary local committees, the revolutionary guard and the revolutionary courts).

True, he has at times seemed to be appalled by the chaos created in industry by workers seeking to run their own factories, by the slow disintegration of the army and by the turmoil created when populist forces are given a free rein. But his criticism of the excesses of the revolutionary courts, committees and guards has been mild and infrequent. He has always defended these groups against the criticism of others and rarely condemns "revolutionary" acts, even though they encourage the same kind of industrial, administrative and judicial disruption that he denounces if the perpetrators are, say, Marxist.

Ayatollah Khomeini feeds the revolutionary temper. He has revived and made current a forceful Old Testament-Koranic vocabulary, rich with resonance for Persians, pitting the forces of God versus the forces of Satan, the faithful versus the idolaters, the owners of luxurious villas in northern Teheran versus the owners of hovels in southern Teheran. He has used this vocabulary to flay the rich, the liberals and the westernisers. All this exacerbates class conflict.

calculation. He is genuinely concerned with improving the lot of the poor. He sees himself as the scourge of privilege and the defender of the dispossessed. He sees the world, in a sense, in terms of a fundamental conflict between the two; and although Iranians may disagree about the best means of achieving a better distribution of wealth, a conflict of economic interests between different layers of Iranian society does underlie some of the present turmoil.

The rhetoric of conflict also maintains the high pitch of public excitement; it thus serves the same purpose as, at least to begin with, was served by the hostages at the American embassy in Teheran. With his unusually sensitive antennae finely tuned to the public temper, Ayatollah Khomeini may at times be reflecting, rather than directing, public opinion. And his hardline attitude has been encouraged by advisers who seek to consolidate their own power.

Ayatollah Khomeini's unchallenged position means that rival groups within the inner circle compete for his support to advance their ends and to discredit their rivals. This intensifies factionalism. To make matters worse there is a tendency to pursue these rivalries by mounting huge demonstrations. Marches and counter-marches—the campaign against Mr Bazargan when he was ousted in November was a typical example—reflect the factionalism of the inner circle. Given the depth of individual ambitions, passions and interests involved, these confrontations have led to surprisingly little violence. But the manner of pursuing both personal rivalries and political differences reinforces a general air of turmoil and it postpones the day when serious problems are seriously confronted. At the same time, it has been polarising Iranian politics. The hardliners on the right and the left have been gaining ground at the expense of those intent on a more moderate course.

The collapse of the centre

One casualty of the post-revolution power struggle in Iran has been the collection of parties and groups that speak for the broad centre of Iranian politics: for the professional, managerial and middle classes, and for their intellectual cousins farther to the left. Since the revolution, the men of the centre and the left have been subjected to continued harassment. Many of their newspapers have been proscribed, their political organisations forced into shadowy existence, their leaders systematically denounced.

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the left was launched practically on the morning after the revolution. Ayatollah Khomeini has repeatedly told them that they played no role in making the revolution. By definition, they could thus claim no share in running, or determining the shape of, the post-revolution government. Their call for a wider range of choice when the first referendum was held a year or so ago to decide on Iran's system of government and their demand for a more representative body when the assembly of experts convened last summer to review the draft constitution were brusquely overruled.

In May, 1979, Islamic militants seized control of the country's largest newspaper, Kayhan, secured the backing of Ayatollah Khomeini for their "revolutionary" act and managed eventually to purge the newsroom staff of liberals and left wingers. In August, the offices of the outspoken liberal-left Ayandegan were occupied by militants and the newspaper itself closed down.

Soon afterwards, the headquarters of the Marxist Fedayin organisation were smashed and some of its members were forced to go underground. A march in support of Ayandegan and the freedom of the press, organised by the left-wing National Democratic Front, was physically disrupted. The NDF leader, Mr Matin-Daftari, a leading civil rights lawyer, had to go into hiding. Subsequently, several other liberal and left-wing newspapers and magazines had to suspend publication.

In September, another prominent civil rights lawyer, Hassan Nazih, then managing director of the National Iranian Oil Company, was hounded out of office. The ostensible reason was his alleged mismanagement of the company. His real crime was that he had publicly questioned the viability of a governmental system based solely on Islamic precepts and the wisdom of policies that were driving educated, skilled Iranians out of the country. Like Mr Matin-Daftari, Mr Nazih went into hiding rather than face the uncertain mercy of the revolutionary courts.

The students who occupied the American embassy in Teheran in November used embassy documents to launch another broadside against liberal Iranians by maligning their attachment to western values and their "gradualist" approach to reform. The documents were merely reports of conversations between embassy officials and various Iranians. But they were used to accuse several men of being agents of American "imperialism".

As a result, Mr Abbas Amir-Entezam, then ambassador to the Scandinavian countries and a close associate of Mr Bazargan, was arrested. Mr Moqaddam-Maragheh, leader of the radical party,

member of the assembly of experts and an associate of Ayatollah Shariat-Madari went into hiding to avoid a similar fate. By mid-November, the Bazargan government itself had been swept away by the militant tide.

In January, the leader of the Islamic-Marxist Mujaheddin organisation, Mr Rajavi, was induced, by conditions laid down by Ayatollah Khomeini, to withdraw from the presidential election. In February, the information minister, Mr Nasser Minachi, was briefly detained when the students claimed that embassy documents pointed to links between him and the CIA; he was released on the orders of the revolutionary council.

The case of Ayatollah Shariat-Madari illustrates the present weakness of the



The gun is never far away

political moderates. Ayatollah Shariat-Madari has an important regional power base in Azerbaijan, where several million Turkish-speaking Iranians regard him as their spiritual leader. His criticism of the excesses of the revolutionary courts and committees and the arbitrary confiscation of private property appeals to the middle class. But when his followers took to the streets in December to protest against the new constitution and to confront Khomeini's adherents, Shariat-Madari—moderate man that he is—sought to rein them in. A collision was thus avoided. But Ayatollah Shariat-Madari has since retreated into dignified silence, while the Islamic Republic People's party, with which he is closely associated, has announced that it is suspending itself

The tactics employed by the Islamic militants in almost all these confrontations have followed a set pattern. First, the Islamic or revolutionary credentials of a person or group are called into question; then "documents" are produced linking the target of the attack with the former regime, American "imperialism" or Zionism; this is followed by a mass publicity campaign, employing the considerable resources of radio and television, designed to blacken reputations by innuendo and spurious accusation. Where necessary, militants have been on hand for physical intimidation or to take over premises; and at times the huge street demonstration—the battering ram of the radical right—has been deployed to overwhelm by sheer force of numbers.

The centre parties and their supporters have been unable to evolve a counter-strategy to these attacks. By virtue of the support they enjoy among the professional and administrative elite, they exert a weight out of proportion to their numbers. But they remain in a minority: a distinct disadvantage when the street crowd has become a lever in the political process.

The merchants of the bazaar, once staunch supporters of the revolution and now made anxious by its economic radicalism, could provide powerful support. But they are made uneasy by the leftist economic views of the intellectuals and academics who tend to be the most vocal in the centre parties. The ranks of the old technocratic and managerial elite have been diminished by purges and by a post-revolution exodus to Europe and the United States. Their self-confidence has been eroded by the attacks of the Islamic militants on their western education and orientation—and on the fact that, materially, they did not do badly under the old regime.

Left, ahead

In a sense the parties of the extreme left have fared better than the parties of the centre. The Tudeh (communist) party, as always faithfully following the Moscow line, has given its full support to Ayatollah Khomeini and chimed in with the Islamic militants in denigrating the liberals. Despite the hostility towards the communists initially expressed by Ayatollah Khomeini, the Tudeh party has thus been free to publish its newspaper and to maintain party offices in various cities. Sidewalk hawkers outside Teheran University do a brisk business in the sale of Tudeh publications and other Marxist literature, much of it printed in Persian in the Soviet Union.

Other left-wing parties have done less well. But much of the left's economic

programme is now endorsed and implemented by the Islamic right. Mr Abolhasan Bani-Sadr, first as finance minister and now as president, has reinterpreted Islam to incorporate socialist doctrine. Nationalisation, extensive state control over the economy, a worker's right to the fruits of his own labour and to the means of production are features of this new Islamic economics.

When the Fedayin and the Mujaheddin organisations announced their similar programmes a fortnight after the revolution a year ago, they caused shudders in Teheran and Qom with their call for sweeping nationalisation, the takeover of multinational companies, the expulsion of foreign experts, the organisation of a people's army, local autonomy for ethnic minorities, land for the peasants and the administration of factories by workers' committees. But now much of the nationalisation programme has been implemented. The authorities themselves have taken up the cry of "land to the peasants" and, unwillingly, have acquiesced in the takeover of housing by students and revolutionary committees.

Despite earlier hopes of reconstructing the army, the revolutionary guards are now enshrined in the constitution and are being developed as a counter to the regular army. The parties of the extreme left have joined those of the extreme right in applauding "revolutionary justice", the "revolutionary" confiscation of property and similar acts.

On some issues the two extremes still fight one another. On local autonomy for ethnic minorities, the radical right and the radical left are still at daggers drawn. But on other issues the extremes have come full circle. That the rhetoric of Islamic militancy incites factory workers against their capitalist masters is a case in point. The combination of popular pressure, revolutionary ferment, reinterpreted Islamic doctrine and sheer expediency explains the leftward drift of the Iranian revolution and the weakening of the moderate centre of Iranian politics.

An economy of divine harmony

Those who see a communist plot behind every act of nationalisation, every factory disruption or every denunciation of the west have not grasped the nature of Iranian Islamic militancy or the powerful ferment that fires the momentum of the revolution. This trend towards Islamic radicalism is readily evident in the economy.

The Iranian economy is undergoing a transformation. Large sectors of it, previously privately owned, are coming un-



Patiently waiting

der state control. Banks, insurance companies, major industries and many smaller industrial units have been nationalised. Mr Bani-Sadr says that he will nationalise foreign trade as well. Privately owned, undeveloped urban properties of more than 1,000 square metres have been taken over by the government. Many major companies, particularly contracting and consulting firms handling large government contracts, are being supervised by government-appointed financial managers.

These trends are likely to continue. The men around Ayatollah Khomeini, including, and indeed particularly, Mr Bani-Sadr, came to power with a bagful of economic ideas that seem to lead, whatever the professed intentions of the policymakers, inexorably towards the extension of state control. Mr Bani-Sadr is the most influential exponent of the new economic theories of the Islamic republic. He provided the major push for the nationalisation of banks and industries. Now installed as president, he has undertaken to "reorganise" the Iranian economy.

The revolution, it is true, was supported and heavily financed by the bazaar merchants. Initially, at least, Islam was said to respect private ownership and honest trading. The revolutionary government came to power believing it was going to reduce state interference and leave the people, including those involved in business, to run their own affairs. But inherent in the attitude of Mr Bani-Sadr and his colleagues is a marked hostility to accumulated wealth and espe-

cially to the "modern" industrial sector of the economy.

Industries that thrived under the Shah's regime are considered to have been exploitative in nature, locked in a "client relationship" to the multinationals and in any event of doubtful value because they concentrated on foreign-owned assembly plants. Foreign economic links, especially those with big American and European firms, are eyed with suspicion; so is bigness in general, whether in large-scale agriculture or in industrial concentration.

There is much emphasis on ending "dependence" by going for basic industries and seeking self-sufficiency in agriculture. There is also a genuine, if populist, commitment to the cause of the poor and to extensive redistribution of wealth.

All this seems to add up to extensive state intervention. Mr Bani-Sadr has a vision of an "economy of divine harmony" in which material benefits will be justly distributed. Restructuring the economy to achieve it will clearly require a lot of tinkering by the state, and will necessitate, in Mr Bani-Sadr's view, state control over the means of production, credit and resource allocation, and foreign trade.

A powerful pressure from below for a more egalitarian society is likely to reinforce the trend towards state intervention. Ayatollah Khomeini, who has headed the revolutionary government's housing foundation, causes panic among the propertied classes when he wonders aloud why one family occupies a many-bedroomed house while another is homeless; or when he demands power to take over all empty houses and apartment blocks, to fix rents and even the prices at which real estate changes hands.

But the large majority of less-well-to-do urban dwellers (and also the land-hungry peasants) are stimulated by such talk. Students in the autumn had begun forcefully to occupy empty apartment blocks (and, for a while, under-used hotels) and to turn them into dormitories. Their counterparts in the factories interfere in the management of plants and elect workers' councils to run them.

This intensifies business uncertainty. Many smaller industrial units have been left alone. But owner-managers are reluctant to commit themselves to new investment or import orders. The predilection of revolutionary committees to arrest industrialists, and of workers' councils to take them hostage, is causing many industrialists to opt out altogether. Shortages of raw materials and spare parts, liquidity difficulties and other such problems combine to invite further state intervention either to "discipline" managers or to prevent close-downs and lay-offs.



Backward is the amazon cry

Unless such difficulties are overcome, more and more ailing industries will fall in the government's lap.

Until now, the disruptive effects of these developments have been somewhat muted by a number of factors. Industries are drawing on stocks, running down assets and ignoring their bank debts. The government has ensured that workers' wages are paid either by twisting managements' arms or by providing a hidden subsidy in the form of loans. Demand has remained buoyant partly for this reason and partly because of the large wage increases given to militant employees in both the public and private sectors, before and after the revolution.

The bazaar has proved an astonishingly resourceful and resilient organisation, finding new sources of supplies (chiefly imports to replace failing domestic production), maintaining the domestic distribution network and shifting, because of a loss of confidence, from a system of trade heavily dependent on credit to cash-financed transactions. In fact, the government's propensity to leave the bazaar alone (the bazaaris financed the revolution and the country's new rulers, displaying a surprising conservatism for revolutionaries, are less hostile to traditional bazaar trade than to industry) has been a boon. More state interference would cer-

tainly have meant more disruption of the economy.

The unemployment resulting from the economic slowdown has been blunted by a boom in cheap, do-it-yourself housing construction. Thousands of families inhabiting the bidonvilles of Teheran have taken advantage of the absence of municipal authority to knock up dwellings in previously restricted areas, on private land and outside the city limits. These new "instant slums" will no doubt cause headaches later on. At the moment, they provide employment and make a great many families happy.

Staggering economic problems will confront the authorities as soon as they stop a moment and look hard—not least at the large exodus of members of the managerial class. Productivity in local industries has fallen sharply and the role of the private sector has been greatly reduced. Government takeovers simply mean an extension of inefficiency. The faith of Mr Bani-Sadr in state control notwithstanding, not a single major state-owned industry (petrochemicals, steel, machine tools, tractors, aluminium) was profitable in the Shah's time.

Although roads are being built and some other projects are being started up again, very little money is being spent on development. The hostility to foreign

firms, and the disputes over claims, prevent pre-revolution projects from being completed. "Revolutionary" civil servants, appointed to head government departments, are afraid to take any decisions at all. Mr Bani-Sadr reported in the autumn that although current spending was mounting, the government had not been able to spend the development funds allocated in the budget.

The size of oil revenues (probably nearly \$30 billion this year for exports at half the level prevailing before the revolution) is both a blessing and a curse. It permits the government to subsidise a basically failing economy—and makes it easier to ignore difficult problems and put off the day of reckoning.

This is more the pity because it would in fact take very little to turn the situation around. Oil revenues are already generous and could be increased to finance a substantial development programme, especially now that billions are no longer being spent on weapons. Despite purges and emigration, the Plan Organisation, the central bank and other government bodies contain economists, planners and managers of wide experience who are eager to contribute if only someone would let them. The bazaar community is powerful and strong. The instinct for trade and business runs strong in Iran.

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and there could be a vigorous private sector again (active in commerce, very cautious in industry) if there were some guarantee of stability and less government interference.

But no such turnabout is imminent. Instead, the populist temper will encourage continued abuse of the private sector. At the same time plenty of economic theories are still waiting to be tried out and will not be abandoned until they are seen to fail—and oil revenues will continue to encourage experimentation and disregard for the mounting problems.

A swallow heralding the spring?

Last month, before the presidential election, with Azerbaijan seething and the authorities still speaking with a dozen voices, most observers regarded the prospects for an end to Iran's political turmoil as bleak. Today, after the election of a "moderate" as the first president of the Islamic republic, and with danger of a different kind threatening from Afghanistan, there is a gleam of optimism that the domestic situation will somehow clear up and the American hostages somehow be released. Commonsense would suggest that, in a country as volatile as Iran, some factors in the equation have changed with the election of Mr Bani-Sadr as president; many more have not.

Mr Bani-Sadr rode to victory on a 75% majority of votes cast. The candidate of the Islamic Republic party, which until now has dominated Iranian elections and referendums, received pitifully few votes. This gives Mr Bani-Sadr a wide-ranging mandate: huge rallies mounted against him by, say, Moslem hardliners would not be credible.

And whereas Mr Bani-Sadr's economic theories can drive more traditional economists to distraction, he has shown commonsense and courage on a number of issues. He was the first public figure in Iran to condemn, without hedging, the Soviet invasion of Afghanistan. He has told the students holding the hostages at the American embassy that their action is illegal. He has suggested that public recognition of the deposed Shah's "crimes", rather than his physical return to Iran, is the main issue; this had led, with what result is not yet known, to the formation of a UN commission of inquiry.

Mr Bani-Sadr is also likely to be more tolerant of critics and opponents than the Islamic hardliners. He himself has in the past been critical of the lack of objectivity in radio and television news reporting. The parties of the centre and the left may now be able to surface again and publicise their views more openly.

He is no friend of the United States. But, a strong nationalist, he is likely to try to strike a better balance in Iran's foreign relations between the United States and the Soviet Union. He has said that he will oppose the Moslem hardliners and end the monopoly of power that certain religious elements have been seeking to achieve.

All this is known and has already been said. But, where economic policy is concerned, Mr Bani-Sadr is no moderate. He is likely to press on with a "restructuring" of the Iranian economy which could take many years to work itself out. He is a prime advocate of "Islamicisation". So the attempt to "restructure" Iran's institutions, as well as its economy, will also go ahead, although perhaps with more restraint.

At the same time, there is little indication that the deep conflicts now dividing Iranian society have been resolved. Forces sympathetic to Mr Bani-Sadr in the inner circle around Ayatollah Khomeini, and in the revolutionary council which the president now chairs, have risen to the top. But this may prove to be just a round, not a final victory. Mr Bani-Sadr does not yet have the authority or power to eliminate the rival centres of power that he, like Mr Bazargan before him, complains about. And, as happened with Mr Bazargan, his support on the streets may fade. A year ago, huge rallies were marching in support of Mr Bazar-

gan; in November they were marching to denounce him. Mr Gotbzadeh, the foreign minister, who received less than 1% of the vote last month, was being defended against his critics by huge crowds less than a year ago. Mr Bazargan also discovered that Ayatollah Khomeini's support can be withdrawn as totally as it was once extended.

Nor is it at all clear how the new constitutional arrangements will work out in practice. On paper, the constitution vests supreme authority over virtually all the departments of the state—the judicial apparatus, the army, large parts of the executive, even legislation—in the clerical class. It is a constitution whose implementation will be fraught with difficulties, precisely because it has been tailored to ensure the supremacy of one man and—after him—of one class of people.

Ayatollah Khomeini's heart attack in mid-January was a reminder that even this over-powering personality is not immune to the ravages of time. A power struggle of fearful proportions could break out at his death. To be sure the country's genius for compromise has surprised many in the past. The forces pushing the country towards polarisation, as Mr Bani-Sadr's election indicates, have not yet neutralised the strong impulse for sensible solutions. But it is much too early yet to say that Mr Bani-Sadr's presidency is the swallow that heralds the spring.



Bani-Sadr: praying for guidance?

the budget on March 26th. The chancellor has been preparing his audience for a harsh one—even for a failure to index tax thresholds, which he is required to do by law unless he can persuade the house of commons to agree otherwise. What the treasury appears to be groping towards is a link between three kinds of indexation—of direct and indirect taxes and social security benefits. At present, income taxes and social security benefits are fully linked to prices; but the duties on tobacco, spirits and petrol are not. The chancellor might signal the need for real wage cuts by offering something less than full indexation on all three. He might then choose to “give away” £1 billion or so by cutting the employers’ national insurance surcharge, which could be a better way of boosting companies’ cash flow than messing about with corporation tax. But that would depend on his ability to squeeze the public sector borrowing requirement down to the £9 billion or so expected this year—which means, in real terms, a very sharp decline.

Sir Geoffrey still appears doggedly determined to reduce public-sector borrowing, in order to have some hope of bringing interest rates down. *The Economist*

has urged him to go easy on this, as the economy slides into recession. We accept that lower interest rates might ease some of the private sector’s problems. But that is no use if more cheaper money is simply borrowed in order to finance higher wage settlements.

The urgent task for the government is to influence the bargaining climate by taking a clear lead in the public sector, and moving towards the kind of pay forum it talked about in opposition. That should not be regarded as a U-turn. The time to talk is when inflation is expected to come down—as it will, for at least a moment, when last summer’s rise in value added tax drops out of the year-on-year price index next summer. It will not do to wait for another autumn and make the luckless local authorities (providing services the public actually wants) and the nationalised industries (at least trying to operate in the market place) bear the brunt of the squeeze when their next cash limits are set. That will be too late. The place to start is in the belly of the public sector—in Whitehall. Tough luck for the civil servants that they should be butchered to make a public sector pay policy? Tougher luck for Britain if they are not.

Five to get out fifty

But can they?

Do the five distinguished gentlemen who are about to be sent by the United Nations to listen to Iranian anger against the Shah hold a key that will unlock the embassy-prison which holds the unfortunate American hostages? Probably not—even if they get as far as Teheran (their ability to get beyond Geneva was, at mid-week, not entirely certain as Iran and the United States, with the UN unhappily in the middle, tussled over the commission’s terms of reference). In whatever way that fracas is resolved, the key to the hostages’ release is still clasped in the frail but implacable fist of Ayatollah Khomeini.

Rebuff, hope, rebuff

Hope burst out last week when Iran’s President Bani-Sadr told *Le Monde* that the hostages might be freed “in the next few days”. Mr Bani-Sadr speaks with more authority than any other non-clerical Iranian: he has solid popular backing, as shown by the unexpectedly heavy vote for him at last month’s presidential election; he has the ayatollah’s support, as shown, most recently, by Khomeini’s decision to delegate to him the command of the armed forces. Although no “moderate” (see the special article from Iran starting on page 29), he is not insisting on the Shah’s extradition as the price for the hostages’ release. All this seemed encouraging enough for Mr Kurt Waldheim, the UN secretary-general, to rout out five—one hopes—good men and true (from France, Algeria, Syria, Venezuela and Sri Lanka) and despatch them on their way to Teheran. If Iran were in search of a face-saving mechanism to get

itself off the hook of hostage-holding (which Mr Bani-Sadr, pre-empting criticism, has admitted is neither humanitarian nor legal) the sending of this commission of inquiry would provide one. For several substantial reasons it is not that simple:

- The fact that Mr Bani-Sadr is not as depressingly awful about the hostages as some of his fellow-countrymen has muffled the toughness of the conditions he has made for their release. These are America’s admission of wrongful connivance in the Shah’s regime, and a promise not to intervene again, plus a promise to do nothing to prevent the return of the Shah and his fortune to Iran. Mr Carter has already, correctly, said that the United States sees no cause to beat its breast in repentance. It is hard to see how it can get its hands on the Shah’s fortune, to keep or return. And its influence in Panama will surely be used to prevent, not to encourage, the Shah’s extradition.

- Although Mr Bani-Sadr has more authority than any other lay Iranian this is not, after all, to say very much. He has chastised the embassy students but they have not signalled that they are prepared to obey him. On the contrary: they listen to the ayatollah alone.

- The notion that the commission can whizz through the investigation in a week or so is candyfloss. A vast queue of witnesses will be waiting to complain about the Shah’s abuse of human rights; a mountain of bums can be produced to prove that America backed the Shah’s government. The question is at which point the commission states that it will not proceed with its inquiry unless the hostages are released: the answer,

