
Markte und Mauern: Erhard's Economics and the Cold War

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Between the Berlin Blockade of 1948 and the Berlin Crisis of 1961, the economy of West Germany underwent a massive transformation, overseen by then Chancellor Konrad Adenauer, as it tried to reintegrate into the world market—a system by this time thoroughly controlled by the Americans. The economic minister of the Adenauer administration was a fellow CDU (Christian Democratic Union) affiliate named Ludwig Erhard. The public credited Erhard (along with Adenauer) with what is termed the *Wirtschaftswunder* or the economic miracle. The West German economy recovered at a rate that, in comparison to other European countries, seemed miraculous.

Erhard is often described as the father of West German economics. He grew up in a lower-middle class family in Bavaria. Newspapers described a rotund, cigar chomping, rosy faced man with an unflappable charisma.¹ Erhard's new economic program combined with the relative prosperity of the West German state proved both the blessing and diplomatic tool that the United States government felt necessary to help foster strength and prosperity in the West. The wealth of this new German state, however, had unintended consequences. Through economic reform, the position of the Germans started to shift from a burden to the United States to an affirmation of its values, which increased West Germany's significance throughout the Cold War. As a result, tensions between the United States and Soviet Union grew and culminated in the building of the Berlin Wall (1961), a visual manifestation of the Iron Curtain drawn across Europe. This signaled the end of the Adenauer era and kickstarted a short era under Erhard as chancellor.

This paper begins by examining the background of the Cold War in terms of economics, focusing on Germany's significance in the emerging economic system. It starts with the beginning of the occupation where people lived on rations and traded in cigarettes and cognac. Then it moves to Erhard's early years as the economic minister, when his actions both clashed with and impressed the US occupying forces, as he shut down price controls and presided over the creation of the *Deutschmark*. After this point, the study shifts to explain the role of Erhard's economics in the realm of diplomacy between the United States and West Germany in the leadup to the second Berlin Crisis. Finally, the work will touch on the broader implications of the economic state of West Germany up until the end of the Berlin Crisis under Kennedy in 1961. Erhard came up with his own, albeit somewhat unorthodox solution to the 1961 Berlin crisis, but was ultimately shot down. After which point, West Germany transferred from the Adenauer age to Erhard's own short-lived chancellorship. The impact of West German economics on diplomacy lasts even to the present day in our globalized world. We begin, however, in a very different world where the roots of the German economic revival lie in the end of the occupation and beginning of the Cold War.

After World War II, the remnants of Weimar Germany's Catholic Central Party reformed their party as the new Christian Democratic Union. Its purpose was to be a more inclusive Christian

¹ Von Alexander Marinov, "Ludwig Erhard: Der Zigarrenmann Und Das Wirtschaftswunder," *Westdeutsche Zeitung*, May 11, 2009, <http://www.wz.de/home/politik/ludwig-erhard-der-zigarrenmann-und-das-wirtschaftswunder-1.126492>.

party in 1945 to move beyond the religious divisiveness of the past. The CDU was not always United States' ardent anti-communist ally in central Europe. Early on, Adenauer was baffled by the initial distrust the CDU faced from the allies, particularly from the British forces, who seemed to trust Social Democrats or even the German Communist Party, rather than this new center right Christian party. Adenauer attributed this to British suspicions that the CDU was founded by former Nazis.² Nevertheless, by 1946, Adenauer's CDU was represented within the provincial government with seven fixed seats, putting it on par with the communists and the Social Democrats in the North Rhine Province.³ By the late 1940s, the CDU would assert itself as a dominant force within the new Germany. To Adenauer, only a party with great moral conviction and strong roots within the 'Western-Christian' tradition could halt the threat of communism to Germany.⁴ Adenauer described the function of his authority as mainly economic, seeing as this council controlled the industrialized Ruhr valley. Erhard was quick to point out, the Ruhr Authority was independent of the British High commission, since it was established as an independent body in the late 1940s, due to the struggle between the occupying powers to control what was then the industrial heartland of Germany, even though the Ruhr itself was under British control. The French and the Russians demanded international control of the Ruhr.⁵ Secretary of State James Byrnes struck a compromise through the Ruhr Agreement, which formed an independent international body with France, Germany, the US, and UK to oversee Germany's coal.⁶ Despite its independence, the organization depended on US loans.⁷

At the start of 1947, it seemed unlikely that West Germany would become the bastion of American style liberal economics in the face of Soviet Communism. While the Christian Socialists in Erhard and Adenauer's party rejected Stalinism, their faction within the CDU was heavily critical of capitalism. Yet Adenauer himself was no fan of socialism. In the party's protocols, Adenauer was once quoted saying: "With the word socialism we win five people, and twenty others run away."⁸ Nevertheless, Adenauer eventually compromised with the more socialistic elements of his party in the Christian Socialist Union, and thus in February 1947, the CDU created the Ahlen Program. The program was heavily critical of capitalism. At a meeting in the British zone of occupation, the CDU put forth the following proclamation:

The content and goal of this new social and economic order can no longer be the capitalistic pursuit of power and profit; it must lie in the welfare of our people. A socialist economic order must provide the German people with an economic and social framework that accords with the rights and dignity of the individual, serves the intellectual and material development of our nation, and secures peace both at home and abroad.⁹

Erhard was good friends with a figure responsible for reviving a style of economics long considered the antithesis to socialism—Friedrich Hayek, a man who would go on to found what is commonly known as the Austrian school of economics, a revival of the free market, classical liberal

² Konrad Adenauer, *Adenauer Memoirs 1945-1953* (Chicago: H. Regnery Co., 1966), 153.

³ Adenauer, *Adenauer Memoirs*, 154.

⁴ Adenauer, *Adenauer Memoirs*, 45.

⁵ Yoder, Amos, "The Ruhr Authority and the German Problem," *The Review of Politics* 17, no. 3 (1955): 352-353.

⁶ Belgium, Luxembourg, and the Netherlands also were in this international body, but their votes amounted to 1/3 of those of the major powers.

⁷ Adenauer, *Adenauer Memoirs*, 186.

⁸ Georg Stötzel and Martin Wengeler, *Kontroverse Begriffe: Geschichte des öffentlichen Sprachgebrauchs in der Bundesrepublik Deutschland* (Berlin: Walter de Gruyter, 2013), 38.

⁹ "The Ahlen Program (February 1-3, 1947), from a Pamphlet by the National Office of the CDU (Bonn, n.d.); Reprinted in Ossip Kurt Flechtheim, *Die Parteien Der Bundesrepublik Deutschland [The Parties of the Federal Republic of Germany]*, Hamburg, 1973, p. 157.

economics. Erhard was Bavarian himself; Hayek from Austria, which gave him a similar cultural background to Hayek's. He belonged to an economic group that called themselves the *Ordoliberal*s in the University of Freiberg. This group did not buy wholly into the laissez faire ideas of some classic liberals.¹⁰ Erhard portrayed himself as more of a moderate in his economic thought, and he espoused a golden middle path for the future of the German economy.

Despite the perceived economic power of the West's brand of capitalism, Erhard put forth a program for a new type of "hybrid" economy, dubbed the "social market economy," which continues to drive German economic policy even today.¹¹ Erhard loosely defined this new economy in his preface of his book, *Prosperity Through Competition*, as: "overcoming the age-old antithesis of an unbridled liberalism and a soulless State control, to finding a sound middle way between out-and-out freedom and totalitarianism."¹² Erhard made frequent use of the press, such as the American backed *Neue Zeitung*, to promote his economic ideas in concert with other organizations of neoliberal economists. Through the *Neue Zeitung*, he called on the Allies to adopt currency reform as soon as possible.¹³ At this point, the Germans still heavily relied on an underground market of bartering with cigarettes and cognac. People hoarded goods as they would have under a communist system, so there was no real economic growth from about 1945 to early 1947.¹⁴

Erhard envisioned a bigger role for Germans to determine their fate through deregulation. While some of the occupation authorities, particularly the British, viewed this as a threat, others sought to use Erhard as a counterweight against the forces of socialism. For this reason, Americans involved in the restructuring of Germany saw an opportunity to showcase the power of capitalism in contrast to communism. Erhard offered his services to the occupying forces as early as 1945, which earned him a post as the economic Minister of Bavaria, the largest province in Germany and right in the heart of the American zone of occupation. His house still lay in ruins after an Allied bombing, so Erhard was staying with friends in Fürth-Dambach. His main task was to restore the municipal economic office and promote the reindustrialization of the region.¹⁵ Erhard was put on an economic council formed by General Lucius Clay, US military governor of Germany. There he spoke out against the dismantling of BMW and argued for more German responsibility in the economy. Many of the occupying forces were wary of these ideas.¹⁶ But Clay was more open. In particular, the general had wished to push for West German economic superiority in relation to the East since the very beginnings of the occupation. Rations became a means of economic competition in Clay's eyes. The general rejected the authority's proposal to reduce rationing in the US zone. He wrote: "there is no choice between becoming a Communist on 1500 calories and a believer in democracy on 1000 calories. It is my sincere belief that our proposed ration allowance in Germany will not only defeat our objectives in middle Europe, but will pave the road to a Communist Germany."¹⁷ Over time his attitude only intensified. In 1947 Clay wrote in a letter, "I still believe we must proceed vigorously with revival of German economy.... if we are to save Germany from chaos and communism."¹⁸

¹⁰ Daniel Yergin, *The Commanding Heights: The Battle between Government and the Marketplace that is Remaking the Modern World* (New York: Simon & Schuster, 1998), 34.

¹¹ "Combining Market Economy and Social Inclusion," Government, Federal Ministry for Economic Affairs and Energy, <http://www.bmwi.de/Redaktion/EN/Dossier/the-social-market-economy.html>, accessed December 7, 2018.

¹² Ludwig Erhard, *Prosperity through Competition* (Ludwig von Mises Institute, 1958), x.

¹³ Alfred C. Mierzejewski, *Ludwig Erhard: A Biography* (Chapel Hill: University of North Carolina Press, 2005), 57.

¹⁴ For more on this see: Loren Gatch, "From Black Market to Barter Mart in Postwar Germany," *Paper Money* no. 275 (October 2011): 364-372.

¹⁵ Mierzejewski, *Ludwig Erhard*, 50.

¹⁶ Mierzejewski, *Ludwig Erhard*, 52.

¹⁷ Lucius Clay to Oliver Echols and Petersen, "103. Food Situation in the U.S Zone," March 27, 1946, in Lucius D. Clay, *The Papers of General Lucius D. Clay*, ed. Jean Edward Smith (Bloomington: Indiana University Press, 1974), 184.

¹⁸ Lucius Clay to Royall, "240. French Obstructionism," July 28, 1947, in *The Papers of General Lucius D. Clay*, 390-391.

With Clay's support, Erhard was appointed the joint British-American zone's economic director in 1948. He played an integral part in the German recovery, as it was Erhard who delegated the flow of supplies from the US military into Germany. During this time, he was still working part time as a professor of economics.¹⁹ One of his first acts would be to pass the *Leitsätze Gesetz* or "guiding principles law" through the economic council, behind the backs of the allied powers in June of 1948. This law would in affect ban all rationing. It would also lift all the price controls. Erhard believed that the British would veto this bill if given the chance, so he circumvented authorities. When the French, British, and Americans found out about Erhard's plan, they initially grew nervous.²⁰ According to the oft repeated story from Erhard's friend, Hayek, Lucius Clay called Erhard to his office. "Professor Erhard, my advisers tell me you are making a big mistake," Clay told him. "Don't worry, they told me the same thing," replied the economist.²¹ Erhard maintained that he acted within his authority.²² Clay agreed. In fact, he sympathized with what Erhard was doing. The Allies decided to approve Erhard's plan, which truly went into effect June 30, 1948.

This, combined with Erhard's currency reforms just three days earlier, made his new free market policies a success in the eyes of many. In just a few weeks after Erhard announced currency reform, the vendors of West Germany could acquire products in quantities not seen since 1938. The bizonal economy was revived, productivity rose, and German workers no longer had to rely on the black market for basic goods.²³ From this point on, Erhard was known as the father of the *Wirtschaftswunder*. The Americans, French, and British would not dare remove him from his post due to his growing popularity. Occupying authorities like Clay knew they could work with Erhard, but to some extent they were still wary. The CIA noted his rapid rise from an economics professor to an international political figure. Erhard campaigned almost as much as Chancellor Adenauer. He even wrote for American and English newspapers. Despite this, authorities noted he was noticeably quiet on international affairs outside of his support of NATO and integration within Europe.²⁴ In the Spring of 1949, Erhard attended meetings with the Soviets where the German leaders discussed the policy of political unity, but the real subject of concern was the maintenance of East and West Germany's economic united front in the face of the first Berlin Crisis.²⁵ Many revisionist historians attributed the partition of Germany to growing differences between the two zones.²⁶ Erhard's economic reforms did in fact drastically increase disparities between the two zones. Despite his later popularity, in some ways, the Bavarian professor turned economic minister made West Germany a victim of its own success. The consul general, however, noted the opportunistic nature of the West German politicians, which only seemed to be fueled by the fact that Russia could be on Germany's doorstep any minute.²⁷

After the resolution of the Berlin Blockade and the elections of 1949, Erhard advocated close cooperation with both America and Britain. Those who advocated such ties were known as

¹⁹ Mark Spicka, *Selling the Economic Miracle: Economic Reconstruction and Politics in West Germany, 1949-1957* (New York: Berghahn Books, 2007), 38.

²⁰ Christian Glossner, *The Making of the German Post War Economy* (London: I.B. Tauris, 2010), 57-58.

²¹ F. A. Hayek, *The Fortunes of Liberalism: Essays on Austrian Economics and the Ideal of Freedom* (New York: Routledge, 1990), 194-195.

²² Mierzejewski, *Ludwig Erhard*, 70.

²³ Mierzejewski, *Ludwig Erhard*, 72.

²⁴ CIA, "West Germany's Ludwig Erhard" (May 29, 1959), *Current Intelligence Weekly Summary*. https://www.cia.gov/library/readingroom/docs/ERHART%2C%20LUDWIG%20VOL.%202_0059.pdf, accessed April 15, 2018.

²⁵ "The Consul State General at Bremen (Altaffer) to the Secretary of State," March 15, 1949, *Foreign Relations of the United States*, 1949, vol. III, Council of Foreign Ministers; Germany and Austria, 1949 (Washington, D.C., 1974), 224. [Hereafter *FRUS* and vol. number]

²⁶ For an example of revisionist scholarship see: Carolyn Eisenberg, "Rethinking the Division of Germany," in *Rethinking the Cold War*, ed. Allen Hunter (Temple University Press, 1998), 47-61.

²⁷ "The Consul State General at Bremen (Altaffer) to the Secretary of State," March 15, 1949, in *FRUS*, 224-225.

Atlanticists. However, this would also put Erhard at odds with people like Adenauer, who advocated closer ties with France (also called Gaulists). The culmination of ties between Germany and France became an important foundation of the integration of Europe. Erhard was involved in the creation of France and Germany's shared market, despite his protestations to the office of German affairs. Erhard told the office's director that he was there to focus purely on economic issues, rather than the larger political issue of Franco-German relations.²⁸ Meanwhile, Erhard made frequent trips to Washington to talk economics with the Americans. In 1953, the United States enacted a cultural exchange program with Germany which promoted a "free cultural exchange" between the nations. Erhard was both a participant and a proponent of the program. The idea was that it would increase German understanding of the United States.²⁹

Erhard did not just have to contend with improving his understanding of the United States. In the new world of the Cold War, the United States labored to facilitate the Schuman Plan to promote unity between old rivals turned Cold War allies. Once again, economics became the basis of solving the longstanding political problem between Germany and France: in this case, the Saar region, which had been heavily industrialized and a source of contention between the two nations for decades. Erhard drafted an economic settlement which said that the Saar region would be liberalized and made an area for French goods to enter duty-free.³⁰ During the early 1950s, the United States also mediated between Erhard and the British government. One issue was West Germany's inability to provide sufficient scrap metal to Britain. Parliament expressed hope that it could reach a satisfactory agreement with Erhard, who rejected the British proposals without making a counterproposal. The British hoped US officials could press the West Germans to meet the obligations, or there would be very serious consequences.³¹ In the end, Erhard became a proponent of an integrated Europe, countering Secretary Dulles' more pessimistic view on the matter. Erhard believed not only that Germany could be unified, but so could Europe through free trade and travel. In addition, he believed wealthier nations could fund aid to weaker ones such as Italy.³²

In 1957, Erhard was appointed to vice-chancellor, and by 1959, Erhard seemed like a likely candidate for the next German chancellor, so US officials were already predicting how he would act in that position. Adenauer grew to resent Erhard's popularity over the two-year period they worked together in the chancellery. Adenauer went on record saying that Erhard did not have what it took to be chancellor, even if he was talented.³³ Their relationship quickly became embittered over time as the result of differing approaches to foreign policy. Erhard frequently overreached in his capacity as minister, but his position as the father of the *Wirtschaftswunder*, as well as his unusual charisma, made him a powerful candidate for the office. His platform was not backed by nationalism, but rather his vision of "Prosperity for All."³⁴ This applied not only to his domestic policy, but his foreign policy as well.

²⁸ "Memorandum of Conversation, by the Acting Director of the Office of German Affairs (Lewis)," November 23, 1953, in *FRUS* vol. VII, Germany and Austria, 1952-1954, No. 233.

²⁹ Henry J. Kellermann, *Cultural Relations as an Instrument of US Foreign Policy: The Educational Exchange Program between the United States and Germany 1945-1954* (Washington, D.C.: Department of State, 1978), 159.

³⁰ "Memorandum by the Director of the Bureau of German Affairs (Riddleberger) to the Secretary of State," March 29, 1953, in *FRUS* vol VII, Germany and Austria, 1952-1954, No. 172.

³¹ "The Acting United States High Commissioner for Germany (Hays) to the Secretary of State," June 30, 1951, in *FRUS* 1951, vol IV, Europe: Political and Economic Developments, No. 64.

³² "The Acting United States High Commissioner for Germany (Hays) to the Secretary of State," June 07, 1955, in *FRUS* 1955-1957, West European Security and Integration vol. IV, doc 97.

³³ "Telegram from the Embassy in Germany to the Department of State," June 22, 1959, in *FRUS*, 1958-1960, The Berlin Crisis, vol. III, doc 413.

³⁴ Ronald J. Granieri, *The Ambivalent Alliance: Konrad Adenauer, the CDU/CSU, and the West, 1949-1966* (New York: Berghahn Books, 2004), 191-192.

Erhard's use of economic soft power continued after Adenauer resigned in 1963, and the economist took the position of chancellor. Upon his appointment, Erhard concocted a scheme that may have very well been the ultimate culmination of his belief in soft power. When he faced the second Berlin Crisis as the Soviets blocked off East Berlin, it occurred to him that perhaps he could simply *buy* East Germany. Erhard would offer grants in return for Khrushchev giving the Germans something back in return: a gradual phasing out of the wall, culminating in reunification. While the Americans concluded the idea was unrealistic, they did not wish to discourage Erhard from using his "economic tools."³⁵ The acting Secretary of State George Ball sent a message to President Kennedy that Erhard became preoccupied with this idea.³⁶ Erhard had spoken of how he wished for German unity after all. Kennedy would be assassinated before Erhard could truly discuss this with him. The plan did not come to fruition, and Erhard abandoned the idea of a reunited Germany. Lyndon Baines Johnson, however, would come to be a very close friend of Erhard, and throughout this period, the US president and Erhard would maintain close relations between their respective countries.³⁷

The Adenauer era and the Erhard era are said to be one in the same by the more sympathetic biographers of Ludwig Erhard.³⁸ Erhard's economic policies greatly influenced relations between East and West. It also influenced the formation of the modern economies of Europe, the study of economics, and even brought consumer culture into Germany. Erhard proudly called West Germany "a free nation of consumers," as he perused through the modern household appliances and gadgets in Berlin's 1950 German industrial exhibition.³⁹ West Germany would truly become Westernized—even Americanized to some of the detractors of this culture. In many ways, Erhard's career was the culmination of economics as soft power. Erhard came to be one of the larger-than-life political figures in postwar Germany, and, while infighting dealt a heavy blow to his political party, the CDU under Erhard and Adenauer became the major political force in postwar Germany. Although Erhard may not have considered trade political, trade became the biggest tool in West German foreign policy. The CDU's new economic order thus shaped West Germany's place in the Cold War and relationship with the rest of the First World.⁴⁰

³⁵ "Telegram from the Embassy in Germany to the Department of State," October 3, 1963, in *FRUS* 1962-1963, Berlin Crisis, vol XV, doc 217.

³⁶ "Memorandum from Acting Secretary of State Ball to President Kennedy," October 26, 1963, in *FRUS* 1962-1963, Berlin Crisis, vol XV, doc 233.

³⁷ Margarita Mathiopoulos, "The American President Seen Through German Eyes: Continuity and Change from the Adenauer to the Kohl Era," *Presidential Studies Quarterly* 15, no. 4 (1985): 682-683.

³⁸ Granieri, *The Ambivalent Alliance*, 191

³⁹ Erica Carter, *How German is She?: Postwar West German Reconstruction and the Consuming Woman* (Ann Arbor: University of Michigan Press, 1997), 26.

⁴⁰ Special thanks to Dr. Edmund Wehrle and George Anaman for their input on this paper

The Exceptionalism of the 1979 Iranian Revolution: Religion and Diplomacy

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The 1979 Iranian Revolution appears an aberration from previous revolutions and revolts in Iranian history due to the circumstances leading to the revolution and its aftermath. By the 1970s, the Iranian people had tired of living under an oppressive regime, which offered little to the citizens, while taking the fruits of the nation's wealth for lavish displays of luxury to impress the outside world, as the Iranian population suffered. In an effort to empower the people and to reinstall Islam in the country, Iranians turned to revolution and to a new leader, Ayatollah Khomeini. The 1979 Iranian Revolution should be considered an outlier from previous Iranian revolutions as the secular ideals of Iran changed suddenly with the installation of an Islamic ruler, Khomeini, who reversed domestic socioeconomic policies, changed diplomatic relations between countries, and altered the role of the government during the hostage crisis.

Following its reinstatement in 1953, the Pahlavi regime subjected its citizens to drastic secularization in its attempt to westernize the country. These policies included land reforms which took land away from wealthy owners and gave small chunks of land to peasants.¹ Because these pieces of land were not sufficient to sustain an existence, peasants were forced to sell their land back to the original owners and move into urban areas.² With this relocation, uprooted peasants became exposed to new ways of life and people with whom they had never interacted before. They were often left a poor, neglected population.³ Another faction in Iran who began to feel marginalized after the reinstatement of the Pahlavi regime and the secular government were religious groups. Due to increased secularization in Iran, many of the religious orders began to feel as though the Pahlavi dynasty was attempting to push away Islam in all aspects of Iranian life. This is how Ayatollah Khomeini viewed the series of reforms, known as the "White Revolution," instituted by the Pahlavi monarch in the 1960s.⁴ Khomeini saw the White Revolution as "an anti-Islamic sacrilege aimed at destroying the role of the clergy in Iran."⁵ The regime also banned head scarves for women in a drive to promote secularization throughout all aspects of Iranian society.⁶

The uniqueness of the 1979 Iranian Revolution centers around the role of the *ulama*, or religious class. Iran is an Islamic country largely dominated by Twelver Shi'is, though there is a small population of Sunni Muslims as well. Religion always has had a role in Iranian politics, however great or small depending on the time period. Early in its establishment, the *ulama* decided its involvement in politics would be minimal in order to keep ideology apart from the political systems. Unless the government became so corrupt that the *ulama* felt the need to interfere in order to save the country and its people, it stayed away from politics. But even after becoming involved in politics, rarely did the *ulama* maintain its involvement after achieving its goals in stopping corruption.

¹ Nikki R. Keddie, *Modern Iran: Roots and Results of Revolution* (New Haven & London: Yale University Press, 2003), 150.

² *Ibid.*, 153.

³ Michael H. Hunt, *Crisis in US Foreign Policy: An International Reader* (New Haven: Yale University Press, 1996), 371.

⁴ David Farber, *Taken Hostage* (Princeton and Oxford: Princeton University Press, 2005), 64.

⁵ *Ibid.*

⁶ Roger M. Savory, "Social Development in Iran during the Pahlavi Era," in *Iran under the Pahlavis*, ed. George Lenczowski (Stanford, CA: Hoover Institution Press, 1978), 115.

Historian Nikki K. Keddie explains, “some revolutions have had religious ideologies, but clerical rule after a revolution was new.”⁷

The Tobacco Protest (1891-1892) is an Iranian example of how the *ulama*'s involvement ceased after attaining its goals. The Shah at the time of this revolt, Nasir al-Din Shah, issued full rights to a foreign entity over the tobacco industry in Iran, which led to great upheaval throughout Iran as the company raised prices and made it difficult to buy and sell tobacco. Ayatollah Shirazi issued a fatwa against buying and selling tobacco for all Iranian citizens. The fatwa proclaimed that if people smoked cigarettes, they did so in defiance of the Hidden Imam. The Hidden Imam is Twelver Shi'i's belief that the son of the Eleventh Imam went into “occultation,” and this Hidden Imam is the true leader of the Shi'i Muslims who will return at some point in the future.⁸ To do something against the will of the Hidden Imam—in this circumstance smoking cigarettes—is incredibly disrespectful. Following several days of no smoking, the Shah retracted the concession over tobacco. After the *ulama* helped eradicate the meddling of outside forces in tobacco dealings, it stepped back from the political mainstage to allow the people to continue fighting the small injustices.

Iran's Constitutional Revolution (1905-1911) also showcased the *ulama*'s active role in the government during the revolution and its withdrawal once goals had been met. During the Qajar Dynasty's rule, there was great unrest, stemming from the rising sugar prices.⁹ The Iranian government forced price controls on the *bazaaris*, or merchant class, in order to limit the power of the *bazaaris*.¹⁰ Along with their *ulama* allies, the *bazaaris* also had support from the intellectuals and the British government.¹¹ Starting in 1905, the *ulama* instigated multiple riots and strikes in order to protest the Qajars.¹² Anti-Qajar forces were able to escape the Qajar forces by camping out in the British Embassy, where the protestors demanded the establishment of a “house of justice.”¹³ After the creation of a parliament, the *ulama* held many seats in the new form of government and had great influence on the new constitution that was being written.¹⁴ Ayatollah Mohammad Husseim Na'ini stated, “constitutional government was the best form of rule in the absence of the Hidden (Twelfth) Imam,” which was greatly contested by other members of the *ulama* who said “constitutional government was a Western-inspired heresy.”¹⁵ Clearly the *ulama* still had a lot of power within the Iranian government at this time, though this power was protested by the members of the secular side of the Iranian government, and the *ulama* would eventually leave the Iranian government after the signing of the new constitution.¹⁶

The *ulama*'s expanded involvement in politics after the 1979 Revolution was likely due to the high status of Khomeini, who held the highest position in the *ulama* as an ayatollah. Khomeini stated that “neither he nor the *ulama* would hold direct power in a new government.”¹⁷ Though this was likely a sincere statement, Khomeini was the de facto leader of the revolution, even if he never formally took control of the people. Historian David Farber argues in his book, *Taken Hostage*, that Khomeini believed that “only in Islam could the Iranian people find their destiny and the Iranian

⁷ Keddie, 240.

⁸ Ibid, 7.

⁹ M. Reza Ghods, *Iran in the Twentieth Century* (Boulder, CO: Lynne Rienner Publishers, 1989), 30.

¹⁰ Ibid.

¹¹ Fatih Varol, “The Politics of Ulama: Understanding the Role of the Ulama in Iran,” *Milel ve Nihal*, 13, no. 2 (2016): 133.

¹² Ghods, 31.

¹³ Ibid.

¹⁴ Varol, 135.

¹⁵ Ghods, 37.

¹⁶ Ibid.

¹⁷ Ibid, 240.

state its political legitimacy.”¹⁸ Harnessing this sentiment with pointed rhetoric, Khomeini was able to rally the disgruntled people behind his religious takeover of the secularized government.

The seriousness of the corruption in the Iranian government determines how involved the *ulama* would be in a revolution. The 1979 Revolution saw great religious involvement from the start, especially compared to previous revolutions in Iran. After the Tobacco Protest, when the *ulama* decided its involvement would end after the fatwa was taken back and the people once again had access to tobacco. Of course, there were personal reasons for issuing the fatwa, as a fair amount of the money the *ulama* used for its organizations came from the assistance of the merchant class. These merchants gave money to the *ulama*, but were unable to do so after they could no longer sell tobacco. Though its initial involvement in the 1979 Revolution was to return Iran to a religious power, the *ulama* did not end its involvement there. Religious figures, in fact, enjoyed a large jump in social status and financial security due to the higher power of the Ayatollah as the leader.

Discontent with the regime had boiled throughout Iran for many years. Increasingly, the people wanted a leader to help eradicate the Pahlavi dynasty. As many of their problems rested with the growing secularization of Iran, many looked to the religious clerics to lead them to revolution. The outstanding member in the eyes of the Iranian people was Khomeini. An ayatollah is one of the highest-ranking clerics in the Islamic faith, which offers a logical reason why the people would choose Khomeini as their leader. He was also a longtime critic of the Shah’s leadership and was exiled from Iran for multiple years, until he returned around the time of revolution. Khomeini was not a silent protester against the Pahlavi government. In fact, Khomeini often spoke to students and against the Pahlavi Shah to persuade the Iranians to fight their current government. In the early months of 1970, Khomeini gave a series of lectures to Iraqi students of religion about implementing Islamic political principles in Iran. He used his charismatic leadership to present his beliefs on the role of Islam in Iran in the following section of his lecture.

So, courageous sons of Islam, stand up! Address the people bravely; tell the truth about situation to the masses in simple language; arouse them to enthusiastic activity, and turn the people in the street and the bazaar, our simple-hearted workers and peasants, and our alert students into dedicated *mujahids* [those engaged in jihad or holy struggle]. The entire population will become *mujahids*. All segments of society are ready to struggle for the sake of freedom, independence, and the happiness of the nation, and their struggle needs religion. Give the people Islam, then, for Islam is the school of *jihad*, the religion of struggle; let them amend their characters and beliefs in accordance with Islam and transform themselves into a powerful force, so that they may overthrow the tyrannical regime imperialism has imposed on us and set up an Islamic government.¹⁹

By appealing to students, Khomeini set up the educated youth to oppose western powers and the Pahlavi government with religion.

The Pahlavi regime viewed Khomeini as a threat, which led to a pro-Shah Iranian newspaper releasing an attack on Khomeini in January of 1978. This sparked protests throughout Iran, especially in Qom, where protests resulted in the deaths of at least 70 people in the span of two days.²⁰ This bloodshed is widely considered to be the catalyst for the Iranian Revolution as it showed the people how far the Pahlavi were willing to go in order to continue their rule. As Khomeini’s popularity grew, it became very clear to the Shah and his administration that they would not hold

¹⁸ Farber, 63.

¹⁹ Ayatollah Khomeini, “Lectures delivered to students of religion in Najaf, Iraq,” January-February 1970, in *Crisis in US Foreign Policy*, 395.

²⁰ Keddie, 225.

power in Iran much longer. The Shah fled from Iran, and after a few days of political stand off, power officially transferred to Khomeini in February 1979.²¹

One standout feature leading up to the 1979 Revolution was the public hatred for western powers, especially the United States.²² A few incidents altered the revolutionary mood, turning the Iranian people further against the United States. The first mistake made by the Carter administration was allowing Mohammad Reza Shah into America for medical treatment in the fall of 1979.²³ To some, this represented America's loyalty to its allies, but others perceived this action as Americans refusing to acknowledge the new Iranian government by aiding the previous regime, which was put in place by the CIA. The Carter administration debated heavily admitting the Shah for medical treatment, knowing the Iranian people would likely not view this decision in a positive light, and could potentially harm Americans. Just days before the Hostage Crisis began, a second diplomatic faux pas the United States made was at a meeting between President Carter's national security adviser, the Pahlavi Shah's Iranian prime minister, and the Iranian foreign minister.²⁴ By meeting with those who were against the new Iranian government, Americans appeared to be against the revolution. The meeting generated apprehension among Iranian citizens about whether the United States planned on repeating a coup, much like the coup that occurred in 1953.²⁵

Already, in February 1979, Iranian students seized the American Embassy in Tehran for several days. The Carter Administration reiterated to the Iranian government that it needed to stick to its obligations and coerce the students to let go of the embassy.²⁶ During this takeover in February, Khomeini told the students to stand down from taking over a foreign building.²⁷

That same year, a similar occurrence took place on November 4, but it resulted in a different outcome. The Carter Administration believed Khomeini would order the students to stand down like the February attack, but Khomeini did the opposite.²⁸ Both the cleric and his son condoned the students for overtaking the embassy.²⁹ This was a brazen, unprecedented move by a government, as embassies are viewed as being a part of another country. To attack an embassy amounts to attacking a country as a whole. Though the students were eventually convinced to release some hostages, mostly women and black men, they still kept 52 hostages for 444 days. According to Michael M. Gunter, the seizure of the embassy and the taking of hostages violated two principles of the international law of diplomacy created by the 1961 Vienna Convention on Diplomatic Relations.³⁰ These principles are "the immunity of diplomatic personnel from local arrest, detention, or trial, and the inviolability of embassy premises."³¹

The February takeover of the U.S. Embassy was a difficult time, but for the most part, the two countries came out of the takeover unscathed. This was not true for the November 1979 takeover of the American Embassy. After the students raided the embassy, they discovered Americans within the building shredding and burning government documents. Eventually they

²¹ Ibid, 238.

²² Ghods, 195.

²³ Christopher Hemmer, *Which Lessons Matter? American Foreign Policy Decision Making in the Middle East, 1979-1987* (State University of New York: State University of New York Press, 2000), 51.

²⁴ Hemmer, 52.

²⁵ Ibid.

²⁶ Ibid, 40.

²⁷ Ibid.

²⁸ Ibid, 53.

²⁹ Harold H. Saunders, "Diplomacy and Pressure, November 1979-May 1980," in *American Hostages in Iran: The Conduct of Crisis*, ed. Paul H. Kreisberg (New Haven, CT: Yale University Press, 1985), 72.

³⁰ Michael M. Gunter, "The Iranian Hostages Case: Its Implications for the Future of the International Law of Diplomacy," in *Jimmy Carter: Foreign Policy and Post-Presidential Years*, ed. Herbert D. Rosenbaum and Alexej Ugrinsky (Westport, Connecticut: Greenwood Press, 1994), 191.

³¹ Ibid, 191.

stopped the shredders and locked the hostages away. But they noticed some documents that had not yet been shredded, which held valuable information about U.S. involvement in the 1953 Coup, a CIA-supported coup to instate the Pahlavi Shah back in power instead of the elected prime minister, Mohammad Mosaddeq. England and the United States enacted the coup in order to quell concerns about oil in Iran and the defensive position against the Soviet Union.³² Already aware of this incident, the Iranian people were distrustful and angry toward the United States.³³ But as the extent of U.S. involvement in the 1953 coup was discovered in these documents, anger grew to a fevered pitch. Naturally, the students figured out the most valuable documents were shredded first, leaving the less important documents for last. Students then went through each shredder and pieced back together every document that had been shredded, which took years to complete. As they found out about the involvement of foreign powers in their government, tensions grew to an all-time high between Iran and the United States. This was the catalyst for change in diplomacy between nations, especially Iran and the United States.

Prior to the 444-day incident, relations between Iran and America were relatively normal, though perhaps a little tense. The United States supported any country's government that was anti-communist, especially during the postwar period and the beginning of the Cold War. At its creation, the Pahlavi regime was anti-communist and supported by the United States, as the Pahlavis called for sweeping reforms that went along with the policies of the Americans, i.e. abolishing religion in the government and daily society. Tensions grew again after Mosaddeq was elected prime minister in 1951, then thrown out of office by a CIA sponsored coup. Following the coup, the United States supported the subsequent regime that ruled over the country. Though the regime was authoritarian, it was anti-communist. These diplomatic relations stalled completely after the Hostage Crisis began.

At the beginning of the Hostage Crisis, the Carter administration sent representatives to Tehran hoping to meet with Khomeini or his close cabinet. Yet anyone Carter sent to speak with Khomeini was seen as an enemy.³⁴ Carter would eventually choose former Attorney General Ramsey Clark and former Foreign Service Officer William Miller to speak with Khomeini to ask for the safe return of the American hostages.³⁵ But Khomeini ordered that no one in Tehran was to speak with the ambassadors from the United States.³⁶ Foreign Service Officer Miller recalled of communication between Iran and the United States,

We said we were sent by President Carter to discuss all these matters. The response was that they would consult with the Ayatollah and would have an answer in a day or two. The next stage was very frustrating because the Revolutionary Council, we were informed, had been ordered by Ayatollah Khomeini to have no contact with us.

Although the Ayatollah and his cabinet would not speak with the representatives directly, messages from the United States would be relayed through secretaries to the Iranian cabinet.³⁷ Without meetings and only indirect communication, the contact between the two nations was strained.

The United States then moved to the position of not negotiating with the captors until the release of all the hostages.³⁸ The Iranians responded with three demands: a return of the Shah's assets, an end to the American interference in Iran's affairs, and an apology from America for

³² Hunt, 368.

³³ Mark J. Gasiorowski and Malcolm Byrne, *Mohammad Mosaddeq and the 1953 Coup in Iran* (New York: Syracuse University Press, 2004), 275.

³⁴ Saunders, 74-75.

³⁵ Ibid, 75.

³⁶ Ibid, 76.

³⁷ Ibid, 77.

³⁸ Ibid, 80-81.

previously committed crimes against Iran.³⁹ There was little movement on the demands made by the Iranians.⁴⁰ Eventually, the captors released thirteen women and black hostages back to the United States.⁴¹ The Carter Administration continued to concern itself with the rights and treatment of the hostages during this time, often attempting to go through back channels in order to find out about the welfare of the hostages.⁴² After the refusal to release all hostages, the United States adopted an embargo against Iranian oil, which extended to other American allies as well.⁴³

Diplomacy had never been as tense between the two countries as it was at this point in the Hostage Crisis. The Iranian revolutionaries and Khomeini were unwilling to meet and come to an agreement with the American representatives since the discovery of more documents in the embassy revealing the extent of American involvement in Iranian politics. Fanning anger after these findings, Khomeini dubbed America the “Great Satan.” The intensely political cleric clearly saw American involvement in Iran as an attack on Islam itself.⁴⁴ Assistant Secretary of State Harold Saunders sent a briefing memorandum to Secretary of State Cyrus Vance about the contact situation with Khomeini in September of 1979. An excerpt of this memo stated,

We have had no direct contact with the man who remains the strongest political leader in Iran. His hostility towards us is unlikely to abate significantly, although there have been fewer venomous statements against us recently. Clearly, a first meeting could be a bruising affair.⁴⁵

Communication between Iran and the United States was not only difficult, but also a political minefield, as the United States also strove to maintain ties to different groups. Saunders’ memorandum continues about this political minefield.

A meeting with Khomeini will signal our definite acceptance of the revolution and could case somewhat his suspicions of us...On the other hand, we would risk appearing to cave in to a man who hates us and who is strongly deprecated here and by Westernized Iranians. Thus, we would want to be careful not to appear to embrace Khomeini and the clerics at the expense of our secular friends...

The symbolism of a call on Khomeini would not attach to visits to the other religious leaders, but they will not see us until we have seen him. We badly need contacts with...moderate clerics. We want to reassure them of our acceptance of the revolution as their influence may rise in the months ahead.⁴⁶

Rarely in Iran or elsewhere has diplomacy between two nations come to a virtual stand still, as was seen during the 1979 Revolution. Diplomatic principles had been upheld by governments throughout history. Rulers of Ancient Greece recognized their political mistakes after killing representatives from the Persian kingdom, which was resolved after two men from the Grecian

³⁹ Saunders, 75.

⁴⁰ Ibid, 84.

⁴¹ Ibid, 85.

⁴² Joshua Muravchik, *The Uncertain Crusade: Jimmy Carter and the Dilemmas of Human Rights Policy* (Lanham, MD: Hamilton Press, 1986), 181.

⁴³ Saunders, 93.

⁴⁴ Farber, 65.

⁴⁵ Assistant Secretary of State Harold Saunders to Secretary of State Cyrus Vance, briefing memorandum of 5 September 1979, *Crisis in US Foreign Policy*, 408.

⁴⁶ Ibid.

kingdom offered their lives in return.⁴⁷ Hugo Grotius, considered to be the father of international law, once stated, “two points with regard to ambassadors which are everywhere recognized as prescribed by the law of nations, first that they be admitted, and then that they be not violated.”⁴⁸ Clearly the treatment of representatives from other countries has been well established throughout time, and is generally understood throughout all nations. This knowledge was lost on the Iranian revolutionaries and Khomeini himself as they refused to release over 50 hostages until America caved to pressure and granted them their demands. A few days after the Hostage Crisis began, Ayatollah Khomeini spoke out about the Hostage Crisis and the discontent with the Pahlavi regime in an unapologetic voice.

The young people of our nation, after long years of oppression and misery, have decided to hold in that nest of spies a few individuals who were spying on our nation and conspiring against it, or rather, against the whole region... We fear neither military action nor economic boycott, for we are the followers of Imams who welcomed martyrdom... we are warriors and strugglers; our young men have fought barehanded against tanks, cannons, and machine guns, so Mr. Carter should not try to intimidate us... As for economic pressure, we are a people accustomed to hunger. We have suffered for about thirty-five or fifty years.⁴⁹

Khomeini's outward defiance in the face of international law and proper hostage conduct was not a normal occurrence, a fact upon which President Carter commented during a press conference on the Hostage Crisis a few days after Khomeini's address. Carter focuses on how Iran had broken not only international law, but also the laws of most religions.

The actions of Iran have shocked the civilized world. For a government to applaud mob violence and terrorism, for a government actually to support and, in effect, participate in the taking and the holding of hostages is unprecedented in human history. This violates not only the most fundamental precepts of international law but the common ethical and religious heritage of humanity. There is no recognized religious faith on Earth which condones kidnaping. There is no recognized religious faith on Earth which condones blackmail. There is certainly no religious faith on Earth which condones the sustained abuse of innocent people.⁵⁰

As President Carter mentioned in his speech, there has been nothing like the Hostage Crisis in human history, since it is so unheard of that a government would participate in the kidnaping and blackmail of another country's embassy.

The 1979 Iranian Revolution continues to baffle historians because of its deviation from normal Iranian revolutionary standards. Rarely in history were revolutions largely inspired by religion, and even more unique was the emergence of a religion-based government (a theocracy) following the revolution. This variation from past Iranian revolutions is clear in the role played by the *ulama* in politics. The *ulama* had great power that was deeply rooted in Iranian history; to fail to see their large role in the 1979 Revolution would be impossible. Another way the 1979 Revolution changed the idea of revolutions was the issue of diplomatic relations. It is unusual that a government

⁴⁷ Gunter, 196.

⁴⁸ Ibid.

⁴⁹ Ayatollah Khomeini, address delivered to Monsignor Bugnini, special papal emissary to Iran, 12 November 1979, in *Crisis in US Foreign Policy*, 408-409.

⁵⁰ President Jimmy Carter, "Press Conference Comments," 28 November 1979, in *Crisis in US Foreign Policy*, 409-410.

would support the taking of hostages, and even praise their citizens for taking a foreign embassy. Though many revolutions or governmental disruptions have occurred during Iranian history, the 1979 Revolution was a stand-alone event due to the unprecedented involvement of the religious class and the lack of concern for proper diplomatic proceedings.