

to the people that are working it, but then you have to realize that you've eliminated the landlord, the role the landlord played in this scheme of things, that there had to be something to substitute for it. This wasn't something that was really fully appreciated all the time. Nevertheless I felt that just the fact that you've done that, and people did have some reason for optimism, gave outside observers some reason for optimism as well.

Q: When people discuss this question of the instability of the regime, was there times when there was greater concern than other times? Can you recall what might have precipitated apprehension at any given moment?

Miklos: Well when you had, for example, an event like what happened in Iraq next door why you did get heightened concern in part because it was something that you noticed where it seemed to be brought to the forefront of people's consciousness. But there was always a sort of steady background drum beat of pessimism from certain observers, many times the same people. Many times traveling journalists of one sort or another would pop in, become instant experts in two weeks and shout "The fall of the Shah is imminent--within the next two weeks." Quite how they formed these impressions I don't know. Typical reporter talk to taxi cab driver, go down to the bazaar and I don't know what. But anyhow, there was that.

So there were some occasional peaks, you might say, of concern by people that otherwise weren't necessarily alarmed. Concerned yes, but not alarmed. But generally there's, as I say, this steady

drumbeat of pessimism. But that was balanced by many other observers who weren't as pessimistic.

Q: From what I've read, from time to time Eisenhower administration officials advised the Shah to undertake various internal political or economic reforms to strengthen this position at home. Did you get a sense that that kind of advice was being given by high level officials to the Shah or his subordinates?

Miklos: Yes. Well, the Shah got an awful lot of advice from a wide variety of sources. He saw an incredible number of people, a lot of foreigners among them. He heard, I would say, frequently conflicting advise about how to proceed. I think he himself had a pretty firm idea of the direction that he wanted to go. Not necessarily all the particulars, and certainly not necessarily the best way to proceed. Indeed he experimented quite a bit, I think, with the implementation side of it. But the basic objectives of modernization, economic development, were very much on his mind, and it was the detail that he would change his mind on; part from advice he got and part from experience.

Q: Why don't we move on to the foreign aid programs and the plan organization. Generally what kind of program--foreign aid program--did the U.S. have in Iran. What was the breadth of the program?

Miklos: Yes. Well the foreign aid program really ranged right

across the landscape. Technical assistance and public health, agricultural extension work--that is help them to build the institutions to do this. We weren't actually doing this directly ourselves except in a very limited way. There were a lot of American companies that came there hopefully to get contracts for some of the major infrastructural programs that they were launching. Roads programs, American companies got a major part of that along with Italian and French companies. There are dam projects that American companies were involved in, others as well. I'm trying to remember. I don't think the aid program--we may have gotten in to one or two capital projects, but it was more on the maintenance or technical assistance side of it that our major official aid effort was directed.

Q: By a capital project, you mean a dam or something like that?

Miklos: Yes. A dam or something like that, yes. I'm just trying to remember. I think we helped finance in part one or two dams, and some communications facilities. But it was more on the technical assistance side or PL480 programs that just provide the where-with-all to keep going. Financing imports of essential goods, providing financing for that, that kind of thing.

Q: Were there any kind of general goals that were formulated when people put these aid programs together? Were there any sort-of general objectives that they kept in mind before them in terms of what they wanted Iran to turn in to economically or--?

Miklos: Well you had sort of large, major themes. Like a national road network, or not necessarily a network in those days--more just something that would connect the major points within the country. Along with that was the growing importance of air travel, internal domestic air travel, so air fields were a part of it. This also had a military implication, of course, telecommunications. So there are major themes, then development of water resources. From that you got specific dams, dam sites, what effect that had, where, and how, once you had the dam the distribution network--who gets it, how do you administer it. So you worked from these grand themes down to detail. So say on an annual cycle you were addressing more the detail than the grand strategy or objectives. There were a lot of differences about which was more important, which came first. I mean you did have a limiting factor, of course, in terms of money as well as in terms of manpower. So you had to set some kind of priority. In doing this there was a lot of debate in that area over what was more important, what came first, that sort of thing. This shifted. You didn't have any sort of fixed, constant point that lasted indefinitely.

Q: When American officials were looking at foreign aid in Iran, to what extent did modernization theories influence their approach? Like did the theories of Walt Whitman Rostow for example influence planning perspectives?

Miklos: Yes, you would have sort-of fads or phases. Again this got

back to the question of embassies and what were priorities and what weren't, how it all fitted together. But first you had sort of the basic agrarian reform kind of thing--that was the answer to the future. Then you had the others that, well, you had to have the infrastructure because it didn't mean anything if it didn't have infrastructure. Then you had others that would say, emphasize the industrial side of it. Here was this great natural resource, oil, and you ought to develop on this--not just extract oil and send it off somewhere. Build on this and build a petro-chemical industry, for example. This would be sort-of the lead. And on and on it went. That's why I say there's never, for any long lasting period of time, a fixed point on this development course. It shifted.

Q: Let's say socially, people thought about what kind of society that they were trying to promote, I guess, in Iran. Did they think about if they also thought that modernization would help develop a modern type middle class. Was that something that was considered, talked about as sort-of a social, political goal?

Miklos: Yes. Yes, it was. It was sort-of one of those givens. If you had economic development you did indeed generate and build an expanding middle class which would be a key intermediate point of political-social stability, have a vested interest in what was going on. This would bring benefits by providing internal as well as external security, etc.,etc.. So that was sort of there. We didn't say, "Well this is what we're going to set out to do per se", but it was very much sort-of one of the givens, if you will.

Q: Also, in terms of when aid money was granted for projects or grants or whatever, did people involved in allocated funds ever tie strings to the aid? Like saying you have to exercise certain fiscal reforms as a condition of getting this grants or loans, or administrative reforms or monetary policy reforms. Was that ever tied to aid allocations? In programs, like in the Marshal Plan, it was done from time to time. Was this done in countries like Iran?

Miklos: Well I'm trying to remember of a very specific example and I can't. But I think in general, yes. We were--we, collectively--were almost always harping on some theme or another of administrative reform, improving the bureaucracy, better fiscal management, development of capital market. You know, just a whole range of things. As I say we were very long on the free advice department.

Q: To what extent did you get a sense that--were the Iranians responsive to these suggestions? Or did they actually implement them, or--?

Miklos: Yes. Certainly not always, by any stretch of the imagination. There were sometimes some very real reasons why they either didn't want to or couldn't move on certain free advice, suggestions or urgings. But there were other times when they were in agreement that we ought to go forward on this, and they would and did. There was also the fact, of course, that everybody was learning as we went along. On experience based on experience one would see

more clearly something ought to be done that you didn't see a year or two before that.

Q: How did the Plan Organization fit in to all this activity? That was your special concern.

Miklos: Yes. Well the Plan Organization really played a dual role in the sense that it drew up overall economic development plans for the country. Then it was also in part an implementer in that it would let contracts for some of the projects that it decided needed to be executed as well as passing out money to the other government ministries for their execution of parts of the plan. Now the planning process was not divorced from the activities of the ministries in itself. They were asked to contribute to this process, you know, they were supposed to have a certain amount of expertise as well, and experience. So, say in agriculture, what specific things should we be doing in agriculture and where. So there was feedback in the on-going process between the Plan Organization and the implementing ministries, and vice versa. So, it was a very complex, involved process, the modernization process--particularly if you're trying to do it centrally controlled.

Q: I heard that there was a Harvard team involved in the Plan Organization at some level. What was its responsibility?

Miklos: Yes. This was a group of young technocrats recruited, put together, by Dean [Edward S.] Mason at Harvard University, some

Iranians--the head of the group, I think, was an Iranian educated in the United States, I believe at Harvard. There were others--Stanford, MIT, etc. There were Americans and other nationalities as well involved in this.

Q: On this special team.

Miklos: On this special team, the Harvard team--known as the Harvard team. They really were the core planners who tried to draw this all together. They built a five-year economic development program, a five year program, and then within that they would have shorter range articulated objectives, goals, or projects. I thought that they developed a fairly sophisticated approach to this. They would have a core of projects, and then if they had resources beyond what that core project called for they would have an outer band--let's say if resources were ten percent more, they'd do that--and then on out. So, spending could be infinite, almost. Although they recognized as easily as anybody that there were real, human resource limitations as well, so you could only take this so far. Although they--and I'm just leaping ahead a little bit--with the growing availability of money, they attempted to deal with the human constraints just simply by importing Koreans and Americans.

Q: Skilled workers.

Miklos: Skilled workers. Well, even truck drivers--you had Korean truck drivers running around the country, doing very well too.



Q: In terms of American foreign aid programs did the Iranians, the however people who were working on them planned, say "We need so much aid to implement this program. We need this money from you to help us out with importing capital or goods or whatever." Did it work out that way to some extent?

Miklos: Yes. There was certainly an ongoing, continuing exchange. At a certain point in time, why the figures would be discussed. What are the implications of this and where are the resources? What's the short-fall? It was often that there was a lot of discussion about short-fall, I mean income versus short-fall. What was realistic in terms of tax collection. Now, there was some certainty built in to it in the sense that at the Shah and I think [Abol Hassan] Ebtehaj--who was head of the Planning Organization at that time--pressure if not urging a law passed which allocated a certain percentage--and I don't remember the percentage exactly--a percentage of oil income to the Plan Organization. So that was fixed in law. So there was that certainty, hard-core certainty there, and then you went on from there. Our discussions were frequently as to, you know, again: "How much is it going to cost? How much are we going to get from oil revenue? What else is going to come from government? How much are the ministries going to get through taxation and other duties and what not? What's needed?". And of course "What's realistic in so far as what the United States" and other countries would contribute--we weren't the only contributor to the aid program.

Q: In terms of when the Plan Organization developed its targets for certain sectors of the economy, I guess the Harvard team played a major role in determining what those targets would be?

Miklos: Yes.

Q: Did they consult with the U.S. embassy in working out their programs? Was there close consultation between the Harvard team and American officials, or were they pretty independent in a real sense?

Miklos: They were pretty independent. I mean there were exchanges, but in terms of setting goals and objectives and the plan itself, this was done by the Plan Organization. You had interaction between the Plan Organization and the Iranian government ministries, who would in many cases be responsible for the implementation. So you had input from them in terms of what they wanted to do, and feedback from the Plan Organization about whether this was totally unrealistic in terms of the master plan, or whatever. Again this was an ongoing process, although there were sort-of budgetary implementation cycles built in to the whole thing.

Q: You mentioned the director of the Plan Organization was a man named Ebtehaj. How would you assess his leadership?

Miklos: Well, Ebtehaj was a very intelligent, charismatic personality. He was forceful--autocratic, if you will. He didn't

suffer fools gladly. He did, however, see the need for coherent planning. He was, really, the one who was responsible for having the Harvard group brought in under the direction of Dean Mason from Harvard. I think he asked Mason to put this team together or--I don't know the details of how it finally evolved but certainly Ebtehaj was key to the fact that the Harvard group was there.

Q: Was he an economist, Ebtehaj, by training?

Miklos: No, he may have had some economic--academic economic--background but he was really a banker. As a matter of fact he was the head of the Central Bank at one time before he was head of the Plan Organization.

Q: So did the Shah's political goals ever influence what the Plan Organization would come out with in terms of programs? Were there any problems with that, like political constraints or political influences on what the organization could do or propose?

Miklos: I'm sure there were political considerations. These would be in part, we'll say, the allocation of resources--the Ministry of Commerce or the Ministry of Agriculture or whoever. This would be a big part of political considerations, and what the objectives were of that. This was particularly, I think, visible in the agricultural area which of course was so significant to the economy of a country of that kind, where it was in the state of development at the time. I suppose there were always considerations of some kind of pay-off,

if you will, of co-opting--gaining larger major control. They are not unknown to any politician anywhere in the world.

But outside of just sort of the general thrust of modernization per se, I never really sensed politics as we define them, anyhow, being a significant consideration. There was politics in, "Okay, a dam's going to be in this province," or "A road is going to be in that province," or "A power station is going to be in the north." Yes--political factors were a consideration then. But, that was, sort of subsumed as it were, under the broader thrust of the idea of the modernization effort.

Q: Apparently Ebtehaj was fired and replaced by--

Miklos: Well, he got in to a confrontation with the Shah. I'm sorry I can't remember the precise details of this, what it was about. But it was evident that there was a confrontation. I mean it became public knowledge as it were and I guess they got locked in to a position where one or the other had to give. The Shah was the Shah, so he had Mr. Ebtehaj arrested and put in jail for a while. That aroused fears in the Plan Organization that this was going to significantly diminish its influence and even end the role that the Harvard group was playing in the life of the country, the life of the Plan Organization. That didn't turn out to be true.

Q: How long did this Harvard team actually last, in terms of its role? Did you go on in to the 1970s?

Miklos: Yes. Although the Americans, as a matter of fact I guess there was--well, I shouldn't say I guess. I believe I recall correctly that there was a contract for a specific period of time with the Harvard group, at least five years and possibly sort-of renewable at both party's agreement for a further period. The Harvard group lasted--well, of course I lost touch with Iran when I went off to India and the subcontinent--but, the Harvard group as such was not really there in that sense in 1969, when I became Country Director for Iran. I don't recall it anyhow, and I think I would have recalled it if it had been true. It certainly wasn't there when I went there as DCM.

Q: During 1960-1961, I guess the International Monetary Fund [IMF] had sent a team to Iran, to work out a stabilization program for the economy. Were you involved in the deliberations or discussions with this team before you left? Were you gone by that point?

Miklos: I'm trying to remember now--I don't remember precise times, but the stabilization program really was developed after I was gone. But it was very much a part of my life and concern as it were when I was Desk Officer after I'd completed my advanced degree at Stanford, which means late 1960, 1961. Incidentally, mentioning that, the stabilization program even within the Plan Organization was ferociously debated. Some feeling that, you know, I mean that we really had to do this, other that this was really a dangerous thing--or bad, even a bad thing--and even argued on economic grounds, that it was going to bring on a recession. Which it did.

Q: Wasn't the problem growth in the late 1950s? Wasn't there a concern about overheated growth?

Miklos: This was the argument. This was certainly the IMF view. This was a legacy that endured. Some were still very bitter about what they felt was imposed on them by the Bank.

Q: By the World Bank.

Miklos: Yes. They sort-of shared guilt if not responsibility for this. It was perceived to be Bank imposed, although the Fund itself, of course, was the lead, was actually the one that in effect forced that--well, you know it's like Latin America these days. No reform no money.

Q: So they wanted fiscal and monetary reforms? Tighten up the money supply--the standard package?

Miklos: Right. I've forgotten the details now, but yes.

Q: So the standard package.

Miklos: The standard package, that's right. Cut down the bureaucracy, economize, cut down imports to essentials--you know, the whole range of things.

Q: Did the Shah get involved with these discussions, in terms of what would actually be done internally?

Miklos: Yes. To what degree and in what detail I don't know, but I know he was involved. Certainly the Fund's--if I remember correctly and I think I do--the Fund's recommendations were presented to him by the Fund.

Q: You said that Iranian officials themselves were concerned that this might precipitate a recession. Did they present him with that?

Miklos: I'm sure they did. I'm sure they did. But it was, you know, a question of doing it or not getting additional resources for the future. The United States and other aid-providing countries shared this view. Again it's not an unfamiliar pattern. It's happening today, still. In a somewhat different sense, but the banks, the aid program being the one saying, you know, "You've got to do this or we're not giving you any more money."

Q: You were in the State Department, at this point I guess-1960 and 1961. Well first off, did the U.S. support the Fund's that--did the State Department support the Fund's recommendations, saying "These should be implemented?"

Miklos: Yes.

Q: As opposed to support given. Was there concern say, from a

political standpoint, that this might have social and political reverberations in the society that might be a problem? Or was that--

Miklos: Well I think, you know, there was a realization that this was going to be difficult and that it would have impact on the standards of living and the pace of economic development, but that on balance it was necessary. That things were getting out of hand, out of control, and discipline--more discipline--had to be introduced in to the process. It was tough but that was it. So when you say support, certainly an explicit sign of support was that our aid was not going to be forthcoming, certainly not to the degree that they hoped unless they did follow Fund recommendations.

Q: So it was not only IMF aid or World Bank aid but also U.S. aid was contingent upon implementation.

Miklos: All aid countries. I mean it was a community, it wasn't just the U.S., or it wasn't just the IMF.

Q: West Germany, France.

Miklos: Yes, sure.

Q: What kind of impact did this program have? Did you follow up on it eventually?



Miklos: Well, my memory of it was more connected with the argument over the kind of a program it should be then having more or less gotten that resolved. How to get the Iranians to accept it--the acceptance of it. Then the follow-on after, "Okay, you have put this in to place, now we have got to do our part." A lot of argument within our own government about what our part was, and how we could do it. I left about then. I remember feeling some sense of satisfaction that we were doing--probably not as much as I thought we might--but we were at least back on track and we were doing something in a country to get it back on the path of development again.

Q: In terms of convincing the Iranians to accept this path, these measures, you mentioned the fact that future aid programs would depend on implementation. What arguments were made to convince them to--economic logic, I suppose.

Miklos: Yes. Again I can't recall detail, but it was basically an economic argument boiling down to the very basic questions, you know--of resources. If you're going to do this, you've got to improve your collection of taxes, you've got to modernize your bureaucracy, you've got to cut back on expenditures--wasteful expenditures, you've got to set better priorities.

Q: Before we get to this part on Washington in the early 1960s I'd like to do one more thing about the late 1950s. Were you involved with military aid programs, or talking about military aid to Iran in the late 1950s? Was that one of the concerns that you had, the size

of the military foreign aid budget?

Miklos: I had very little to do when I was in Tehran with the military aid side of the thing. I was aware of it, of course, I became reasonably knowledgeable about its philosophy and the trip-wire idea and all that, but the detail no.

Q: I saw a telegram that ambassador Wailes wrote at one point, where he mentioned that the Shah had an insatiable appetite for weapons, military assistance. That would have an impact, though, on the budget I guess, the overall budget of the government of Iran. What could be done in terms of economic development? Did that have an impact on--was that a constraint, perhaps, upon what could be done in terms of economic development planning and the allocation of the funds? Was that seen as a constraint?

Miklos: Sure. Oh sure. Oh yes, very much so.

Q: Were there efforts made to induce the Shah to cut back on military development in the interest of modernization of the economy?

Miklos: Always. Always. I think it's a little unfair to characterize his desires in this direction as insatiable. Put it from his perspective, and again it's not unfamiliar in our own context. As the head of government, one of your most important responsibilities is the protection and security of your people in your nation. There's never going to be enough, so you do what you

can do within the constraints of resources and the real world. I think you could say, you know, that our military is insatiable, if not our presidents, about this. If you go back to the underlying reason or rationale, if you will, it's just that! This is my responsibility--there will never be enough security.

Q: Was there concern, though, that the Shah's interest in military development might impede, might go to the point where it would impede internal development at home?

Miklos: Yes. It was seen as, from the outside--not in his perspective, in an outside perspective--as in conflict, almost always in conflict, with other objectives which outsiders felt were important for him to pursue; mainly the economic development effort. So, you always had arguments and never total agreement about what was appropriate and what wasn't in this area. Again this was, you know, this was sort-of from day one.

Q: This will come up again during the interview. In terms of your years in Tehran, who were some of the Iranian officials that you dealt with from time to time in the various ministries? Can you recall any names?

Miklos: Well, interestingly enough, one of my best personal friends as well as an official friend--and in those days, when I first arrived there, was a young Deputy Minister of Health by the name of Jamshid Amuzegar.

End Cassette One, Side Two

Begin Cassette Two, Side One

Q: You were mentioning Jamshid Amuzegar as one of the officials that you dealt with in the late 1950s. Was he influential in some ways?

Miklos: In those days he was a contemporary in terms of age. He was up and coming. I think when I first met him he was the Deputy Minister of Health. We just seemed to be intellectually compatible--spoke a great deal about a wide range of things. I didn't have an awful lot of business to do with the Ministry of Health. Frankly I can't even really remember my initial reason for approaching him. In any event, we became very close official and personal friends. Of course over the years he became increasingly responsible in government. When I left he was Prime Minister, when I left the last time--1978. Some of the other young technocrats that I met in the Plan Organization also were, became very close friends. Reza Moqadam was one. Khodad Farman Farmayan, of course. Cyrus Sami. I'm trying to remember back then. I wish I had some of the invitations and guest lists that we had in those days. But, virtually all of the members of the Plan Organization team, the Harvard group--all of those. There was a rare occasion because of my level that I would meet or have occasion to discuss anything with ministers, which was not the case subsequently but in those days. One thing that I found of enormous benefit to me when I returned as the Deputy Chief of Mission in 1974 was that many of the friends