
Rudi Matthee
The author of this article seeks to apply the theory of D. North to Iran’s opium trade under Reza Shah. According to North, a ruler pursuing maximum wealth faces two constraints: a transaction-cost constraint and a political-competition constraint. Reza Shah’s opium policy, it is argued, is a good example of a ruler discovering and responding to the constraints in his path. Intent on controlling and taxing the lucrative cash crop that opium had become since the late 19th century, Reza Shah quickly learned that he was in competition with an illegal market, that paying below-market prices for it would induce peasants to seek out the black market and that certain measures, such as the 1926 ban on the use of opium in public places, would drive this consumer into the private sphere and place it beyond the reach of government control and taxation. The article lacks any sense of the culturally specific and is based entirely on English-language sources, but nevertheless offers a revealing look at the dilemma its modernizing ruler faced in tapping an elusive source of revenue.
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