

Bringing Business to Its Knees

by Paul Smalera | [February 2008 Issue](#)

Everybody who wants to be anybody in Iran—business leaders, intellectuals, and politicians—attends weekly prayers in Tehran.



GENDER STUDIES The men's section for Friday prayers at the University of Tehran, May 4. Women sit to one side, behind a curtain. [Enlarge photo](#)


Photograph by: Robert Polidor

Every week, the *jumuah*, or Friday prayer, is held in a large tent at the University of Tehran, with thousands of the faithful spilling out onto the surrounding campus. At each of these prayer meetings, the cleric on the platform clutches an AK-47 as he leads a chant of "Death to America! Death to Israel!"

Many of the chanters are not religious zealots. They're here because this weekly morning ritual is, in effect, a Washington cocktail party, a board meeting, and an audience with the pope all rolled into one.

For Tehran's leading politicians and businessmen, staying in favor with the ruling powers demands attendance, because in Iran, it's not just government that is fiercely theocratic; big business is too.

After the 1979 revolution, mullahs seized businesses owned by foreigners or controlled by the deposed shah and placed them under the umbrella of state-chartered *bonyads*: public charities established, at least in theory, to benefit all Muslims. Iran's supreme religious leader, Ayatollah Ali Khamenei, picks the clerics who will lead the bonyads, thus bestowing C.E.O. powers on them. The bonyads, which control as much as a third of Iran's economy, don't report financials, don't pay taxes, and answer only to the supreme leader.

The bonyads do give away most of their profits, but largely to members of a dozen or so powerful families. This limited competition has led Iran to huge disparities in income distribution, a lot like those in Uganda, Kenya, and the United States. Despite this rigged economic game, Iran is on  [Goldman Sachs'](#) Next 11 list,

a roster of countries that will be ripe for investment in the next half-century. But for Goldman's prediction to come true, the generation born after the revolution—the ayatollah boomers—will need to wrest control of Iran's economy from the aging mullahs. If Tehran could compete with cities like Bangalore, India, for first-world-outsourcing opportunities, the boomers could transform Iran into a Persian tiger. Of course, the real Persian tiger is thought to be extinct, a fate that a class of young, moderate, educated Iranians is desperately trying to avoid.

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