Globalizations

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/rglo20

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To cite this article: Kayhan Valadbaygi (2022): Neoliberalism and state formation in Iran, Globalizations, DOI: 10.1080/14747731.2021.2024391

To link to this article: https://doi.org/10.1080/14747731.2021.2024391

Published online: 17 Jan 2022.

GLOBALIZATIONS
https://doi.org/10.1080/14747731.2021.2024391

Neoliberalism and state formation in Iran

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ABSTRACT

Stemming from the exceptionalist understanding of the 1979 revolution and/or relying on the key political and economic characteristics of the rentier state theory, most explanations of the Iranian post-revolutionary state privilege national space and downgrade capitalism as a totalizing unity. In contrast, this article defines the state as a set of institutional forms reflective of social relations that are generated from contestations over the processes of capital accumulation, arguing that these national social relations have been constituted through their interaction with global social relations. Accordingly, by documenting a conspicuous institutional reorganization of the Iranian state since the late 1980s, it contends that this transformation is the consequence of the reconfiguration of the class basis of the state. The article maintains that this class reconfiguration is internally related to the process of Iranian neoliberalization which has been spawned as a result of the interaction of global and local dynamics.

KEYWORDS

Neoliberalism; totality/internal relations; capital fractions; Iranian state; institutions; civil society organizations

Introduction

Conceptualizing the 1979 revolution as an 'exceptional' revolution has contributed hugely to the theorization of the Iranian state as an 'exceptional' entity.[1] Most explanations of the post-revolutionary state still hinge upon the key political and economic characteristics of rentier state theory. Emphasizing the role of ideas in the makeup of the state, some argue that oil revenues have aided the state to construct a popular ideology based on Shiʿa political Islam with flavours of Iranian nationalism and anti-Western sentiments (Abrahamian, 1993; Ghamari-Tabrizi, 2008; Martin, 2003). Others highlight the significance of the multiplicity of 'revolutionary elites' in the formation of the Iranian 'semi-authoritarian/pseudo-democratic state', arguing that tensions over the share of oil revenues between these elites have been resolved through elections (Ehteshami, 2017; Morady, 2011; Rakel, 2008). Staying with politics around the allocation of oil revenues, a third group of scholars contend that the emphasis has to be on personalistic networks of patrons and clients (Arjomand, 2009; Sadjadpour, 2008) or a combination of both informal patronage networks and formal institutions (Buchta, 2000). Besides assuming that the state enjoys a pronounced degree of autonomy from society, these accounts are marred by methodological nationalism since the national space is privileged at the expense of global dynamics. Kevan Harris' recent intervention (2017) rightly defies the total separation of state and society by incorporating the role of social forces in shaping post-revolutionary Iran. He also attempts to transcend methodological nationalism by

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comparing Iran to other middle-income countries. That said, these comparative efforts do not adequately consider how neoliberal global capitalism has shaped developments in these similar middle-income countries.[2] In other words, his welfare state lens overestimates the importance of elite and political structure and underestimates the significance of capitalism as a social system with the overarching power structure and totalizing unity (Burawoy, 2001, pp. 1001–2).

Repudiating this omission of capitalism in the conceptualization of the Iranian state, this paper gives weight to the specificity of the nature of capital accumulation and its associated class formation. This means relating the imperatives of capital accumulation to the potentialities of politics in order to understand changes in the nature and form of the state (Ayubi, 1996, p. 14). Yet, this cannot be done with reference to national capital accumulation and domestic class relations alone since such an approach reproduces methodological nationalism. What can then salvage a distorted picture of the Islamic Republic's state is a relational method which situates Iran within the wider motion and tendencies of global capitalism while remaining sensitive to the gravity of local dynamics and internal factors. Relying on a conception of the state based on the *philosophy of internal relation*, I demonstrate that the Iranian state has undergone a conspicuous institutional reorganization since the end of the war with Iraq in 1988. I argue that this transformation results from the reconfiguration of the class basis of the state, which is internally related to the process of Iranian neoliberalization. I argue that the Iranian neoliberal restructuring has been spawned as a result of the interaction of global and local dynamics. The article thus demonstrates the significance of neoliberalism for the understanding of the Iranian state, which in turn contests methodological nationalism and exceptionalist frameworks that largely attribute domestically-generated contingent factors such as religion, resource endowment, patronage networks, leadership styles and institutional arrangements to the state's form.

This argument unfolds in three parts. The next section conceptualizes the state and neoliberalism in line with the philosophy of internal relations. The third section places Iranian neoliberal reforms within the broader context of global neoliberalism, demonstrating the ways in which the transformation in the process of capital accumulation as a result of local and global factors has altered the class basis of the state. The fourth section documents the reorganization of the institutions of the state to reveal this transformation in the institutional setup as the product of the struggles of the emerging fractions of the ruling class.

It should be noted that special attention is given to the competition between capital fractions due to the focus of the paper on state policy. While the struggle between capital and subaltern classes is sporadically discussed, this by no means implies that the role in the processes of capitalist restructuring and state reorganization can be overlooked.

Conceptualizing the state and neoliberalism

In Marx' theory of the state two aspects are crucial: (i) the requirements of the particular social and economic system in which political institutions are situated and (ii) the relationship between political institutions, the power these institutions possess and the privileged position of a ruling class. Because in Marx's method 'the procedure moves from the whole inward' (Ollman, 2003, p. 201), understanding the nature of capitalist class society is thus prioritized. As well as a dimension of capitalism, Marx also views the state 'as an aspect of the capitalist class, as something this class does' (Ollman, 2003, p. 202). Together, this means that the state is internally related to the process of capital accumulation and capitalists' class interests. As a *relation*, the state is a historically determined social form resulting from contestations over social surplus products, therefore always representing, preserving and defending the class structure of the society (Hanieh, 2013, p. 8).

Accordingly, not only are the actions of the state internally related to the nature of its capitalist class and its interests, but also the specific forms through which these actions occur (Ollman, 2003, p. 202).

This definition of the state is premised on the ontology of the philosophy of internal relations. In this conception of social reality, there are 'inner connections' between all spheres of the social world by treating them as different parts of one organic unit (Ollman, 2003, pp. 25–27). The interactions and changes between relational parts generate the distinctive characteristics of the whole, but at the same time, the whole is 'greater than the sum of its parts, and becomes, again over time, a major influence on the processes that have until then been the main influence on it' (Ollman, 2003, pp. 10–1; see also Mcmichael, 1990). That is to say, the whole rather than being an *a priori* entity is an *emergent totality* and never completed.

Drawing on the above ontological position, capitalism is perceived as a totality. While incessantly striving towards universalism, capitalism always produces different territorial and regional configurations. At the same time, the structural contradictions of the capitalist mode of production generate periodic crises. Thanks to the uneven geographical development of capitalism, one way of averting and overcoming crisis is spatial reorganization (Harvey, 2006, pp. 416–38). In recent decades, the internationalization of production and finance has been implemented in the global economy to tackle the 1974–82 global economic slump, therefore leading to the replacement of Fordism with global value chains. In this global model of accumulation, developing countries have abandoned import-substitution industrialization (ISI) in favour of participating in the global value chains through export-oriented industrialization.

Neoliberalism, as a set of policies, is envisioned to promote the deregulation of all economic activities to facilitate the realization of this global material reorganization (Hanieh, 2010, p. 82). However, it cannot be reduced to either certain policies and ideas generated by Western intellectuals and policymakers (e.g. Harvey, 2005; Klein, 2007; Ong, 2006) or a new stage of capitalist development that first emerged in the economy of the United States and Europe (e.g. Duménil & Lévy, 2004; Robinson, 2001).[3] These 'conventional' Marxist and poststructuralist articulations of neoliberalism run the risk of reproducing what John M. Hobson calls 'subliminal Eurocentrism' (2007, p. 93). Encountering the post-1970s economic crisis and the related political instabilities, some members of ruling classes in developing countries have deployed neoliberal policies linked to the new alternative developmental strategy with the hope of reviving capital accumulation and stabilizing/re-imposing class order. This means that global neoliberalism is neither 'a projection of Northern ideology or policy' nor 'a by-product of the internal dynamics of the global North'(Connell & Dados, 2014, p. 124). Rather, based on the notion of *emergent totality*, it is 'a re-weaving of worldwide economic and social relations' whereby both advanced capitalist states and developing countries have actively reconstructed the global economy to tackle the same pressures and crises tendencies (Connell & Dados, 2014, p. 124).

Nonetheless, subject to the particularity of domestic class structure and hence vertical antagonisms between various capitalist fractions as well as class struggles from below, the outcome of the process of neoliberalization has been neither predetermined nor inevitable. Moreover, in this context, geopolitical confrontations have been utilized by various capital fractions and states to deepen or halt the international movement of capital linked to neoliberalism. Consequently, as an inherently struggle-driven process, the end product of neoliberal renovation of capitalism in any given society is unique and often hybrid despite sharing universal common features.[4]

Being actively parts of this emergent totality, the process of capital accumulation and the nature and functions of the state in both developed and developing countries have been substantially

transformed. In contrast to the 'common sense' perception, neoliberalism has never been an anti-statist endeavour due to its ties to state actions. While the state and its agents are accused of being 'wasteful', 'self-serving' and 'irrational', the state is paradoxically viewed as the key instigator of reform under neoliberalism (Davies, 2018, pp. 273–4). Since 'the state is already dedicated to the defence of capitalism in a general sense', neoliberalism, as a form of capitalist restructuring, thus demands that 'the activity of the various state institutions need to be decisively turned in a specific and different direction' (Davidson, 2017, p. 618). Hence, rather than being about 'institutional retreat or subordination of public and private actors to the discipline of disembedded markets', neoliberal practices aim to create, legitimize and consolidate new institutional capacities and mechanisms of control (Konings, 2012, p. 618). It is also important to point out that state institutions should not be merely limited to formal apparatuses. As a result, alongside attempts for the reorganization of the formal institutions of the state, the 'capillary networks' of various organizations of the civil society (publishing houses, newspapers, magazines, periodicals, news agencies and so forth) are utilized by ruling class fractions for the articulation of this strategy of class power in the neoliberal era.

Broadly speaking, whereas in the global North, under neoliberalism, the priority has been given to the abolition of the post-war class compromise and the dismantling of the institutions of the welfare state, in the global South, the ruling classes have endeavoured to eliminate the provision of food and other subsidies to the poorest layers of the population and end job security in the public sector and state-owned enterprises, which were achieved as a result of struggles of the working class and the poor. To realize these objectives, the reorganization and substitution of the institutional forms of previously dominant state capitalism have been pursued through re-tasking the role of the state in the name of good governance and efficiency. That is to say, while there has been a push for 'better governance', 'accountability' and 'transparency' everywhere, there is no pure instance of the neoliberal state as the particularity of class structures and the balance of class forces in different societies have produced a unique form of a neoliberal state in any given society.

So, how does the above discussion help to conceptualize the state in Iran? The Iranian state as a set of institutional forms reflects social relations that have been generated through the process of capital accumulation and class formation within Iranian society. However, this set of social relations has been constituted as a result of the relations between Iran and neoliberal global capitalism. As these relations are internally related to each other, the global economy therefore should not be seen as an external effect on Iran through oil revenues. Nor should Iran be seen as a confined set of social relations separated from the wider space of global neoliberalism. Likewise, the treatment of institutional and political relations autonomously from neoliberalism is not desirable since institutional and political relations emerge and reconstitute through the production and reproduction of the society itself. In other words, to understand the institutional form of the Iranian state, we need to first examine the process of neoliberalization and its impacts on the shifting balance between opposing social class forces. This perspective is radically different and conceptually superior to the rentier state, elite-based and neo-patrimonial analyses of the Iranian state for two reasons. First, it departs from viewing societies/states as self-contained and autonomous objects that affect each other similar to the way billiard balls bump into one another on a pool table. Second, it challenges the conceptualization of changes in the form of the Iranian state as a merely elite-driven neo-patrimonial reshuffling of patronage networks by linking these changes to the imperative of capital accumulation.

In the following two sections, I will first look at Iranian neoliberalization within the broader context of global capitalism to demonstrate the major changes in the patterns of class formation, with a

particular focus on the Iranian ruling class. I shall then examine the process of construction of some new institutions and the changing operation of existing institutions as a result of the reconfiguration of the ruling class following the instigation of neoliberalism in Iran. Because state institutions include some civil society organizations as well, I will also highlight how the civil society organizations have become part of the battleground between these capital fractions.

Neoliberalization and class formation in contemporary Iran

As an instance of state capitalism, the Shah's modernization project of the 1970s geared towards building up a heavy industrial base that relied on Western financial and technological resources and machinery. Although the 1979 revolution replaced the old ruling class with a new one, it did not destroy this socioeconomic foundation of the society. Therefore, the ISI state-led development even expanded in the first decade of the revolution (1979–89), albeit against the backdrop of US hostility and under the banner of the 'downtrodden' state. Accordingly, because of struggle and demands from below, the revolutionary state took a range of measures in favour of the poor and the working class, including the provision of subsidies for essential goods and job security.

Nonetheless, these measures were secondary to the interests of the new ruling class with two fractions that emerged following the confiscation of the assets of the old ruling class. Shortly after the revolution, some of these assets came under the control of the government and were categorized as being under 'government ownership' (*bakhsh-e dolati*). This led to the emergence of *the stratum of government managers* that administered these enterprises and most of the state bureaucracy and which advocated a radical interventionist approach to the economy. On the other hand, the remaining expropriated assets and enterprises were handed to newly created revolutionary foundations (*bonyads*) such as the Mostazafan Foundation by classifying them as being under 'public non-governmental ownership' (*bakhsh-e omumi-e ghare dolati*). Directly under the control of the *Imam,*[5] these enterprises were exempted from the government's regulation and taxation to distribute wealth among the 'downtrodden'.[6] With close ties between these revolutionary foundations and the mercantile class that controlled the operation of the traditional marketplace (bazaar), *the bonyad-bazaar nexus* thus emerged as the second wing of power (Valadbaygi, 2021, p. 317).

Financing a developmental project through importing intermediate and capital goods proved to be difficult not only because of the ISI-associated debt crisis of the 1980s in the global South, but also because of the US sanctions and the damage to oil infrastructure during the war with Iraq. These external and internal factors generated a major economic crisis, therefore making a fundamental restructuring of the economy inevitable by the late 1980s. Some influential members of the stratum of government managers viewed integration into the new global economy through export-oriented industrialization a viable developmental strategy. They strategically allied with the bonyad-bazaar nexus to marginalize those within the government who still adhered to the statist approach and ISI (Ehteshami, 1995, p. 102; Hamshahri, 1996). This resulted in the instigation of neoliberalism after the approval of the First Five-Year Development Plan in June 1990. Consequently, the two successive governments of Akbar Hashemi Rafsanjani (president from 1989 to 1997) and Mohammad Khatami (president between 1997 and 2005) implemented a series of neoliberal reforms (phase I of neolibalization). These policies continued during the Ahmadinejad presidency between 2005 and 2013 (phase II of neolibarlization), albeit with different rhetoric and objectives.

These two phases of neoliberalization have drastically changed the process of capital accumulation and consequently restructured the composition of the two fractions of the ruling class.

Recalling the conceptual discussion, this means that Iranian neoliberalization and the new class formation must not be interpreted with reference merely to the national scale. Equally, we need to acknowledge that the imperative of capital has largely driven these policies rather than the motivations of 'elites' for reorganizing the post-revolutionary patronage networks. Lastly, as discussed in the theoretical section, we should pay attention to the ways in which the particularity of the Iranian post-revolutionary class structure and balance of class forces have affected the upshot of the reforms.

The principal outcome of the first phase of neoliberalization under Rafsanjani and Khatami from 1998 to 2005 was the metamorphosis of the stratum of government managers into the *internationally-oriented capital fraction*. This began with the privatization of 391 government-owned enterprises (Khalatbari 1994, pp. 188–189) and handing many other similar enterprises to newly created large conglomerates in the name of self-sufficiency during the Rafsanjani administration. As a result of being recognized as non-governmental business groups, investment companies of the banking system and pension fund investment companies acquired many government-owned enterprises. For instance, the National Development Group Investment Co., the Social Security Investment Co., and the Civil Servants Pension Fund are currently among the largest diversified business conglomerates of the country with dozens of holdings and hundreds of subsidiaries. Moreover, the Khatami government privatized further 339 government-owned enterprises (Iranian Privatisation Organisation Website, n.d.) and granted licenses for the establishment of new private companies in sectors permitted by the law (Harris, 2013, p. 53). During this period, more than 100 National Iranian Oil Company spin-off firms with state capital operating as private firms were also created (Maloney, 2015, pp. 394–96). Along with some private owners, this capital fraction is comprised of many 'semi-private' firms that are in reality the subsidiaries of various government ministries and organizations including some bureaucrats and their relatives.

In the second phase under the Ahmadinejad presidency 2005–2013, the neoliberalization process shifted in favour of the revolutionary foundations (*bonyads*) and military forces. Following the 2006 executive decree of the Supreme Leader that permitted the transfer of government-owned enterprises to 'public, non-governmental entities and organs', under the scheme of privatization, the shares of many large government-owned enterprises were handed to contractor firms, cooperatives, banks, and investment companies of financial groups and pension funds affiliated to the Revolutionary Guards, the Basij, and other armed forces. The Mostazafan Foundation, the Headquarters for Executing the Order of the Imam (*Setad*), the Imam Reza Shrine Foundation, and the Martyrs' Foundation similarly expanded their economic activities by acquiring shares of large government-owned enterprises (ICCIMA, 2012, pp. 39–40). Ghorb, the engineering firm of the Revolutionary Guards, also increased its presence by granting lucrative no-bid contracts following the exit of foreign firms due to the nuclear-related international sanctions. The total market share of the affiliated conglomerates of the armed forces and the bonyads are estimated to be at least 40 per cent of the country's GDP (Valadbaygi, 2021, p. 321). During the second phase of neoliberalization, with the ascendency of military forces in the economy, the bazaar was further marginalized. As a result of these transformations, the structure of the bonyad-bazaar nexus eventually evolved to what I call *the military-bonyad complex*. Let us now examine the accumulation strategy of each capital fraction.

With close ties to various ministries and governmental organizations for oil rent and securing contracts, the continual existence of the internationally-oriented capital fraction is deeply dependent on the control of the executive body of the state, i.e. the government. However, the control of the government proved to be difficult for this fraction since it is subject to a popular vote.

This fraction has some degree of power to compete with the military-bonyad complex in the national market, but, in line with the export-oriented industrialization, it views integration into global value chains of Western capital, particularly European capital, as a guarantor of its long-term existence. To this end, whenever in control of the government, it pursues a conciliatory foreign policy towards the US and the EU. This fraction was the major force behind the 2015 Joint Comprehensive Plan of Action between Iran and P5+1 that assured long-term foreign investment in Iran. Importantly, knowing that many large government-owned enterprises have not yet been 'privatized', the internationally-oriented capital fraction envisages the incorporation of these firms along with their existing businesses into Western companies (Valadbaygi, 2021, pp. 321–2).

On the other hand, whilst the economic machine of military forces and bonyads embraces the deregulation of the labour market and exploits the privatization mechanism to control some large government-owned enterprises, it rejects the policy of the incorporation of transnational corporations (TNCs) into state industries by blocking foreign takeovers. In line with this policy, the military-bonyad complex has consistently sabotaged the rapprochement with the West, in particular the United States. By initially prioritizing its advancement in the national market under the name of 'economic resistance' and 'self-reliance', the military-bonyad complex utilized Ahmadinejad's aggressive foreign policy towards the West to justify its economic expansion into all economic sectors as a response to international pressure over nuclear capabilities. The economic rise of China and Russia's re-emergence of geopolitical power have also aided its attempts to halt further the integration of Iran into the Western-dominated world order. The aggressive Trump administration's policy, which threatened the integrity of the state by blocking Iran's oil exports and forcing the withdrawal of European capital from Iran, further put Iran on the side of China and Russia in the last few years (Valadbaygi, 2021, pp. 322–3).

The above discussion challenges the conventional Marxist definition of a capitalist class as the 'legal' owners of the means of production (Ollman, 2003, p. 199). It also refutes a sharp dichotomy between 'private' capital and 'state' capital.[7] With this in mind, I argue that the internationally-oriented capital fraction and the military-bonyad complex are the fractions of the Iranian capitalist class. Both are in the service of the expansion of surplus value by exploiting the working class as the rampant expansion of short-term contracts, the exclusion of small-sized enterprises from the provision of the labour law and the widespread use of child labour in recent decades have indicated (Valadbaygi, 2021, p. 324). What divides them is different strategies for accumulation. And these accumulation strategies cannot be fully grasped without situating them in relation and response to the advance of the international movement of capital and associated geopolitical tensions and global dynamics. In light of this, the model of development in Iran is the amalgamation of the two contending accumulation strategies, which are influenced by import-substitution industrialization and export-oriented industrialization. I call this particular form of development 'hybrid neoliberalism'. That is to say, recalling the theoretical section, the interaction of global capitalism with the Iranian class structure in recent decades has produced a particular form of neoliberalism.

So far, I have shown that the process of neoliberalization has altered the nature of capital accumulation and restructured the class basis of the state in Iran. In the next section, I shall scrutinize the reorganization of the institutional makeup of the Iranian state in recent decades. The objective is to document the internal links between this reorganization of the state form and neoliberalism.

Institutional reorganization of the Iranian state

The state is a set of institutional forms, which is internally related to the process of capital accumulation as well as capitalists' class interests. Any restructuring of the economic sphere and the subsequent reconfiguration of the capitalist class is thus reflected in state institutions. As seen above, the Iranian neoliberalization as the product of the interaction of global and local dynamics has fundamentally reshuffled the composition of the ruling class, generating two competing capital fractions. In the course of realizing their interests, the internationally-oriented capital fraction and the military-bonyad complex have been involved in the reorganization of state institutions, as I will show shortly. This implies that the post-1990 state form in Iran is reflective of the process of neoliberalization and its associated class formation rather than the outcome of contingent factors such as patronage networks, resource endowment and leadership styles. Since the Iranian neoliberalization is not an internally-generated phenomenon, the change in the form of the state also cannot be solely reduced to internal factors and local dynamics.

The most powerful institutions of the state are the office of the Supreme Leader, the presidency, and the Majles (Parliament). The Supreme Leader enjoys life tenure[8] with extensive power, including appointing and dismissing many crucial unelected offices such as the commanders of armed forces, the heads of the revolutionary foundations (*bonyads*), the head of the Islamic Republic of Iran Broadcasting, and the six Islamic jurisprudent members of the Guardian Council,[9] among others (Article 110 of the Constitution, 2010). On the other hand, the presidency (in charge of government) and the Majles are subject to general elections once every four years. Broadly speaking, the military-bonyad complex controls mostly unelected institutions due to the Supreme Leader's close ties with this fraction, whereas the internationally-oriented capital fraction is left to struggle for the elected institutions.

During the first decade of the revolution, the Bureau of the Supreme Leader often acted as an arbiter between the wings of power. The current Supreme Leader was a key member of the bonyad-bazaar nexus. With the gradual metamorphosis of the nexus into the military-bonyad complex since the 1990s, the Office of the Supreme Leader has been vital for this fraction. In fact, by being in charge of appointing the heads of almost all unelected institutions, the Supreme Leader is the embodiment of the interests of the military-bonyad complex. The Guardian Council also has been crucial for the realization of the interests of the military-bonyad complex by making the control of the presidency and the Majles more difficult for the internationally-oriented capital fraction. Besides screening the qualifications of all candidates in presidential, parliamentary, and assembly elections, the Guardian Council enjoys an exclusive power over detecting the compatibility of all proposed legislation by the government and the Majles with Islam and the Constitution (Thaler et al., 2010, pp. 29–30; Yeganeh, 2015, p. 78).

Despite these difficulties, the internationally-oriented capital fraction has managed to control the government (the executive body) for most of the time since 1989, except for the two-term presidency of Ahmadinejad. Once in power, this fraction has altered the function and character of many ministries and governmental organizations such as the Ministry of Economic Affairs and Finance, the Central Bank, and the Management and Planning Organization by hailing the importance of the so-called 'non-political' technocrats. It also created new institutions, such as the Trade Promotion Organization of Iran and the Iranian Privatization Organization, and reopened the Tehran Stock Exchange. Unsurprisingly, during the Ahmadinejad presidency, the bureaucracy associated with the Rafsanjani and Khatami administration came under relentless attack. In defiance of the rule of 'independent experts', Ahmadinejad brought the powerful Management and Planning

Organization under the control of the president's office (Harris, 2017, p. 193). More importantly, throughout his presidency, the operation and function of the revolutionary foundations and military forces have changed to facilitate the entry and expansion of their economic activities.

Considering the unfeasibility of seizing the appointed institutions by the internationally-oriented capital fraction and their fragile control over the elected institutions, it should be easy to comprehend why one of the major political disputes in recent decades in Iran has been over electoral fraud and the legality of the preselection process. This intense political struggle over the electoral system is a clear indication of the difference between the first decade of the revolution and the post-1989 era, illuminating how state institutions are subject to the onslaught of fractions of the ruling class as a result of the reorganization of capital accumulation and not vice versa. The central role of the Guardian Council in elections by confirming or rejecting the qualifications of candidates began to take real shape after the revision of the Constitution in 1989 (Iran Data Portal, 1991; Papan-Matin, 2014). This institutional amendment has to be seen in relation to the attempts for the marginalization of 'Islamist leftist militants' inside the state who opposed the instigation of neoliberal reforms. Likewise, the abolition of the Office of Prime Minister in the 1989 revision of the Constitution was part of the efforts for the facilitation of restructuring of the economy to revive capital accumulation. However, with the gradual intensification of the struggles between the two fractions of capital over the process of neoliberalization, the proactive supervision of the Guardian Council has widely been used to justify the disqualification of the political representatives of the internationally-oriented capital fraction, most notably the disqualification of 3500 candidates for the Seventh Majles, including 80 prominent incumbent members of the Sixth Majles (BBC News, 2004; Rasa, 2016). The internationally-oriented capital fraction had attempted twice in 1999 and 2010 to abolish the supervisory power of the Guardian Council over elections through the Ministry of the Interior and the Expediency Discernment Council. Nevertheless, the Supreme Leader's defence of the Guardian Council stopped the advance and choked these bills altogether (Aftab-E Yazd, 2010; Arjomand, 2000; Iran, 2010; Khordad, 1999; Khuzestani, 1999). The Council has also blocked countless bills in favour of the internationally-oriented capital fraction. This included blocking foreign capital inflow and the rejection of the privatization of over 1000 public non-governmental enterprises in control of the bonyads, which was proposed by the Khatami government (Khajehpour, 2000, p. 590; Namazi, 2000, p. 23).

Two state institutions have been vital for mediating tensions between these fractions in order to preserve the integrity of the state, namely, the Expediency Discernment Council and the Supreme National Security Council. Both were established after the 1989 revision of the Constitution and took real shape in the following decades with the intensification of the intra-class struggles. The thirty-nine members of the Expediency Discernment Council are constitutionally appointed by the Supreme Leader, but the balance of power between the two fractions of the ruling class is to a large extent well-maintained. The Supreme National Security Council has also been populated with representatives of both fractions. With the key mission of drafting strategic-level policies, the Council 'plays a crucial role in encouraging collective decision-making and also an unbiased examination of issues of concern to the country' (Ehteshami, 2017, p. 27).

As well as the struggle over formal institutions, civil society organizations have been either created, attacked, or banned in line with the realization of the interests of the internationally-oriented fraction of capital and the military-bonyad complex. On the one hand, since the early 1990s, the internationally-oriented capital fraction has approved and financed the creation of 'non-state' press, political parties and civil society organizations for advocating the 'democratic/liberal' interpretation of Islam and the compatibility of Islam with liberalism.[10] This interpretation is

essential for the realization of the interests of the internationally-oriented capital fraction because it allows arguing for the affinity and congruity between the Islamic Republic and 'the international community', i.e. the (Western-dominated) world order. Initially, an increase in the number of publications as a result of the partial liberalization of the press by the Rafsanjani government, as well as the establishment of the President's Centre for Strategic Research, was instrumental in the realization of this 'liberal' version of Islam (Mohebi, 2014, pp. 71–4; Tarock, 2001, p. 588). The real ascendancy of this new narrative materialized with the formation of a new centrist political party with a tight bond to the Rafsanjani government under the name of the Executives of Construction (*Kargozaran*) in November 1995 (Ashraf & Banuazizi, 2001, p. 251). The support of the Executives of Construction Party and other newly-established concurring political groups led to the sweeping victory of Khatami in the 1997 presidential election (Moslem, 2002, p. 253).

With the military-bonyad complex being in control of national broadcasting, Khatami made the building of a 'vibrant civil society' the centrepiece of his political agenda to confront the media power of the rival fraction (Hamshahri, 1997; Hamshahri, 1998). This promotion of civil society served as an essential means for the dissemination of liberal interpretation of Islam and a source of influence among the electorate. Hence, the reformist government of Khatami with close ties with the internationally-oriented capital fraction had fostered the conditions for the mushrooming of political groups and NGOs. While already witnessing a gradual increase since the early 1990s, the number of political parties and organizations reached 95 in 2000. There were also around 1500 student organizations in the universities in 2001 (Bayat, 2013, p. 43 and 60). More importantly, with the backing of the government, the number of newspapers, magazines and literary journals proliferated astronomically, surpassing 1000 publications in 2000. As a vital means for the internationally-oriented capital fraction, the number of daily newspapers increased to 34 in 1993, 62 in 1996, and 112 by the end of the 1990s whereas there existed only seven newspapers in the 1980s (Kamrava, 2001, p. 171; Mohebi, 2014, p. 89).

On the other hand, the military-bonyad complex has considered the development of civil society and the expansion of the press as Western (U.S.) tools for threatening 'Islamic revolutionary values' (Hovsepian-Bearce, 2015, p. 196; Mohebian, 1998). By advocating a nativist, conservative interpretation of Islam with an emphasis on the importance of independence and cultural purity in line with its structure and accumulation strategy, the military-bonyad complex has routinely employed force to close down civil society organizations and newspapers, owing to its monopoly over the coercive apparatuses of the state. For instance, after General Safavi (the then-commander of the Revolutionary Guards) promised to 'cut the throats and tongues' of liberal journalists (Arjomand, 2000, p. 289) and the Supreme Leader labelled reformist newspapers 'the bases of the enemies', 40 newspapers were shut down, and a dozen journalists were jailed in April 2000 (Tarock, 2001, p. 586). In addition, the military-bonyad complex has propagated its nativist and anti-Western narrative not only through the official organizations such as national broadcasting with its numerous TV channels and radio stations, several newspapers and national-wide Basiji branches, but also traditional community-based organizations (Mohebi, 2014, pp. 127–146).

Conclusion

The exceptionalist understanding of the 1979 revolution and/or the key political and economic characteristics of the rentier state theory informs and underpins the prevailing accounts of the post-revolutionary Iranian state. This generates two problems. First, it downplays questions of capital accumulation and class formation in the analysis of the state by adhering to contingent

factors. Second, these analytical factors are considered to be the products of the socio-political national space.

In contrast, the central argument of this article is that the Iranian state should be conceptualized in relation to Iranian neoliberalization, which is part of the broader process of global neoliberal capitalism. By defining the state as a set of institutional forms reflective of social relations generated as a result of the processes of capital accumulation, I thus argued that the state cannot be understood only with reference to national space. From a relational methodology, I first placed the process of capital accumulation in Iran within the broader space of global neoliberal restructuring, showing how the interaction of both global and local dynamics and external and internal factors has produced a 'hybrid neoliberalism' in Iran. I then exhibited that this process has in turn reconfigured the class basis of state since the early 1990s, leading to the emergence of the internationally-oriented capital fraction and the military-bonyad complex with the rival accumulation strategies. I subsequently substantiated that the struggles between the internationally-oriented capital fraction and the military-bonyad complex in the context of realizing their accumulation strategies have resulted in the reorganization of state institutions (including some civil society organizations) and the reconstruction of political Islam as the state ideology with the two competing discourses of 'democratic/liberal' Islam and 'revolutionary' Islam. As this reorganization of the form of the state cannot be grasped without linking it to the process of neoliberalization, the theorization of the state with reference only to national social relations and internal factors, such as religion, resource endowment, patronage networks and leadership styles, is fragmentary at best if not short-sighted.

In his critique of approaches that are built upon the philosophy of *external* relations, Ollman (2015:, p. 10) contends that 'changes and relations are the basic building materials of the 'bigger picture' in every sphere of reality, and reducing them to the role of bit players in a drama whose overall plot is of little concern results in the kind of partial, static and one-sided thinking characteristic of most of bourgeois ideology'. The theorization of the Iranian state as a relation which was constituted through its relations with global social relations and its interactions with the wider world refutes this one-sided thinking and removes the exceptionalist mantle in the analysis of the state. A similar approach that challenges the dichotomous view of the global and the local in the study of Middle Eastern states could aid dismantling the image of the Middle East as an exceptional region.

Notes

1. Kamran Matin's *Recasting Iranian Modernity* (2013) persuasively reveals and challenges the exceptionalist conceptualisations of the 1979 Iranian Revolution.
2. I am grateful for the constructive comments of one of the anonymous reviewers of the paper that helped me to elaborate my critique of Harris' work.
3. For a substantial critique of these accounts see Connell and Dados (2014).
4. Analysing these concrete cases of particularity and combination while remaining at the level of 'the international' is not possible as it might be suggested by the Uneven and Combined Development School (Rosenberg, 2006; Matin, 2007; Anievas & Nişancioğlu, 2015) since the territorial confines of states 'are where the specific combinations take place'. This is because if what happens in a given society is an example of a universal process, UCD cannot explain the particularity of development in any given society (Davidson, 2009, p. 19). This inability ultimately relates to the fact that this intellectual current overlooks 'the spatio-temporal dynamics and causal effects of state and class agents' in the wide variety of processes through which capitalism has become constituted and restructured around the world (Bieler & Morton, 2018, p. 99).

5. In the Twelver Shi'a Islam, twelve Imams are the leaders of the Islamic community after the Prophet Mohammad. During the Major Occultation of the twelfth Imam (from 940 until now), grand Shi'a jurisconsults (*mujtahids*) determine the absent Imam's true opinion and establish legal standards. Since the Qajar period, this autonomous judicial authority of the mujtahids has extended to political authority, eventually leading to the doctrine of *velayat-i faqih* (the guardianship of the jurisconsult). With the creation of the Islamic Republic of Iran, the title of Imam is reserved for the *valy-e-faqih* (the Supreme Leader).
6. In the Persian language, while 'state' is translated to '*dolat*', in the Iranian political structure and the public realm '*dolat*' generally refers to 'government'. For this reason, a better translation of 'state' is '*hokumat*'. This is crucial in the argument because I consider both the government ownership (*bakhsh*-e *dolat*) and the public non-governmental ownership (*bakhsh*-e *omumi*-e *ghare* dolati) as two forms of state ownership.
7. With regards to the Middle East, Adam Hanieh (2011 and 2018) also eloquently problematises this distinction in the case of Gulf capital.
8. The Supreme Leader enjoys 'elected life tenure', but he must be selected, evaluated, and dismissed by the Assembly of Experts. However, because the members of the Assembly of Experts are screened before running for their seats by the members of the Guardian Council, who are in turn directly and indirectly appointed by the Supreme Leader, the Assembly of Experts never fulfils its constitutional duty (Alamdari, 2009, p. 111). In other words, there are no real checks and balances to control the power of the Supreme Leader.
9. The powerful Guardian Council consists of twelve members, six clergymen chosen by the Supreme Leader and six non-clerical jurists selected by the Majles at the recommendation of the head of Judiciary, who himself is chosen by the Supreme Leader.
10. This 'democratic/liberal' interpretation of Islam was not a new and novel intellectual trajectory as it could be traced during the nineteenth century, the 1906–1911 Constitutional Revolution, the 1960s, and the early stage of the 1979 Revolution (Sukidi, 2005, pp. 401–12; Kamrava, 2008, p. 120; Jahanbakhsh, 2001, pp. 65–112). However, unlike the post-1990s era, its political significance was marginal.

Acknowledgement

I would like to thank the editors of the special issue International Political Economy and the State in the Middle East, Hannes Baumann and Roberto Roccu, and three anonymous reviewers for their constructive comments and suggestions on the earlier drafts of this paper. The remaining errors and oversights are the author's sole responsibility.

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