GUARDIAN POLITICS IN IRAN: A COMPARATIVE INQUIRY INTO THE DYNAMICS OF REGIME SURVIVAL

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ABSTRACT

The Iranian regime has repeatedly demonstrated a singular institutional resiliency that has been absent in other countries where “colored revolutions” have succeeded in overturning incumbents, such as Ukraine, Georgia, Serbia, Kyrgyzstan and Moldova, or where popular uprisings like the current Arab Spring have brought down despots or upended authoritarian political landscapes, including Egypt, Tunisia, Yemen, Libya and even Syria. Moreover, it has accomplished this feat without a ruling political party, considered by most scholars to be the key to stable authoritarianism. Why has the Iranian political system proven so durable? Moreover, can the explanation for such durability advance a more deductive science of authoritarian rule?

My dissertation places Iran within the context of guardian regimes—or hybrid regimes with ideological military, clerical or monarchical institutions steeped in the politics of the state, such as Turkey and Thailand—to explain the durability of unstable polities that should be theoretically prone to collapse. “Hybrid” regimes that combine competitive elections with nondemocratic forms of rule have proven to be highly volatile and their average longevity is significantly shorter than that of other regime types. My study demonstrates how guardian regimes that produce a strong system of checks-and-balances through ideologically buttressed veto players are more adept at surviving as a hybrid political system. Guardian checks-and-balances produce gradual, inclusive and re-distributive process of institutional transformation that attracts multiple stakeholders in the political order while simultaneously preventing the monopolization of power by any one group. To delineate these mechanisms at work, I undertake
a comparative analysis of the policymaking processes of Iran in regards to the state’s economic privatization drive. The findings are consequently compared to policymaking on economic privatization in Russia, which is moving towards greater authoritarianism, and Turkey, which is democratizing.
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Introduction

It was only a few short years ago—indeed in the Spring of June 2009—that Iran seemed on the verge of a mass democratic revolution. Following a hotly contested presidential race, tens of thousands of Iranians took to the streets of Tehran and other cities to protest against what they perceived as a massive case of state-organized electoral fraud. The resulting “Green Movement,” under the leadership of opposition candidate Mir-Hussein Mousavi, challenged both the official re-election of President Mahmoud Ahmadinejad and, in time, even the very nature of the Islamic regime. Yet despite—or perhaps precisely because of—this extraordinary challenge, the Iranian regime proved astonishingly adept in managing these strong currents of instability and ensuring its survival. More than two years after the elections, Mahmoud Ahmadinejad remains president, and what is even more the case, the “Supreme Leader” continues to wield enormous and perhaps even uncontested power. As for the opposition, its leadership remains divided, while public demonstrations have fizzled out.

Such regime continuity is even more striking when contrasted with the upheaval of democratic revolt that gripped the Arab world in early 2011. While the final outcome of these tumultuous events is yet to be written, the popular revolt against despotism in Tunisia, Egypt, Yemen, Syria and Libya has thus far not rekindled a similar dynamic in Iran. Even as some splits within the conservative ruling establishment emerge—some of which have put the president on the defensive—the political system remains intact, and still demonstrates an uncanny capacity for adaption.

Supreme Leader Ayatollah Ali Khamenei’s sermon at the Friday prayers held in Tehran a week after the June 2009 elections sheds light on a key reason for the regime’s survival. The highlight of his speech was not simply the legitimacy it granted to the electoral outcome, re-
validating Khamenei’s earlier characterization of the elections as a “divine blessing.” Nor was it the praise lavished upon regime insiders opposed to Ahmadinejad, such as Ayatollah Rafsanjani, whom the leader had always appeased and included within important regime bodies. Rather, the striking element was how he was able to summon a high degree of commitment and sacrifice for the enforcement of his decisions from the very beginning of the turmoil—without pause.

With his voice trembling and his eyes filled with tears, Khamenei cried out at the end of his sermon, “Oh, our Lord! Oh, our Master!” to the Twelfth Imam of Shi’a Islam, the Mahdi, believed to re-appear with Jesus at the end of time to establish justice on earth. “Whatever I must do, I will do; whatever must be said, I have said and will say. I have an insignificant life, a crippled body, and a little honor which you have given me. I have placed all of this in the palm of my hand, and I will sacrifice it all in the path of this revolution and in the path of Islam.” The intense wailing and crying of the faithful, who had come to the prayers en masse, filled the air. “You are our Master; the Master of the country; the Master of this revolution! We will continue this path, and we will continue it with power. Back us in this path with your prayer, your support, and your attention.”

The people responded hysterically, chanting “the blood in our veins is a gift to our leader!”

Khamenei capitalized on the faith of his followers to bolster his power and execute his will. His words and tears both galvanized the support of the religious masses, for whom the relative importance of elections would be incomparable to that of their religious leader, and signaled a green light to the coercive forces of the state charged with securing the revolution and preserving the institutional contours of the regime. The Islamic Revolutionary Guards Corps and the expansive Basij paramilitary entered the scene to squash dissent and enforce the laws of the state. Consequently, the ideological position of the Supreme Leader enabled the regime to re-

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channel the volatile oppositional forces released with the contested election back within the confines of the state and out of the streets and stark public view.

The Iranian regime has repeatedly demonstrated a singular institutional resiliency that has been absent in other countries where “colored revolutions” have succeeded in overturning incumbents, such as Ukraine, Georgia, Serbia, Kyrgyzstan and Moldova, or where popular uprisings like the current Arab Spring have brought down despots or upended authoritarian political landscapes, including Egypt, Tunisia, Yemen, Libya and even Syria. Moreover, it has accomplished this feat without a ruling political party, considered by most scholars to be the key to stable authoritarianism. Why has the Iranian political system proven so durable? Moreover, can such apparent durability be placed in a wider comparative framework, one that will help advance a more deductive science of authoritarian rule?

The answer to this latter question is far from obvious or simple. Providing explanations of regime survival based on Iranian exceptionalism—that resiliency stems from cultural or religious factors unique to the Islamic Republic—may appear attractive at first glance. But the overwhelming consensus of political scientists pursuing generalizable social theory has been to reject the utility of such an approach. This dissertation fully concurs that such a-historicism by its very nature hinders the advancement of the social sciences and, as a result, precludes a wider inquiry that would bring Iran out of its conceptual isolation within “Iranian” or “Islamic” studies.

But if such a limited view is a non-starter, I would also suggest that a sudden or uncritical quest to place Iran into a wider—or even more so universal or “rationalist” theory—of regime “transitions” is equally unhelpful. Such a perspective attributes democratization to processes of crisis that spawns divisions within the elite and underscores the subsequent negotiations of a democratic pact between regime soft-liners and opposition moderates. While emphasizing a
notable measure of contingency and uncertainty, at its core, it views democratization as a largely linear process by which the breakdown of autocracy and the ensuing “resurrection of civil society” eventually sets the stage for democracy. Seen from this vantage point, authoritarian regimes—and in particular those that allow for a measure of state managed or state controlled electoral competition as Iran does—are viewed as unstable concoctions that will eventually give way to popular pressures for democratic change.

The theorized fragility of these liberalized and competitive authoritarian regimes is however not far from the truth. Indeed, as I shall show through a quantitative analysis of regime longevity in Chapter One, electorally competitive yet nondemocratic regimes, or “hybrid regimes,” are in fact highly unstable and thus vulnerable to breakdown or democratic transformation. Accordingly, cases of long term resilience among hybrid regimes are in actuality very rare indeed. The fundamental question suggested by this point—analytically—is whether durable hybrid regimes like Iran are discrete exceptions whose explanations lie in sui-generous factors specific to each case; or whether, instead, apparently disparate, historically unique, and culturally different cases do in fact exist which share a common set of features that suggest the need for an alternative theoretical framework of analysis.

Toward this end, this dissertation sets out a paradigm of “guardian regimes” that begins with Iran, but extends far beyond its physical, cultural or even religious boundaries. In other words, this inquiry places Iran in a wider conceptual prism, but one that treats the local or “indigenous” forces of identity, ideology or even religion as structural variables that can be studied comparatively—not only within but across regions and traditions. Indeed, despite its distinctive clerical institutions and Islamic ideology, Iran is not in a class of its own. It belongs to a set of electorally competitive regimes that contain powerful autocratic guardians steeped in
the politics of the state. More precisely, it is a type of ideological hybrid regime that contains active tutelary bodies in the form of a military, monarchy, or religious authority—a category to which other countries such as Turkey and Thailand also belong.

This dissertation therefore takes a middle approach to the study of nondemocratic regime dynamics. Using the concepts, insights and research strategies drawn from a reworking of new institutionalist analysis, it retains the admirable ambition to theorize cross-regional models of political development and institutional transformation. At the same time, it takes into account the non-linear effects of historical, cultural and institutional configurations that can mold distinctive patterns of regime resilience or fragility.

Through an analysis of both institutions and ideas, or more specifically, through an application of two of Juan Linz’s key regime features—ideology and leadership restraints—this dissertation seeks to explain variance in how regimes endure and adapt. I argue that hybrid regimes with ideologically-buttressed veto playing institutions, particularly in the form of military, monarchical, or religious bodies, produce a particular kind of checks-and-balances crucial for the survival of mixed forms of democratic and autocratic rule. The reason for such success, however, is based on the ways in which these institutions impact the process of endogenous institutional change within the regime itself, rather than the overarching regime continuity they seemingly produce.

Accordingly, Chapter Two presents a theory of how ideological tutelary bodies produce more gradual, inclusive and re-distributive processes of institutional modification in guardian regimes as they are more effective in guiding and constraining institutional change. Contributing to a strong system of checks-and-balances, they elongate regime durability and enhance survival capabilities by coopting rather than excluding various elite groups and parties from the political
game. Regimes that lack these ideological veto institutions, and have a weak system of checks-and-balances as a result, are more prone to abrupt and quick institutional transformations, dismantling hybrid rule. Furthermore, ideology provides the means by which these tutelary institutions are safeguarded and protected in the first place by enhancing the coercive and violent apparatuses charged with rule enforcement and institutional defense. Ideology decreases a regime’s costs of repression and increases the costs of toleration for forces opposed to its rule, thus effectively mobilizing support to prevent monarchical, military, or clerical “institutional drift.”

This dissertation consequently integrates endogenous mechanisms of institutional change and alteration within contemporary regime theory. It maintains that explanations of regime survival and resiliency must be embedded within processes of institutional change itself. The reason is that political regimes, like most complex institutional systems, cannot endure and last without being able to adapt and reinvent themselves as well. Regime durability, from this point of view, does not simply mean the prevention or absence of significant institutional alteration. Rather, durability stems from the successful ways in which processes of institutional transformation are constrained, managed and channeled to ensure the fundamental contours of the political game.

To illustrate these processes at work, I focus on the transformative dynamics of Iranian institutional change in Part II of the dissertation. While Chapter Three examines the history of factional and ideological political competition over privatization from 1990 up to 2004 within the institutional architecture of the regime—theoretically framed according to veto power—Chapter Four presents the intricate details of regime policymaking to alter Article 44 of the Iranian Constitution and pave the way for the large-scale economic privatization of state-run
organizations and enterprises in the country in 2006. Indeed, the policymaking procedure—the negotiations and bargains—between the Supreme Leader and the Expediency Council of the System, two of the most important tutelary bodies in the regime, demonstrate the inclusive manner in which decision-making occurs in Iran. Such inclusivity produces a wider redistribution of benefits to an eclectic class of political elites and provides the necessary incentives for them to continue to play by the rules of the game without joining the opposition. But this conflict-ridden and reiterative policymaking process—that usually results in broad, multifaceted, and open-ended compromises and agreements—inherently contains within itself multiple discordant paths and interpretations by which policy can be subsequently implemented.

The execution of policy, as a result, produces yet another “ordeal” of factional conflict despite collective policy approval. As Chapter Five shows, the 2005 presidential elections resulting in the victory of Mahmoud Ahmadinejad, of the theocratic left, and the defeat of Hashemi Rafsanjani, the republican right chairman of the Expediency Council, was key to shaping the method and style of implementing the general policies of Article 44. The “justice-shares” program, which is an altered version of voucher privatization, was enacted as a populist and “anti-capitalist” approach to the gradual liberalization of the economy—demonstrating hardliner “buy-in” to the emerging “quasi-capitalist” economic order. The new economic path that was being forged by the interaction of these myriad theocratic and republican, left and right, political forces not only generated the most explosive and violent turmoil in the history of the Islamic regime, as demonstrated in the 2009 elections—which I argue had significant structural and economic causes other than the perceived issue of “electoral fraud”—but it simultaneously held the necessary lucrative incentives that would deter regime “soft-liners” for supporting the green movement too far against the very regime within which their interests were at stake.
Finally, in Part III of the dissertation, I contextualize these Iranian dynamics within a broader cross-regional and comparative perspective—illustrating the condition of “managed instability” typical of the chaotic method of durable hybrid regime rule. In particular, I examine the economic privatization programs of Turkey and Russia in order to further demonstrate the importance of veto architecture on regime stability. The study of privatization not only allows a standard program for comparison across these countries, but it will importantly reveal each regime’s capacity for institutional restraint given that they all had an executive power who attempted to forcefully push through privatization. Turkey and Iran, as guardian regimes, significantly constrained executive power and delayed economic privatization, while Russia experienced more-or-less single-handed rule that speedily transformed the country’s economic foundations.

Chapter Six, however, also demonstrates how guardian regimes may slowly change over time through piecemeal liberalization and democratization. The Turkish state at its height of power in the twentieth century consisted of an institutionalized “deep state,” representing the ideologically secular Kemalist military and regime bodies such as the National Security Council and the Constitutional Court, that not only vetted political parties for office but also undertook numerous coup d’états to prevent political “deviation.” Through democratic reforms undertaken since the turn of the century, however, the current ruling AK Party has attained gradual “infiltration” within these important tutelary bodies. As a result of the government’s growing power to appoint the members of these chambers and the modification of their roles, institutional power has slowly tilted away from the military towards civilian rule, thus ushering in the dismantling of Kemalist tutelary institutions in contemporary Turkey.
In contrast to Turkey which is slowly moving towards full democracy, Russia was a non-ideological, non-tutelary hybrid regime in the 1990s that has largely morphed into authoritarianism in the new century under President Vladimir Putin. Through an examination of Russian politics, the chapter highlights how the institutional configuration of the Russian regime has indeed been significant for the end of competitive politics in the country. While other factors such as oil and high corruption may be important causes for this change alongside the unbridled power of the presidency, as Steven Fish argues, Iran has interestingly demonstrated the continuation of competitive electoral politics even in the presence of high oil rents and endemic financial corruption. A strong system of checks-and-balances, in other words, can significantly mitigate the negative impact that natural resources and corruption may produce for the continuation of competitive elections.

In conclusion, this dissertation seeks to make three contributions to the study of comparative politics. First, it adds to our knowledge of political transitions and democratization through the study of guardian regimes. Through the application of veto player theory, it not only operationalizes the function of tutelary institutions within a comparative framework but sheds light on how alternative forms of regime institutionalization impact endogenous processes of institutional change and hence regime survival. Regime durability, as it reveals, does not occur through the prevention of change but rather through its effective management and channeling.

Second, this dissertation integrates the structural role of ideas, religion and ideology in the study of regime dynamics. It specifically addresses how ideas prevent and constrain the processes of institutional drift, thus enhancing regime durability. Ideas explain variance in the institutional enforcement and interpretation of rules—why rule-takers follow rule-makers and to

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2 Fish 2005.
what degree. And a strong regime ideology reinforces and empowers the processes of rule enforcement by the disciplinary forces of the state.

Finally, this dissertation incorporates Middle Eastern area studies, particularly Iranian studies, into a broader cross-regional framework of regime analysis. It illustrates how particular guardian regimes such as Iran and Turkey can shed light on the literature of regime change and survival. And in the process, it produces greater knowledge of the politics of the Islamic Republic of Iran. There have been relatively few theoretical works that analyze the way in which the Iranian regime’s institutions function and how they impact policymaking in a comparative perspective. A greater understanding of Iranian regime dynamics is particularly important at a time when Iran has become a sensitive and salient country to international affairs and Middle Eastern regional peace and stability.
Part I

The Puzzle & Theory of Hybrid Regime Survival
Chapter One: Guardian Regimes—Halfway Houses that Stand

The third wave of democracy\(^3\) begun in 1974 heralded a global trend towards the establishment of multiparty elections across a variety of nondemocratic regimes. As a result, it produced significant transformations to the logic of traditional authoritarian rule—many times debilitating an autocrat’s grip on power and ushering in regime change. The emergence of hybrid regimes, or electorally competitive yet nondemocratic political systems, at this time marked a growing experiment in regime architectural design that mixed authoritarian and democratic forms of rule under a single roof. The clashing political logics of popular elections and autocratic power however usually led to the formation of either full authoritarianism or democracy instead—indicating the intrinsic weakness and instability of hybrid institutionalization. It is in light of this common experience that Samuel Huntington compares these new regimes to fragile “halfway houses” that cannot stand.

Yet, as this chapter will show, not all hybrid regimes have met the same fate. Some hybrid constructions—more specifically, guardian regimes with active monarchical, military and clerical institutions—have proved much sturdier and more durable than others—preserving their joint democratic and authoritarian institutions for many years beyond the average of other hybrid regimes. And they have done so despite the presence of factors theoretically considered detrimental to regime survival, such as the absence of strong and robust political parties. How have these regimes survived when others have not? What explains their successful method of institutionalization other than the political party?

In an effort to answer these questions, this chapter begins with a discussion of the concept of a hybrid regime and the method used to measure it. It subsequently details the puzzle

\(^3\) Huntington 1991.
introduced above and presents an empirical overview of the subject using a newly created dataset on nondemocratic regimes. Finally, by applying two of Juan Linz’s regime features, ideology and leadership restraints, it proposes a theory to explain the survival of guardian regimes based on the function of ideological veto players and explains why the study of Iran is most suitable for analyzing their role.

What are Hybrid Regimes?

Scholars have generally considered hybrid regimes to be political systems that cannot be classified as full instances of either democracy or authoritarianism. A regime refers to “the particular set of procedures and structural arrangements that govern a country.…[and] establishes both the formal and informal rules of a political game.”\(^4\) While hybrid regimes represent one type within the larger nondemocratic category, they occupy the conceptual “gray zone”\(^5\) of regime classification and have been conceptualized and labeled in numerous ways because of their institutional ambiguity. These efforts initially took the form of “democracy with adjectives,” such as illiberal democracy,\(^6\) after the end of the cold war, to “authoritarianism with adjectives,” such as competitive authoritarianism,\(^7\) at the turn of the century. These classificatory difficulties reflect the complications raised by the third wave of democracy to our theories and models of democratization.\(^8\) The emergence of multiparty and even competitive elections in autocratic states did not necessarily indicate the establishment of democracy.

Expressed briefly, a hybrid regime is a political system that holds competitive elections for the executive and legislature without meeting the minimum definitional requirements of

\(^5\) Schedler 2002.
\(^6\) Zakaria 1997.
\(^7\) Levitsky and Way 2002.
\(^8\) See Collier and Levitsky (1997) and Gilbert and Mohseni (2011) for a discussion of the problems caused by the ensuing proliferation of terms.
democracy. This dissertation however uses a multidimensional approach to conceptualize and measure these regimes. More specifically, they are identified on the specific configuration of three dimensions: competitiveness, civil liberties and tutelary interference. All hybrid regimes must demonstrate electoral competitiveness, meaning that elections must include more than one political faction or party running for the executive and legislature, and produce at least one turnover within four electoral cycles. They may vary however in regards to their quality of civil liberties and the presence of tutelary institutions. Some hybrid regimes may have an illiberal framework of state-society relations due to the poor enforcement of civil liberties. Regimes that receive scores of four or higher on Freedom House’s civil liberties score are considered to have an inadequate protection of individual civil liberties and hence considered to be illiberal, while those that have a score of three or lower are considered to be liberal.

Others hybrid regimes may have active tutelary bodies, such as a military, monarchy, and/or a religious authority, which interfere in the governance of a country by violating democratic mechanisms of decision-making. One of the earliest scholars to identify and discuss the concept of hybrid regimes, Karl points to the detrimental risks that unelected and unaccountable militaries pose to the new democracies of Central and Latin America. Sometimes referred to as “reserved domains of power,” the existence of a tutelary institution that can limit the role of elected leaders, constrain their political agendas, and/or veto their decisions violate the minimum requirements of democracy. This regime dimension accordingly distinguishes tutelary and non-tutelary hybrid regimes based on a measurement developed from

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9 The discussion that follows on hybrid regime concept building and measurement is detailed more thoroughly in Gilbert and Mohseni 2011.
11 For example, it violates Schedler’s (2002) chain of democratic choice.
Samuel Fitch’s typology of civil-military relations. Regimes with tutelary bodies that either do not allow competitive elections or those that install the head of government and the cabinet despite multiparty elections, are not counted as hybrids and are rather tutelary authoritarian regimes. The reason is that elections in hybrid regimes should be critical for both the distribution of power between the elite and for impacting the strategic policymaking approaches of the state—elements that would be absent in regimes directly ruled and governed by tutelary institutions without competitive electoral input.

Consequently, hybrid regimes are not fully authoritarian because they have uncertain and competitive multiparty elections with turnover. Multiple centers of power are involved in ruling the country, and elections are critical for both resolving elite conflict and distributing power between these groups. They are also not fully democratic because they violate a configuration of democratic principles, such as a poor civil liberties record and/or the existence of nondemocratic tutelary institutions. The possible combinations of these features subsequently differentiate between hybrid subtypes. The “illiberal hybrid regime” is electorally competitive, illiberal, and lacks tutelary bodies. It represents the most common hybrid regime subtype and includes countries such as Sri Lanka and Georgia. The “illiberal tutelary hybrid regime” is electorally competitive, illiberal, and contains tutelary bodies. Iran, for example, is an illiberal tutelary hybrid regime with a clerical domain, and Pakistan is one with a military domain.

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12 Fitch 1998. I use a dichotomous measurement based on Fitch’s classification. Accordingly, regimes with nondemocratic bodies that directly interfere in politics, characterized as “military tutelage” and “military control” by Fitch, are considered to have tutelary bodies, while regimes with “democratic control” and “conditional subordination” of nondemocratic bodies are considered to not have tutelary institutions.

13 For example, Lucas’ (2004) concept of “monarchical authoritarianism” is a tutelary authoritarian regime. It includes countries such as Jordan and Morocco where the monarch appoints the Prime Minister and members of the Cabinet despite the presence of multiparty elections for the legislature.

14 This subtype is the most similar to Levitsky and Way’s concept of competitive authoritarianism. It differs, however, in that it excludes dominant party systems, as conceptualized by Greene (2007), which do not experience electoral turnover.
The third and final subtype is the “tutelary hybrid regime,” which is electorally competitive, liberal, and has tutelary institutions. Post-Pinochet Chile in the 1990s belongs to this category since the military could appoint members of the Senate, make its own budgetary decisions, and receive judicial immunity.\(^\text{15}\) In other words, Chile was an authoritarian regime under Pinochet; the country transformed into a hybrid regime in 1989 with the collapse of the old system, and it only transitioned to full democracy in 1999 with the effective dismantling of the undemocratic military domain of power.

As a result of this configurative and multidimensional measurement of hybrid regimes, a variety of regimes subtypes is accounted for that is lost in continuum-based composite measurements, such as Polity IV, which aggregate or average multiple regime features into a single indistinguishable score.\(^\text{16}\) While composite scores may produce limitations for scholars interested in studying the institutional diversity of all regime types, the difficulties it creates is particularly acute for those wanting to study hybrid regimes. In fact, the developers of the Polity database warn that the polity 2 score used to identify political regimes should not be used to study the middle segment of the measurement spectrum, where hybrid regimes are located.\(^\text{17}\) Goertz has moreover demonstrated the particular challenges that composite datasets, such as Polity IV and Freedom House, encounter at the middle range of their measurement scales.\(^\text{18}\)

Consequently, the method of hybrid regime measurement used in this dissertation to create a regime dataset both builds on the theoretical literature on hybrid regime conceptualization and uses an effective and proper method of regime measurement suitable for the hybrid regime type.

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\(^\text{15}\) See Stepan (1998) for a discussion of the military’s undemocratic role and legacy in pacted transitions from authoritarianism.

\(^\text{16}\) For a more detailed discussion of the field of hybrid regime measurement, refer to Gilbert and Mohseni 2011: 281-9.


The Puzzle of Hybrid Rule

Writing on the emergence of hybrid regimes, or what he terms “liberalized authoritarianism,” in the third wave of democracy, Samuel Huntington predicts these hybrid constructions to be inherently fragile, unstable and, hence, unsustainable.\(^\text{19}\) Regime failure is inevitable since they cannot institutionalize coherently due to the contradictory forces of their democratic and autocratic institutions—the popular pressures that elections release will overwhelm the limited authoritarian channels the regime provides. As a result, regime instability ensues based on Huntington’s gap hypothesis. This line of reasoning leads him to declare that such a “halfway house does not stand.”\(^\text{20}\)

Interestingly, the assertion made by Huntington has been verified in recent statistical analyses of political regimes. Despite the variety of definitions and methods of measurement used to capture the phenomenon of hybrid regimes, scholars have demonstrated that the longevity of hybrid rule is significantly shorter than that of either full democracy or authoritarianism.\(^\text{21}\) For example, according to Hadenius and Teorell, a “nondominant limited multiparty regime” and a “dominant limited multiparty regime,” or the two regimes which most closely mirror the concept of a hybrid regime, have an average life span of 5.87 years and 9.97 years respectively. This duration is significantly lower than the 17.50 year average durability of democracy and the 17.80 year average life of one-party authoritarianism.

These findings corroborate the curvilinear relationship between regime type and regime failure.\(^\text{22}\) The most highly democratic and authoritarian regimes are the most stable and durable ones, while those at the center between these two regime types—where hybrid regimes are

\(^{19}\) Huntington 1991.
\(^{20}\) Ibid.: 137.
\(^{21}\) Epstein et al. 2006; Hadenius and Teorell 2007; Roessler and Howard 2009.
\(^{22}\) Smith 2004.
theoretically located—are the least stable and most prone to regime failure. Hybrid regimes, in other words, are more volatile than other regimes types as they experience the greatest rate of political transition to either full authoritarianism or democracy.\textsuperscript{23} They have difficulty preserving their joint democratic and autocratic forms of rule—of remaining in a “suspended equilibrium” distinct from other regimes. As Roessler and Howard explain, this is not surprising given that hybrids “are inherently contradictory: legitimate procedures (i.e., regular, competitive elections) clash with illegitimate practices (vote rigging, violent disenfranchisement, and media bias).”\textsuperscript{24}

What is surprising, however, is that not all hybrid regimes are doomed to failure. Some have survived for decades—“halfway houses” that have withstood the test of time. Turkey, for example, has lasted for almost fifty years. Iran and Thailand have endured over several decades as well. Why have they succeeded when others have not?

These and other cases can be found in Table 1, a list of all hybrid political systems in order of longevity from 1974 with the third wave of democracy to 2009.\textsuperscript{25} This domain set represents an extension of the hybrid regimes identified by Gilbert and Mohseni since 1990.\textsuperscript{26} Looking at Table 1, the time period displays the years in which a regime belongs to the hybrid type, while hybrid subtypes are not differentiated in this table. In addition, cases marked as “authoritarian situations”\textsuperscript{27} indicate the possibility of regime change to full authoritarianism in the absence of electoral turnover in a subsequent executive or legislative election. Alternate coding given the actualization of such a scenario is included within brackets.

\textsuperscript{23} Roessler and Howard 2009.
\textsuperscript{24} Ibid.: 20.
\textsuperscript{25} The starting years for regimes already in place in 1974 have been backdated to 1960.
\textsuperscript{26} Gilbert and Mohseni 2011.
\textsuperscript{27} Linz (2000 [1974]) characterizes the period of regime uncertainty in which authoritarian regimes may take hold as “authoritarian situations.”
Table 1. Hybrid Regime Durability (in order of lifespan)

<table>
<thead>
<tr>
<th>Country</th>
<th>Period of Rule</th>
<th>Durability in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>1961-2009</td>
<td>49</td>
</tr>
<tr>
<td>Iran</td>
<td>1979-2009</td>
<td>31</td>
</tr>
<tr>
<td>Thailand</td>
<td>1983-2009</td>
<td>27</td>
</tr>
<tr>
<td>Guatemala</td>
<td>1985-2009</td>
<td>25</td>
</tr>
<tr>
<td>Colombia</td>
<td>1989-2009</td>
<td>21</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1989-2009</td>
<td>21</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>1991-2009</td>
<td>19</td>
</tr>
<tr>
<td>Moldova</td>
<td>1991-2009</td>
<td>19</td>
</tr>
<tr>
<td>Lebanon</td>
<td>1992-2009</td>
<td>18</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>1984-2001</td>
<td>18</td>
</tr>
<tr>
<td>Cambodia</td>
<td>1993-2009</td>
<td>17</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>1991-2006</td>
<td>16</td>
</tr>
<tr>
<td>Brazil</td>
<td>1985-1999</td>
<td>15</td>
</tr>
<tr>
<td>Georgia</td>
<td>1995-2009</td>
<td>15</td>
</tr>
<tr>
<td>Russia</td>
<td>1991-2003</td>
<td>13</td>
</tr>
<tr>
<td>Honduras</td>
<td>1982-1993</td>
<td>12</td>
</tr>
<tr>
<td>Ukraine</td>
<td>1991-2003</td>
<td>12</td>
</tr>
<tr>
<td>Nepal</td>
<td>1991-2001</td>
<td>11</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1988-1998</td>
<td>11</td>
</tr>
<tr>
<td>Albania</td>
<td>1992-2001</td>
<td>10</td>
</tr>
<tr>
<td>Chile</td>
<td>1989-1998</td>
<td>10</td>
</tr>
<tr>
<td>Ecuador</td>
<td>1997-2006</td>
<td>10</td>
</tr>
<tr>
<td>Madagascar</td>
<td>1993-2002</td>
<td>10</td>
</tr>
<tr>
<td>Croatia</td>
<td>1991-1999</td>
<td>9</td>
</tr>
<tr>
<td>Serbia and Montenegro</td>
<td>1991-2000</td>
<td>9</td>
</tr>
<tr>
<td>Malawi</td>
<td>2002-2009</td>
<td>8</td>
</tr>
<tr>
<td>Comoros</td>
<td>1992-1998</td>
<td>7</td>
</tr>
<tr>
<td>India</td>
<td>1991-1997</td>
<td>7</td>
</tr>
<tr>
<td>Peru</td>
<td>1980-1986</td>
<td>7</td>
</tr>
<tr>
<td>Comoros</td>
<td>2004-2009</td>
<td>6</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1999-2004</td>
<td>6</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2004-2009</td>
<td>6</td>
</tr>
<tr>
<td>Portugal</td>
<td>1976-1981</td>
<td>6</td>
</tr>
<tr>
<td>Argentina</td>
<td>1983-1987</td>
<td>5</td>
</tr>
<tr>
<td>Belarus</td>
<td>1991-1995</td>
<td>5</td>
</tr>
<tr>
<td>Cyprus</td>
<td>1975-1979</td>
<td>5</td>
</tr>
<tr>
<td>Guinea Bissau</td>
<td>2005-2009</td>
<td>5</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>1993-1997</td>
<td>5</td>
</tr>
<tr>
<td>Peru</td>
<td>1995-1999</td>
<td>5</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1993-1997</td>
<td>5</td>
</tr>
<tr>
<td>Philippines</td>
<td>1986-1989</td>
<td>4</td>
</tr>
</tbody>
</table>
Romania & 1990-1993 & 4 \\
Sierra Leone & 2002-2005 & 4 \\
Uruguay & 1985-1988 & 4 \\
Spain & 1977-1979 & 3 \\
Zimbabwe & 2008-2009 & 2 \\

*Authoritarian situation; revised coding in the absence of turnover is included in brackets.

Based on the system of concept measurement developed for hybrid regimes, forty-eight hybrid political systems are identified since the beginning of the third wave of democracy. The average longevity of this type is 12 years. I compare this average to that of other nondemocratic regimes also identified in the dataset. Table 2 presents the number of cases and average lifespan of each nondemocratic regime type. Accordingly, a sultanistic regime, or a monarchical or personalistic regime with either no elections or uncompetitive elections, has an average lifespan of 42.2 years. A totalitarian regime, or an ideological single party system without multiparty elections, has an average longevity of 33.8 years. And an authoritarian regime, irrespective of the subtype, has an average longevity of 20.2 years. Overall, the non-electoral regime category, to which sultanistic, totalitarian and authoritarian regimes belong due to the absence of competitive multiparty elections, have an average survival rate of 23.9 years. Performing a statistical difference in means t-test, I find the difference in longevity of a hybrid regime to be statistically significant at the .00 level compared to other nondemocratic regimes, thus corroborating the findings of previous analyses undertaken on hybrid political systems.

I also analyze hybrid regimes according to their tutelary and non-tutelary subtypes. Again, tutelary bodies refer to unelected or undemocratic institutions such as a monarchy, military or religious authority that participate in the decision-making processes of a regime. There are twenty tutelary hybrid regimes and twenty-three non-tutelary hybrid regimes. New

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28 See Gilbert and Mohseni for a discussion of the concept of non-electoral regimes. In short, they are regimes that have either no elections, single party elections, or uncompetitive multiparty elections.
Table 2. The Durability of Nondemocratic Political Regimes

<table>
<thead>
<tr>
<th>Political Regime Type</th>
<th>Durability in Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Electoral Regimes</td>
<td></td>
</tr>
<tr>
<td>Sultanism (N = 13)</td>
<td>23.9</td>
</tr>
<tr>
<td>Totalitarianism (N = 11)</td>
<td>42.2</td>
</tr>
<tr>
<td>Authoritarianism (N = 94)</td>
<td>33.8</td>
</tr>
<tr>
<td>Authoritarianism (N = 20.2)</td>
<td></td>
</tr>
<tr>
<td>Electoral Regimes</td>
<td></td>
</tr>
<tr>
<td>Hybrid Regimes (N = 48)</td>
<td>11.8**</td>
</tr>
</tbody>
</table>

**p < .01

hybrid regimes established after 2000 are not included in the analysis so as to not bias longevity scores.

The statistical results indicate that tutelary hybrid regimes are on average only slightly more durable than their non-tutelary counterparts. Tutelary hybrids have an average lifespan of 12.8 years, and their non-tutelary counterparts survive for an average of 12.1 years. This finding is not at a statistically significant level with a difference in means t-test, meaning that the presence or absence of tutelary institutions alone does not significantly impact the durability of hybrid regimes. Looking at Table 1, however, it is evident that by far the longest-lasting hybrid regimes belong to the tutelary category. Turkey, Iran, and Thailand, all of which are tutelary regimes, have been the most durable hybrid political systems overall with an average durability of 35.7 years.

Yet the puzzling element about the survival of these more durable tutelary hybrid regimes is not simply because of their greater longevity in comparison to other hybrids. Their survival also runs against the dominant theories of comparative politics that would predict otherwise. In other words, these regimes have remained hybrid regimes despite the presence of factors
theoretically considered to be detrimental for regime survival, whether democracy or authoritarianism.

First, durable hybrid regimes, such as Turkey, Iran and Thailand, have been mired by economic shocks, crises, and even sanctions that are considered to be an important cause of authoritarian breakdown.\footnote{O'Donnell 1973; Haggard and Kaufman 1995.} As the private sector loses confidence in the ability of the regime to deliver on its economic promises, the “authoritarian bargains” underpinning the regime begin to unravel. Economic crises are similarly considered a threat to democratic regimes as they may unleash anti-systemic social forces and erode regime institutions by splintering the elite.\footnote{Linz 1978.} But crises have perplexingly not led to the demise of these specific hybrid cases.

Furthermore, the longevity of these hybrid regimes defies the expectations of institutional theories. These regimes have very weak, relatively fractured and highly volatile political party systems. Institutional theorists, however, argue that modern political systems, whether democratic or authoritarian, require effective political parties to institutionalize, create order and enhance durability.\footnote{The following works represent key pieces that consider strong political parties to be the main source of authoritarian or democratic institutionalization: Huntington 1968; Mainwaring 1998; Geddes 1999; Lipset 2000; Carothers 2006; Brownlee 2007; Levitsky and Way 2010; Slater 2010.} Moreover, hybrid regimes, in addition to having weak party capacity, should be inherently unstable and short-lived due to the contradictory forces of their mixed form of autocratic and democratic rule, a point that has generally been verified through empirical research and has been discussed at length earlier.

The role of unaccountable presidents, highlighted in the superpresidential and delegative democracy literature,\footnote{O’Donnell 1994; Fish 2005.} and unaccountable tutelary institutions, particularly militaries, are considered to be threatening to and deleterious for the continuation of competitive electoral
politics. Turkey, Iran and Thailand, however, all have tutelary institutions of guardianship. Iran, moreover, has a supreme leader with constitutional powers similar to if not greater than superpresidential institutions. In contrast, other scholars argue that the mechanism of competitive electoral politics will dismantle tutelary rule. These lasting hybrid regimes, however, have retained their tutelary institutions despite the presence of competitive elections for several decades. In fact, as this dissertation will show, tutelary institutions have even been an important factor in preserving competitive elections rather than eliminating them or being eliminated by them. The further study of these regimes is therefore important to understand the causes of such perplexing regime durability.

The Architecture of Hybrid Design

Levitsky and Way emphasize the critical impact that the strength of the state and party capacity hold for the trajectory of hybrid regime change. Greater strength enables a more forceful push towards authoritarianism. Building on this argument, I maintain that while the assessment of state and party capacity is important, the specific configurations in which these capacities are institutionalized in matter just as much, particularly when political parties are weak. Focusing on the specific institutional architecture and power arrangement of these more durable hybrid regimes will allow us to better understand why they are more restrained from moving towards full authoritarianism despite having a strong state that could push that way. These regimes may consequently point to previously unaccounted for and under-theorized means of regime institutionalization. How do various regime institutional arrangements structure power differently? And what impact does this have on not only state-society relations but on the processes of institutional control and management as well?

33 Hunter (1997a, 1997b), for example, makes this argument in her study of Latin American countries.
34 Levitsky and Way 2006; 2010.
Leadership Restraints and Ideology: Revisiting Linz’s Regime Dimensions

As Richard Snyder argues, the study of nondemocratic regimes would benefit by a return to the “classic” regime dimensions identified by Juan Linz that are sometimes overlooked because of our focus on elections. Linz’s four key typological features of modern political regimes include ideology, mobilization, pluralism, and leadership restraint. This dissertation demonstrates that two of these elements, ideology and leadership restraints, can be effectively applied to explain the diverse processes of hybrid regime survival and change.

I argue that veto player theory provides an appropriate means for capturing and measuring a regime’s degree of leadership restraint. Veto players are an “individual or collective actors whose agreement is necessary for a change of the status quo.” As such, veto players represent key institutional nodes undergirding the processes of checks-and-balances. The theory intuitively predicts that the larger the number of veto players and the greater the ideational distance between them in a political system, the more difficult it will be to enact policies that significantly depart from status quo conditions. In contrast, the fewer the number of veto players there are, the easier it will be to change policy positions. The former condition signals a more decentralized and fragmented decision-making and power-wielding system of institutions—a strong system of checks-and-balances; the latter setting indicates a more centralized and vertically unified power regime structure—a weak system of checks-and-balances.

Consequently, according to Linz’ conceptualization, autocratic regimes have unrestrained leaders with a low number of formal regime veto players and a weak or non-existent system of checks-and-balances. Sultanistic, totalitarian, and authoritarian regimes have minimal leadership constraints because they have more centralized institutions and unified decision-making bodies.

35 Snyder 2006.
36 Linz 2000 [1974]. The dimension of pluralism was added later in Linz and Stepan (1996).
37 Tsebelis 2002.
In some ways, sultanism may be the actualization of a single formal veto player system—the sultan or monarch himself.\textsuperscript{38}

In contrast, as Linz explains, democracies have a more restrained leadership. A democracy has decentralized regime institutions and multiple decision-making bodies that can restrain each other. The people also constrain democratic leaders through the electoral mechanism. Competitive and uncertain elections hold leaders accountable and influence decision-making through the input of public opinion. In terms of veto player theory, democracies should have more numerous veto players and a more robust system of checks-and-balances than autocracies.

A critical question then concerns the position of hybrid political systems along this regime dimension since they were naturally absent in Linz’s typological classification due to the time period he examined.\textsuperscript{39} How restrained is the leadership of hybrid regimes? Is power concentrated in the hands of a few or even one insulated leader in hybrid regimes more similar to totalitarian, sultanistic and authoritarian regimes? Or, are power and policy decision-makers more dispersed and fragmented and elites more susceptible to electoral pressures like in democracies?

Insights from veto player theory can help answer these questions and, in the process, further refine this important regime dimension. The theory in part problematizes Linz’s formulation as it demonstrates the institutional diversity that can be found within the democratic regime type. The degree to which the leadership is restrained in a democracy depends on the number and type of veto players in the regime. Some democracies, such as South Africa or Japan, may be closer to authoritarian regimes as they are predominantly ruled through

\textsuperscript{38} See Chehabi and Linz (1998) for a discussion of sultanism.
\textsuperscript{39} Linz (2000 [1974]) developed these dimensions in the 1970s focusing on authoritarian and totalitarian regimes in particular. Hybrid regimes however became a topic of study since the 1990s.
hegemonic political parties in a centralized institutional context with few veto players. Other democracies may have more fragmented political systems with greater veto players, and thus more restrained leaderships, as is the case in countries such as the United States. Irrespective of veto players, however, the leaders of democracy are theoretically more restrained than their autocratic counterparts simply due to the competitive pressures and accountability that popular elections provide.

I maintain that a hybrid regime is comparable to a democracy in regards to this regime dimension as they are both electoral regimes. Thus, like democracies, some hybrid regimes may have fewer veto players and be closer to authoritarian conditions of leadership, such as Armenia or Russia, while others may be at the opposite extreme with extremely fractured and dispersed political systems and more veto players, such as Thailand or Iran. Furthermore, it can be assumed that the leaders of hybrid regimes are more restrained than their non-electoral regime counterparts due to the presence of competitive elections but less restrained than democracies that guarantee the protection of individual liberties and ensure free-and-fair elections.

The Argument

While the veto context impacts the decision-making processes of a state, this dissertation argues that the causal mechanisms underlying veto player theory also encompass the processes of hybrid regime change and maintenance more broadly. Hybrid regimes with strong and diverse institutional veto players are more capable of managing the volatile and unstable forces of their contradictory institutions through a rigorous system of checks-and-balances than their counterparts with a fewer number of these pivotal institutions. As a result, such regimes have an

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40 Electoral regimes are political systems that have competitive multiparty elections that produce electoral turnover in either the legislature or the executive (Gilbert and Mohseni 2011). Both a democracy and a hybrid regime are sub-types of the electoral regime type.
increased likelihood of strategic institutional preservation and hence survival. When institutional change and transformation is undertaken, however, the interests of a wider spectrum of elites are satisfied without endangering the fundamental contours of the hybrid political game.

Consequently, through an historical institutional analysis of hybrid regime dynamics, this dissertation demonstrates that it is not just the degree of state or party power that matters for regime durability but also how this power is structured and how it impacts the processes of institutional transformation. Some regimes may have a strong state capacity that is arranged within a complex and balancing set of institutions with a high number of veto players, such as Iran, thus proving more durable as a hybrid. Others regimes, in contrast, may have a relatively weaker state capacity but nevertheless concentrate their power within a single or narrower set of institutions with fewer veto players, such as Belarus. These latter hybrid regimes in turn are more likely to be short-lived and move towards full authoritarianism.

Furthermore, this dissertation integrates ideas and the role of ideology within this historical institutional analysis. It argues that ideology, another regime feature identified by Linz, plays a critical role for regime institutional maintenance and durability. Specifically, regimes that have ideologically buttressed veto players are more capable of defending and preserving the existence of their institutional arrangements than those that cannot ideationally legitimate such institutions. Ideas serve to enhance the coercive and violent apparatuses of the state. Building on Robert Dahl’s postulation on regime survival, ideas decrease the costs of repression to safeguard the role of veto players and increase the costs of toleration for forces.

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41 My understanding of ideology and its role in a polity draws heavily from Linz’s (2000 [1974]) insightful discussion of ideology versus mentality: 162-5. Ideology consists of a guiding system of political and moral principles, is developed from intellectual, utopian, and transcendental philosophical positions, and is suitable for mass social mobilization; a mentality is comprised of a diffuse set of ideas, lacks form and intellectual content, and concerns attitudes and dispositions rather than “coherent” worldviews. For Linz, writing in the 1970s, ideology represented an important regime characteristic of a totalitarian regime, and mentality represented the ideational characteristic of an authoritarian regime.
42 Dahl (1971) cogently argues that regimes collapse when the costs of repression outweigh the costs of toleration.
opposed to their presence. Stated differently, veto players, particularly tutelary veto players, with weak or nonexistent ideational legitimacy to justify and enable organized means of violence are more susceptible to drift and elimination.

As mentioned earlier, the three most durable hybrid political systems, Turkey, Iran and Thailand, are all ideologically justified guardian regimes. Classifying hybrid regimes according to their tutelary and ideological features however creates four conceptual categories: ideological tutelary hybrids, ideological non-tutelary hybrids, non-ideological tutelary hybrids, and non-ideological non-tutelary hybrid regimes. Table 3 presents the classification of countries according to these four categories. The type of tutelary institution is recorded within the parentheses besides each country. Looking at Table 3, the most durable hybrid category is the ideological tutelary one, including Turkey, Iran, Thailand, and Nicaragua, with an average lifespan of 31.3 years. And importantly, by calculating a difference in means t-test, the difference in the average length of survival of these regimes is statistically significant at the .05 level compared to other hybrid regimes. This dissertation aims to delineate the mechanisms producing this phenomenon and elucidate the theoretical implications this explanation holds for the study of nondemocratic regimes more broadly.

The theorization of hybrid regime durability developed in this dissertation, therefore, is distinct from postulations that stress the critical role of political parties. Veto player theory verifies the insights of classical political thought since antiquity stressing the institutionally diverse composition of regimes. Regimes comprised of a mixture of institutional forms were held in high regards due to the greater regime durability and survival they were believed to produce.
Table 3. Hybrid Regime Durability: Tutelary and Ideological Dimensions

<table>
<thead>
<tr>
<th>Ideological Regimes</th>
<th>Tutelary Regimes</th>
<th>Non-Tutelary Regimes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Country</td>
<td>Durability in Years</td>
</tr>
<tr>
<td></td>
<td>Turkey (Military)</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Iran (Clergy)</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Thailand (Monarchy-Mil.)</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>Nicaragua (Military)</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>Ave. Lifespan (N = 4):</td>
<td>31.5*</td>
</tr>
<tr>
<td></td>
<td>Non-Ideological Regimes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lebanon (Foreign: Syria)</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>Guatemala (Military)</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Honduras (Military)</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Nepal (Monarchy)</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Pakistan (Military)</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Brazil (Military)</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Chile (Military)</td>
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</tr>
<tr>
<td></td>
<td>Ecuador (Military)</td>
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<td>Portugal (Military)</td>
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<tr>
<td></td>
<td>Argentina (Military)</td>
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</tr>
<tr>
<td></td>
<td>Philippines (Military)</td>
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</tr>
<tr>
<td></td>
<td>Uruguay (Military)</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Spain (Military)</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Ave. Lifespan (N = 16):</td>
<td>8.2</td>
</tr>
</tbody>
</table>

* p = .05

For example, in his important work on the philosophical question of the best regime, *Politics*, Aristotle considered the most “short-lived” of regimes to be tyrannies, which were
based on the unjust rule of one man. And, like Plato, he argued that the polity regime type, which combined both democratic and oligarchic institutions, is the most durable: a “constitutional system based absolutely, and at all points, on either the oligarchical or the democratic conception of equality is a poor sort of thing. The facts are evidence enough: constitutions of this sort never endure.”

Aristotle asserted that a “constitution is better when it is composed of more numerous elements.” This line of thought influenced subsequent thinkers such as Polybius, Cicero, and even Machiavelli, who considered the most durable and lasting regimes to be the ones that combined monarchy, aristocracy and democracy into a single type.

While the pre-modern understanding of checks and balances shifted with the Enlightenment and modernity to encompass the protection of individual liberty as well, institutional checks-and-balances nevertheless remained central to arguments for regime durability. According to Montesquieu, a pioneering theorist of separation of powers, “[w]hen the legislative and executive powers are united in the same person, or in the same body of magistrates, there can be no liberty; because apprehensions may anse, lest the same monarch or senate should enact tyrannical laws, to execute them in a tyrannical manner.” And James Madison declared that the institutional design of the United States government must prevent “encroachments which lead to a tyrannical concentration of all the powers of government in the same hands.” This is because “[t]he accumulation of all powers, legislative, executive, and judiciary, in the same hands, whether of one, a few, or many, and whether hereditary, self-appointed, or elective, may justly be pronounced the very definition of tyranny.”

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43 Aristotle 1908: 232.
44 Ibid.: 206.
45 Montesquieu 1777: 221.
46 Madison, Federalist No. 48.
47 Madison, Federalist No. 47.
Today, veto player theory may also contribute to the study of regime survival as the mechanism of checks-and-balances suggests an underlying connection between policy stability and regime durability. This relation is made explicit in the work of Haggard and McCubbins who effectively reformulate Tsebelis’ theory through the language of democratic theory. They state that:

[I]f law making authority is unified in a single place, whether it be in the legislature or the executive, then the likelihood that a single faction with a narrow purpose will seize control of government is greatly increased. At the extreme, tyranny results. If, by contrast, law making is so thoroughly separated that numerous competing factions each must consent to changes in law and policy, then government may be incapable of sustaining the public order. The extreme form of this condition, decision by unanimity, can lead to paralysis and chaos. Every democracy, whether parliamentary or presidential, deferral or unitary, treads this space between tyranny and anarchy.48

In other words, institutional design impacts the durability of regime types themselves by demarcating the contours of strategic institutional change. Where veto players are few, it is easier for a single faction to usurp power and rule in an unaccountable fashion. In this situation, the strategic institutions of the regime are susceptible to autocratic takeover. Increased veto players, however, provide a check on the accumulation of power by an autocrat and prevent the actualization of such a scenario. In contrast, these regimes become susceptible to collapse due to indecision, chaos, and immobilization preventing adaption to new exigencies. They may even face the possibility of civil war.

The importance of checks-and-balances has also resurfaced in comparative regime studies with the topic of “delegative democracy,” first coined by O'Donnell.49 Democracies with an unchecked president may be more susceptible to the usurpation of power and the overhaul of democratic institutions. While the separation of powers is supposed to prevent the move towards

tyranny, presidential systems with weakly institutionalized legislatures or the absence of strong political party systems—feckless pluralism—appear to be more at risk of these dangers. Some of the countries in Latin America, particularly Venezuela with the rise of Hugo Chavez, have been used to demonstrate this position. Likewise, Russia under Putin serves as another example of the weakness of veto players. Fish demonstrates that one of the main factors explaining the country’s move towards authoritarianism is the unchecked power of the president, or the institution of superpresidentialism.

Arguments in favor of stronger legislatures and in opposition to superpresidential systems are founded upon this idea of checks-and-balances. Greater veto players can ensure not only policy stability in countries but more importantly even regime durability—preventing the breakdown of electorally competitive regimes. The presence of institutional veto players enables different elite centers of power to resist their opponents’ institutional encroachments and drive to autocratic power. Its institutional architecture, as a result, incorporates a diversity of interests and visions within the confines of the state.

The theoretical role of ideological veto players in hybrid regimes, however, is much more complex than simply providing a strong system of checks and balances. The precise theory of how guardian powers impact the political game of hybrid rule and create the condition of “managed instability” will be presented at length in the following chapter. Chapter Two details the causal mechanisms and theoretical implications of ideological veto players in hybrid regimes and theoretically delineates the processes of hybrid regime survival and change. It also discusses the methodological approach of the dissertation and the way these processes are analyzed in the main case study of the dissertation, Iran.

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50 Carothers 2002.
51 Fish 2005.
Case Selection

This dissertation employs a comparative case analysis of hybrid regimes. Iran serves as the main focus of study as a durable hybrid regime because it is a least-likely crucial case study, as will be detailed below. Clerical tutelary veto players imbued with revolutionary Islam are critical to the regime’s survival. The dissertation also undertakes two additional shadow case studies on Turkey and Russia in order to further verify the hypotheses of this research. Turkey represents a longstanding guardian regime that is undergoing piecemeal democratization through the weakening of Kemalist ideology and the civilian infiltration of tutelary state institutions. Russia, in contrast, serves an unstable hybrid regime that is moving towards authoritarianism. With the rise of Putin to the presidency, competitive politics has been largely eliminated from the electoral scene of the country. His faction and the United Russia party have accumulated power and effectively weakened opposition through various means. This argument builds on Fish’s discussion of superpresidentialism to show how the weakness of institutional veto players has contributed to this transformation.\(^2\) Oil and corruption, in contrast, have less independent weight in the Russian predicament as Iran demonstrates both high oil revenues and high corruption rates without having witnessed an end to competitive electoral politics.

In order to best illustrate how ideologically institutionalized veto players produce hybrid regime endurance, this dissertation undertakes an in-depth analysis of the politics of the Islamic Republic of Iran. This is because Iran is a least-likely crucial case study.\(^3\) In other words, it is a durable hybrid regime despite the existence of highly unfavorable conditions for it to be in such a competitive state in the first place. Accordingly, while many look at Iran through the lens of democratization or failed democratization, this dissertation approaches the country from a

\(^2\) Fish 2005.  
\(^3\) Eckstein 1975.
different angle. It expects closed authoritarianism to be the more likely or expected outcome of Iranian political development rather than democracy. In this light, the very fact that Iran holds competitive elections that produce turnover and is able to preserve its mixed form of rule for over three decades is highly perplexing. An analysis of Iran is accordingly suitable and significant because it can most effectively verify the effect and trace the processes of ideologically-rooted veto players for hybrid survival in spite of these negative impediments.

A review of the causes of authoritarian entrenchment and single-party formation is presented in order to substantiate the selection of Iran as a least-likely crucial case study. This body of literature is an extensive one, broadly falling within three categories: structural, institutional, and cultural explanations. Beginning with structural accounts, there are five prominent arguments to explain authoritarianism. The first asserts that a closed economy is more conducive to authoritarian rule than an open one. This is because open economies enable greater social interest articulation against the state\(^5^4\) and form a strong and independent middle class.\(^5^5\) The next argument concerns the abundance of natural resources available for export. States gaining rent from the sale of resources, particularly oil, have greater authoritarian capacity,\(^5^6\) lower social modernization values,\(^5^7\) and higher corruption rates.\(^5^8\)

The third argument claims that developing countries engaged in war tend towards single-party or military rule. War limits the parameters of free speech and pluralism while strengthening the organizational structures of hegemonic parties and military institutions.\(^5^9\) The fourth maintains that social revolutions lead to single-party states. This is because social

\(^{5^4}\) Tocqueville 1839; Diamond 1999; Sen 1999.
\(^{5^5}\) Moore 1966; Bellin 2000.
\(^{5^6}\) Mahdavi 1970; Beblawi 1990; Luciani 1995; Smith 2006.
\(^{5^7}\) Inglehart 1997.
\(^{5^8}\) Fish 2005.
revolutions create highly ideological regimes that mobilize the masses and reinforce the organizational structure of the leadership.60 Finally, the fifth argument expects states with low linkages with the West and in which the West has low leverage will be authoritarian.61 Linkage and leverage refer to the political, economic and social ties between two states that would strengthen Western political clout and influence amongst the elites of a country.

In comparison to these theories, there are two dominant cultural explanations of authoritarianism. The first concerns the undemocratic nature of Islam. Some scholars contend that Muslim societies in general are prone to authoritarianism rather than democracy based on a variety of causal mechanisms ranging from religious doctrine to the unequal status of women.62 The second is the presence of strong anti-liberal social movements and non-democratic public sentiment, particularly in contexts of weak regime institutionalization.63 These cultural factors are considered conducive to democratic breakdown and the construction of authoritarian and totalitarian states.

Institutional arguments for authoritarian survival and formation, in contrast, focus upon high incumbent capacity to repress opposition.64 Two prominent approaches, however, exist within this perspective. One approach stresses the authoritarian consequences of a strong and unchecked executive, as can be found in superpresidential systems.65 The second emphasizes the strong coercive institutions of the state, such as the military, security and intelligence agencies.66 Coercive institutions provide the tools with which rulers can eliminate opposition and secure their positions.

63 Linz 1978; Linz and Stepan 1996; Berman 1997; Diamond 1999
64 Way 2005.
According to all nine structural, cultural and institutional theories presented above, Iran should be a closed authoritarian or totalitarian regime under the rule of a hegemonic political party. There should be no competitive and uncertain multiparty elections in the country. First, all of the structural factors weigh heavily against the hybrid nature of the regime. Iran has a relatively closed state-centric economy, and it is a model rentier state deriving the majority share of its budget from oil and gas revenues. The Islamic Revolution of 1979 makes the regime a revolutionary one, predicting the existence of a strong institutionalized party and totalitarian rule, while the revolution also cut the country’s links with the West and reduced the leverage the West had in Iran. Furthermore, Iran was involved in a bloody eight-year war with Iraq throughout the 1980s that led to the mobilization of millions of people in the war effort.

Second, one would expect Iran to be a closed hegemonic regime according to both cultural arguments. Not only is Iran a Muslim nation, but the regime is explicitly theocratic in its orientation, proclaiming to uphold and spread the ideology of revolutionary Islam abroad and to enforce Islamic moral codes domestically. If Islam is to lead to a closed regime, then a radical and revolutionary Islamic one should do so even more forcefully. In addition, strong non-liberal social movements brought the regime to power during the revolution, fought on behalf of it during the Iran-Iraq war, and contribute to bolstering it today. For example, the Basij-e Mostazafin, or the “Mobilized of the Oppressed,” is a several million-strong paramilitary and youth group active in various social and cultural arenas of the country.

Third, Iran’s institutions heavily favor a single center of power ruling without competitive elections. Coercive institutions, such as the military, the revolutionary guards and intelligence agencies, are strong and well-developed. In addition, significant constitutional power is concentrated in the institution of the velayat-e faghih, or the supreme leader, resembling
the design of superpresidential systems. In terms of coercive power and state capacity, therefore, it should not be difficult for a single center of power to destroy all rivalry and monopolize power within the country. In sum, all three structural, cultural, and institutional factors bode very poorly for the durability of hybrid rule in Iran.

Yet, Iran is a competitive hybrid regime. Underlying the intricate process of Iranian politics, multiple centers of power exist that competitively vie with one another over state institutions through both electoral and non-electoral means. While evidence of turnover is frequent, notable elections that spot the uncertainty and competitiveness of the electoral arena include the shock presidential elections of Mohammad Khatami of the republican left, over Ali Akbar Nateq-Nouri of the theocratic right, and that of Mahmoud Ahmadinjead of the theocratic left over Hashemi Rafsanjani of the republican right. Both represent unpredictable and substantial victories against regime insiders with considerable power and influence.

Furthermore, Iran is a compelling case because it has been able to remain a hybrid regime for such a long time when most hybrid regimes have not—still enduring after almost thirty years. Iran’s durability, however, is not simply a story of a regime that has survived a lengthy war with Iraq, endured international sanctions, or witnessed the rise and fall of oil prices. It has also withstood the onslaught of two charismatic leaders seeking change. Mohammad Khatami, a reform-minded cleric, and Mahmoud Ahmadinejad, a populist hardliner, two presidents opposed to the status-quo, have seriously attempted and failed to change the fundamental structures of the regime. The regime’s institutional durability, in other words, has been sufficiently tested and verified.

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67 Theocratic and republican refer to Islamist commitments, while right and left refer to economic preferences. Chapter Three presents a new classification of Iranian political factions based on these two dimensions.
In summary, while hybrid regimes have generally exhibited weak institutionalization and high rates of regime failure and volatility, some have proven much more durable and long-lasting. I argue that guardian regimes, such as Turkey, Iran, and Thailand, represent successful cases of hybrid institutionalization due to the particular type of checks-and-balances that ideology and veto players produce. The detailed explanation of why this is so and how these factors impact the processes of strategic institutional change and regime-opposition dynamics will be presented in the following chapter. In addition, Chapter Two will also discuss the specific research method used to analyze these processes in the Iranian case study of the dissertation.
Chapter Two: The Politics of Managed Instability

Unlike fully democratic or authoritarian regimes, hybrid regimes are comprised of more conflicting and dissonant institutional designs. They incorporate and mix both democratic and autocratic institutions and forms of rule whose logics of existence and operation are profoundly different and contradictory. The simultaneous push and pull of resulting forces—electoral and despotic—produce the sites of much friction and chaos common in hybrid regimes and in part explain the greater instability and shorter lifespan of this regime type.

Durable and more lasting hybrid regimes, however, overcome this dilemma due to their institutional design. The presence of ideological veto players in hybrid regimes, particularly in the form of tutelary bodies, enhances a nondemocratic type of checks-and-balances necessary for institutional preservation. As a result, unstable sociopolitical forces, unleashed by modernization, competitive electoral politics, and the absence of strong political parties, are channeled and managed—albeit chaotically—by the complex and multi-layered institutional configuration of the regime itself. Durable hybrid regimes, in other words, are characterized by this condition of “managed instability.”

The purpose of this chapter is to fully explain the theoretical and methodological arguments of this study. My dissertation uses an historical institutional approach to study the impact of ideological veto players on hybrid regime durability and transformation. It demonstrates how the processes of strategic institutional change underpinning political transition are shaped and constrained by these institutions. More specifically, it argues that regimes with ideological veto players more effectively block instances of strategic institutional transformations leading to regime change than those that lack these features. And, when strategic change is undertaken, they produce more inclusive and distributive processes of
alteration beneficial to several parties and factions rather than a single center of power. As a result, ideological veto players elongate regime durability and enhance survival capabilities by coopting rather than excluding various elite groups and parties—both the winners and losers of institutional change—from the political game. Furthermore, ideology provides the means by which tutelary veto players are safeguarded and protected in the first place by enhancing the coercive and violent apparatuses charged with rule enforcement and institutional defense.

By building on the recent work of scholars who incorporate veto player theory within historical institutionalism, this dissertation consequently sheds light on non-linear and endogenous means of regime transformation and resiliency. It demonstrates that the mechanisms of regime durability lie within the processes of institutional change rather than institutional stasis as commonly presumed. Veto player theory consequently allows scholars to move beyond static explanations of continuity as it reconciles and more fully integrates these seemingly divergent mechanisms. Much of the current literature on regime stability however does not adequately acknowledge or explain the diverse processes of regime transformation and adaptation within explanations of regime survival itself.

Accordingly, this chapter begins with a discussion of new institutionalism and the move towards theorizing mechanisms of endogenous institutional change. It presents the work of scholars using veto player theory for this purpose and applies the insights of this framework to the study of strategic institutional transformation. Next, the chapter describes the unique role of tutelary institutions in the checks-and-balances process critical for hybrid regime survival and explains how ideas enhance the durability of these tutelary veto players. Finally, the chapter concludes by presenting the particular research design with which these processes will be analyzed in the Iranian crucial case study.
New Institutionalism and Comparative Regime Studies

New institutionalism emphasizes the role and function of institutions in structuring politics, whether by delineating causal pathways over time or by framing the strategic choice of rational actors. While it developed mostly in reaction to the weaknesses of behavioralism and structural functionalism (systems theory) in the analysis of the state, by the 1990s, scholars used it to move beyond the models and postulations of the transitions paradigm. The ways in which prior regime types and particular institutional legacies affect democratization proved to be an important avenue for the production and accumulation of knowledge. Greater attention was consequently placed on the particular institutional configurations of regimes and their impact on causal theory.

Institutional Stasis vs. Institutional Change

Despite its analytic strengths and its positive contributions to the study of politics, new institutionalism has been limited in its ability to explain endogenous processes of change and transformation. Institutions have proven to be too sticky and durable because of the deterministic manner in which they are analyzed. Explanations of institutional durability involving increasing returns, positive feedback mechanisms, and lock-in institutional configurations cannot simultaneously delineate the mechanisms and pathways within which institutional alterations and adaptations take place. Their causal mechanisms, in other words, are at odds with one another.

This theoretical predicament is evident within Mahoney’s description of path dependency:

68 See Hall and Taylor (1996) for a more detailed account of new institutionalism.
69 For explanations of the mechanisms mentioned, see Pierson 2000.
[O]nce contingent historical events take place, path-dependent sequences are marked by relatively deterministic causal patterns or what can be thought of as “inertia” – i.e., once processes are set into motion and begin tracking a particular outcome, these processes tend to stay in motion and continue to track this outcome….With self-reinforcing sequences, inertia involves mechanisms that reproduce a particular institutional pattern over time.70

Moreover, increasing returns “induce further movement in the same direction such that over time it becomes difficult or impossible to reverse direction.”71 This mechanism of institutional persistence and its deterministic account of inertia shut out any possibilities for endogenous means of transformation. With such an outlook, it is puzzling why one theory or explanation for institutional breakdown within new institutionalism has not been the lack of change and adaptation itself.

These issues have been particularly pressing for the study of political regimes which are themselves far from static enterprises.72 They are constantly undergoing transformative changes indicative of an underlying institutional dynamism. Social, political and economic policies fluctuate over time; new ministries and state-run organizations are established while others are dismantled; and sometimes, even constitutions are amended or revised with direct implications for the institutional composition and workings of a regime.

The study of these myriad processes of institutional change, however, is often undertaken independently of or with disregard to the broader theoretical concern of regime durability itself. How do nondemocratic regimes adapt, upgrade or transform themselves to meet the exigencies of the time? And how do these alterations impact the degree of resiliency or fragility of a regime?

70 Mahoney 2000: 511. Italics not mine.
71 Ibid.: 512.
72 Authoritarian durability, for instance, has been largely explained through path dependent mechanisms; see Brownlee 2007; Slater 2010.
The empirical world demonstrates that the ability to survive and persist rests many times on the ability to adapt and transform, particularly for complex phenomena such as political regimes. As Edmund Burke insightfully notes, a “state without the means of some change is without the means of its conservation.” Huntington extends this line of thought to argue that institutions that fail to adapt cannot survive. And more recently, scholars such as Heydemann have stressed the need to understand how authoritarian regimes “upgrade” in order to meet newer and more contemporary threats made against their rule. Yet static mechanisms of institutional replication contain no role for adaptation or transformation in the explanation of institutional durability.

This predicament may in part stem from the broad and expansive definition of an institution itself. Institutions have been commonly defined as “the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy.” Institutions thus can encompass as diverse a list of phenomena as constitutions, legislatures, ministries, NGOs, firms, technologies, universities, and a diverse set of policies. We must consequently be careful of applying the findings and causal mechanisms of one institution to another without a broader theoretical framework of comparison. Otherwise, a problem of empirical boundary utility and improper comparison across cases ensues.

For example, the mechanism used to explain the durability of the QWERTY keyboard, from which the model of path dependency and increasing returns was initially developed, may not be applicable for other types of institutions. Increasing returns satisfactorily explains the

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73 Burke 1993 [1790]: 21.
74 Huntington 1968.
75 Heydemann 2007.
76 Hall 1986: 19.
77 David 1985;1986.
durability of the QWERTY keyboard despite it not being the most efficient for typing because of the high and ever increasing costs associated with changing it. In this circumstance and with this type of institution, there is no need for adaptation or change to survive. In fact, an adaptation or change of the QWERTY order would negate the very institution by definition.

But not all institutions, particularly more complex ones, can work and endure like this keyboard. A commercial firm, an international organization, or a political regime adapt and change for a variety of reasons which may not be functional or even intended, including competition and survival pressures, outcomes of negotiated bargains, intra-regime institutional friction, or strategies to gain power and legitimacy. In other words, these institutions will not continuously persist due to increasing returns. Other causal mechanisms must explain their resiliency and endogenous way of change.

The main explanation for this paradox—the striking discrepancy between arguments stressing the necessity of transformation and adaptation for survival and those that fully omit them—therefore lies in the weakness of path dependent models in incorporating explanations of change within its explanation of continuity, particularly for more complex institutions such as political regimes. Accordingly, scholars have recently looked towards different causal mechanisms of institutional continuity and change beyond explanations of increasing returns. In this pursuit, Kathleen Thelen argues that:

> Explaining institutional persistence itself may require us to look beyond arguments about increasing returns. This is because as we scan the political and political-economic landscapes, we find that institution survival is often strongly laced with elements of institutional transformation to bring institutions in line with changing social, political, and economic conditions.\(^7\)

As Thelen also notes, the current literature is unfortunately mired by a “zero-sum view of institutional innovation versus institutional reproduction.” Rather than being two distinct

\(^7\) Thelen 2003: 211.
mechanisms or objects of study as commonly thought, change and continuity are inherently intertwined.

This dichotomous view of change versus stasis has greatly shaped contemporary regime studies as well. The transitions paradigm, for example, was based on this prior understanding of change and continuity, undergirding the way the field has come to distinguish between the transition and consolidation literatures. Transitology focuses on regime breakdown and change, while consolidology concentrates upon regime survival and durability. Conceptually, this binary opposition not only ignores the important link between change and durability but also creates fundamental difficulties for the conceptualization of regime processes themselves.

For example, we can observe this problem in the very conceptualization of democratic consolidation, which has led to striking scholarly disagreements and conflicting views on the topic.79 Scholars are not certain how to assess the degree or level of regime consolidation and to identify the exact processes that contribute to it. In an effort to bring greater clarity to the field and limit the teleological and normative undertones of the literature, Andreas Schedler innovatively proposes to disaggregate the concept into distinctive parts.80 Accordingly, he separates the processes of democratic breakdown prevention and democratic erosion prevention, the two classical understandings of regime continuity, from the positive processes of completing democracy, deepening democracy, and organizing democracy.

The limitation of this proposal, however, lies in the fact that we cannot yet draw clear distinctions between these different consolidation processes. This is because our theories and knowledge of the processes of institutional maintenance and preservation are currently inadequate to undertake such a task—we do not know to what extent democratic breakdown

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80 Schedler 1998.
prevention and erosion prevention are separate from and independent of democratic completing, deepening and organizing. The problem of teleology present in much of the consolidation literature is thus not necessarily a result of inherent biases but, much more importantly, the shortcomings of the field in simultaneously theorizing institutional durability and transformation. We need more knowledge of what the processes of regime institutionalization entail and how institutional resiliency can be maintained. Further research should therefore be undertaken on the processes of regime durability, whether democratic or non-democratic regime durability, to understand the relation between the interlinked processes of institutional survival and change.\(^{81}\)

**Veto Player Theory & Endogenous Mechanisms of Change**

Veto player theory has recently opened a fruitful avenue to integrate and frame other possible causal mechanisms for institutional change and continuity within new institutionalism.\(^ {82}\) Developed in the works of George Tsebelis, veto player theory explains the variation in policy stability found across democratic regimes through an analysis of institutional veto power.\(^ {83}\) Veto players are “individual or collective actors whose agreement is necessary for a change of the status quo.”\(^ {84}\) A legislature empowered to veto presidential bills or a supreme court able to overturn legislative laws would constitute veto players in the policymaking process of their respective political systems. Reflecting the insights of separation of powers, veto player theory has been one way in which the underlying mechanism of checks-and-balances has been parsimoniously operationalized in modern political science. Each veto player, in other words,

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\(^{81}\) Gerard Alexander (2001) also criticizes the democratic consolidation literature for using path dependent explanations for regime durability. Unlike my argument, however, he argues that the study of consolidation should place more focus on non-institutional political risk than formal regime institutions.

\(^{82}\) For example, see Hacker 2005; Mahoney and Thelen 2010.

\(^{83}\) Tsebelis 1995; 2002.

\(^{84}\) Tsebelis 2002.
acts as an institutional node within a larger system’s policy-making process—a process that directly impacts how institutions are created, modified and eliminated.

This dissertation uses veto player theory to theorize the endogenous means of hybrid regime transformation and resiliency. In particular, it builds on Mahoney and Thelen’s framework of institutional change comprised of two principal dimensions: the political context, specified by the degree of veto possibility, and the characteristic of the targeted institution, in regards to the degree of rule enforcement and interpretation. As Mahoney and Thelen explain, this framework reflects historical institutionalism’s emphasis upon the power-distributional effects of institutions, which are themselves legacies of institutional conflicts that produce unequal resource allocation to a particular set of actors over others.

Under contexts of greater veto possibilities, institutional change will likely occur through institutional layering and drift; under conditions of fewer veto possibilities, change will likely take place through the processes of displacement and conversion. Institutional layering consists of a process of institution-building without the destruction of prior existing institutions. As a result, new institutions layer on top of an older base. Drift occurs when policy structures remain the same but their impact or effect changes due to changing social conditions. Policymakers deliberately fail to recalibrate policies and neglect to meet the new conditions as a way of instigating policy change. These two processes arguably represent more indirect and time-consuming mechanisms as they occur under greater barriers to change due to the presence of more numerous veto players.

In contrast, institutional displacement and conversion are undertaken more directly and abruptly by policymakers when there are lower barriers to change. Institutional conversion

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85 Mahoney and Thelen 2010.
87 Hacker 2005.
refers to the process whereby the goals and intentions of an institution are redirected and changed to another position.\(^8\) Thus while institutional continuity is seemingly preserved, institutional functions and roles are transformed. Displacement on the other hand occurs through defection, when a new logic of action and subordinate institutions are able to gain power over time and lead to more significant change. Usually institutional elimination takes place as a result.

With respect to institutions that may have more leeway for interpretation or enforcement, the causal mechanisms of drift and conversion are most likely to be at work. Layering and displacement, however, occur when such discretion is lower. Endogenous institutional change then can occur along the “‘gaps’ or ‘soft spots’ between the rule and its interpretation or the rule and its enforcement,” forming the “analytic space that other conceptions of institutions (as behaviors in equilibrium, or as scripts) essentially rule out by definition, but as a practical matter this is exactly the space in which contests over – and at the same time within – institutions take place.”\(^9\)

**Strategic Institutional Transformation**

Using these insights, this dissertation makes two further specifications in order to enhance the study of political regime dynamics. First, it argues that whether an institution is strategic or non-strategic within a regime impacts the processes of institutional change. In other words, besides variance along the degree of institutional enforcement and interpretation of the targeted institution, there may be variance in the level of importance and weight an institution has in a regime. This dimension addresses the conditions under which processes of change, such as layering, are more likely to occur than not within the *same* political and institutional context.

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\(^8\) Thelen 2003.

\(^9\) Mahoney and Thelen: 14.
Strategic institutions or policies should be much more difficult to change, particularly in the context of many veto players, than non-strategic institutions or policies *irrespective* of the type of change itself.

A strategic institutional change is defined as any significant transformation made to the state apparatus in terms of its political, economic, or social institutions that result in a major reorganization and reordering of power relationships in a state. Since the institutional foundation underpinning the elite status quo is fundamentally altered, the opportunity structures and incentives of the elites operating within the political game are significantly altered as well. While veto player theory already focuses upon changes to the status quo, this dimension highlights the degrees to which a status quo can be changed, from a slight modification in the status quo to a dramatic transformation.

Theoretically, the impact that strategic institutional change has on the political game can occur either directly or indirectly. Modifications with direct impacts take account of the rules of elite contestation for high political office, the number, type and power that these offices comprise, and the relationship of different branches (or veto playing bodies) of government to one another. Examples include changes to the system of governance from presidential to parliamentary systems, transitions from one regime type (i.e. sultanistic, authoritarian, democracy) to another, or the addition or removal of reserved domains of power or tutelary bodies, such as a monarchy. Modifications with indirect political impacts occur when the rules and institutions governing state-society and state-economy relations change and, as a result, alter the opportunity structures, incentives, resources and strategies elites use to compete with one another and pursue their goals within the political system. Economic liberalization, privatization of state media, and laws granting independence to labor unions and other non-governmental
organizations (NGOs) are examples of strategic changes that can indirectly affect the political game.

The strategic-ness of an institution, accordingly, is dependent on its structural position within a broader web of institutions. This assertion reflects the realization that institutions do not operate within a vacuum. They are locked within and interact with a set of institutions, thus directly impacting the way in which an institution operates. Different power relationships exist within any hierarchical institutional matrix; that variations in power and order directly impact the mechanisms with which durability or change take place. As Hall and Thelen describe, “the impact of any institutional reform on the operation of the political economy should be dependent on the structure of other institutional arrangement in that economy.”90 In other words, studying the change of environmental policy to studying the change of a ministry or even an entire political system may very much comprise different processes due to relevant contextual differences and institutional interaction effects.

Consequently, I argue that the study of endogenous means of regime change involves the study of strategic institutional transformation and resiliency. As the application of veto player theory to regime theory implies, regime change, or strategic institutional change, should be much easier with fewer veto players than with greater veto players. The reason, however, does not simply lie in a robust system of checks-and-balance that precludes institutional modifications through the use of veto power. Rather, it concerns the very manner in which change is undertaken itself, the next topic of discussion.

Second, this dissertation maintains that, irrespective of the type of alteration mechanism at work, there is a qualitative difference between how the same mechanism of strategic change occurs according to the veto player context. In other words, the veto context does not simply

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90 Hall and Thelen 2008: 22.
affect the likelihood of which mechanism is undertaken but also shapes the processes by which the same type of mechanism unfolds. I argue that these qualitative differences, in turn, have far-reaching consequences on political regime dynamics.

For example, a displacement method of strategic institutional change undertaken with high veto possibilities will transpire through different processes than a displacement mechanism in the context of lower veto possibilities. The former will more likely result in a broader negotiated deal or political compromise between veto players than the latter. The resulting change will consequently produce a wider re-distribution of power and resources to a more diverse set of elites embedded within these veto nodes. This is because more discordant compromises and modifications are most likely embedded within this deal to garner the agreement of conflicting veto powers, producing a distinctly different institutional outcome and re-distributional effects than the one created by a more unified set of elites (low separation of purpose) or a weak system of checks-and-balances (few veto players).

This distinction is particularly important for analyzing hybrid regime longevity. In durable hybrid regimes, such as Iran, many instances of institutional change involving the compromise and negotiation of multiple veto players are evident. As a result of the greater distributional effects that these policies produce for a diverse set of elite actors, political factions are encouraged to remain loyal and play by the rules of the regime rather than defect to opposition. At the same time, due to the unintended consequence of the regime’s institutional design, ideological veto players constrain and limit the contours of change, thus providing greater institutional longevity and ensuring the continuation of these elite reiterations of politicking and jockeying for power. If veto players were few, however, one party or faction could more easily monopolize the re-distributional benefits of the resulting institutional changes.
and eventually eliminate opposition—epitomizing a one-time game. Illustrative of this second scenario, Hellman’s analysis of partial economic reform in post-communist countries demonstrates the problems of such “winner take all” institutional designs.\textsuperscript{91} The precise institutional configuration of veto playing contexts, therefore, shapes how strategic change occurs and consequently influences regime durability.

The justification of veto playing roles and its impact on regime dynamics, moreover, opens the door for a theoretically nuanced analysis of norms and ideas within historical institutionalism. Ideas here determine how regime configurations are designed—the way in which the political architecture of veto points is drawn in the first place. The content of ideas, therefore, shapes these veto roles, justifies their institutional power, and constructs their hierarchical relationship to one another. In addition, it demarcates not only the degree to which an institution’s “rules” can be enforced or interpreted but also how these rules can be enforced or interpreted differently and by whom. Since it is precisely these “gaps” between the rule and its enforcement and/or interpretation that creates the space for endogenous means of institutional change, ideas arguably play a pivotal role in the dynamics of institutional defense and transformation.

**Ideas and Institutional Drift**

I argue that ideas explain variance in the enforcement and interpretation of rules—why rule-takers follow rule-makers and to what degree—thus impacting the endogenous processes of institutional change and continuity. For hybrid regimes, ideology and religion are important for the preservation of tutelary institutions due to the way they reinforce and empower the processes of rule enforcement. More specifically, they increase the commitment and enforcement of rules,

\textsuperscript{91} Hellman 1998.
particularly by the coercive and disciplinary institutions of the regime, thus enhancing institutional resiliency and preventing drift.

Presented earlier, historical institutionalism has recently moved to explain endogenous institutional change by emphasizing the issue of institutional enforcement and compliance. Variations in the enforcement of institutional rules, whether it be due to the contestation of rules or differences emanating from diverse interpretations or implementation methods, provide the space in which gradual institutional change can take place.\(^\text{92}\) For institutions to work, the rule-makers need rule-takers that comply to the decisions emanating from above.

One site of institutional change, therefore, revolves around the degree to which compliance occurs and contestation takes shape. Institutional drift occurs when an institution’s rules are no longer complied with. Interestingly, Mahoney and Thelen present the example of monarchies when discussing institutional drift:

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[\text{The prevention of drift}] \text{ typically requires supporters to take active steps to shore up support for an institution as the social, economic, or political context shifts. Monarchical political institutions, for instance, were gradually rendered into mere institutional vestiges as royal powers time and time again proved unable to successfully defend the old ways in a changing environment marked by rising parliamentary forms and their supporters.}\(^\text{93}\)
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The decisions of such monarchical veto players, in other words, were not complied with by other political institutions. Or, stated differently, monarchical veto players were not able to impose and enforce their decisions upon other institutions, thus losing their veto position. Tutelary veto players, therefore, need to be able to enforce their rules within the political system or risk losing saliency and power through drift, or even outright elimination. A more nuanced understanding of the processes involved in the mobilization of such support and the enforcement of decisions is consequently required.

\(^{92}\) See Streeck and Thelen 2005; Mahoney and Thelen 2010.
\(^{93}\) Mahoney and Thelen: 20.
In order for the veto institutions of a regime to enforce their rules in the case of non-compliance, disciplinary and coercive institutions as well as a judiciary are necessary. Recourse to legal methods, which would still be rule-based, however, would not be sufficient in itself without the violent means and coercive strength of forces capable of actually enforcing decisions and rules. Viewed more broadly, the coercive power instruments of the modern state are what first and foremost allow for the existence and operation of a political system. Weber’s definition of the state in fact highlights this vital dimension: “a human community that claims the monopoly of the legitimate use of physical force within a given territory.”94 The tutelary institutions of hybrid regimes are either the very “physical force” referenced to above since they are militaries, or they command the military forces despite being non-military powers.

The term “legitimate” present in the definition, however, implies that ideas are also critical to the functioning of the state. The current literature on state-building stresses that norms impact the routinization of institutions and normalize the legitimacy granted to them,95 while the literature on civil-military relations examines the ideological coherence and ideological content of the armed forces in explaining the quality of state-military relations and the type of polity created.96 In fact, the three most enduring hybrid regimes, Turkey, Iran and Thailand, all have ideological tutelary guardians. Kemalism justifies the intervention of the military in politics in Turkey, Shi’a Islamism and the doctrine of the velayat-e faqih underpins the position of Iran’s Supreme Leader, and Buddhism enshrines the position of the God-King in the Thai political system. All three countries, interestingly, have laws forbidding explicit opposition to these ideological positions.

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95 See Rueschemeyer (2005) for a discussion of this postulation.
96 For example, see Fitch 1998.
This dissertation argues more specifically that ideas serve to alleviate principal-agent problems that tutelary veto players face in enforcing their rules and protecting their powers. The principal-agent problem refers to a classic difficulty principals face in delegating and devolving their power to agents. There is uncertainty and information asymmetry for the principal about whether the agent will comply with the principal’s orders and act in the interests of the principal despite the costs. As a principal, such as a monarch, cannot personally enforce its rules and punish those who do not comply, it must rely on forces to assume this role and undertake this task on behalf of itself.

I maintain that ideologically indoctrinated soldiers and militiamen ensure more loyal and self-sacrificing agents to the principals they must fight for and defend. Building on the work of Robert Dahl on regime survival, ideology lowers the costs of repression and increases the costs of toleration of forces opposed to tutelary bodies, thus sustaining both the durability and relevance of these tutelary veto institutions. The costs of repression are lowered because of the higher risks and sacrifices coercive forces are willing to make and because of the greater service and loyalty—rule compliance—a principal can receive from them. Ideology, therefore, produces the legitimacy necessary for tutelary preservation by aligning the interests of an agent with its principal. With this logic, guardians do not require legitimacy in the eyes of the entire population, although that would be beneficial, but they must have legitimacy for those who are willing to fight and die for their preservation. As Mahoney and Thelen explain, institutions must actively garner support to defend and enforce their rules so that they do not face drift. Understanding how ideas work, consequently, critically matters for the study of this process.

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97 Dahl 1971.
The Study of Ideas

The field of new institutionalism has been witness to a resurgence and growing emphasis upon the incorporation of ideas in causal analysis. Ideas, however, have been mainly used in explanations of endogenous change to redress the shortcomings of new institutionalism on the subject. They have been used to explain why particular policies have been chosen over others, and how they form identities, solve coordination and free-rider problems, define preferences, and act as “road maps” to help actors through uncertainty. Yet the role of ideas is certainly more expansive than the dominant ways in which they have been analyzed, and much further study can be undertaken on how they work. For example, relevant to the topic of this dissertation, Sheri Berman stresses that we need to better understand how ideas can remain significant over time without becoming irrelevant. She explains that what is “[r]eally being investigated here is the process of institutionalization, how ideas become embedded in organizations, patterns of discourse, and collective identities and manage to out-last the original conditions that gave rise to them.”

Ideas can come and go, but what makes some persist more than others? How are ideologies kept alive? The politics of tutelary hybrid regimes are in part consumed by this preoccupation. They must be able to continuously and successfully (re-)justify the presence of the guardians of the state. Accordingly, our attention must be placed on the processes of institutional and ideational mobilization required to prevent drift.

Diverging explanations have been present on the topic of ideas and institutional change. Some scholars such as Lieberman argue that greater ideational friction increases the probability for institutional change, and others such as Brumberg hold that ideological discord and

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dissonance prolong institutional durability.\textsuperscript{100} Despite their difference conclusions, however, I build on the underlying similarities in both of these types of ideational analysis. First, ideas are embedded in institutions. While political actors matter for developing and disseminating new ideas or constructing coalitions, the institutional context that enables the interplay of these actors is relevant to understanding what ideas are more salient than others, how ideas impact the distributional rules of an institution, and how ideas can be challenged, dislodged or altered.

Second, ideas are involved in competitive dynamics. Multiple contested and discordant ideas can simultaneously exist at any one time. The strength and capability of challengers or supporters, within the institutional context they operate, shapes the ascendance and decline of one idea over another, or different interpretations of an idea.

The “institutionalization” or persistence of ideas, at least for political regimes, therefore, does not necessarily mean that ideas have become “natural” or “fixed” or that some sort of equilibrium point has been reached, as some scholars contend.\textsuperscript{101} Ideas may constantly be under attack with competing ideas but yet still be able to remain salient components of the political order. How this occurs is an important topic of study in this dissertation as it directly impacts hybrid regime survival.

This dissertation maintains that ideas—as Weber argues—serve as “switchmen” determining the path of political movement: “the world images that have been created by ideas have, like switchmen, determined the tracks along which action has been pushed by the dynamic of interest.”\textsuperscript{102} Regime guardians have the privilege of protecting these routes and gaining direct influence in the dynamics of political development within these trajectories. Consequently, their

\textsuperscript{100} Lieberman 2005; Brumberg 2001a; 2001b.

\textsuperscript{101} For an example of this position, see Laitin (1998). Berman (2001) presents an insightful overview on the subject of institutionalizing ideas.

\textsuperscript{102} Weber: 280.
ideologies must be constantly upgraded, re-justified, and innovatively presented out of competition from other ideas. As political elite and coalition supporters matter for the endurance of ideas, ideas must themselves be presented and (re-)sold in such a manner as to prevent defection to other ideas and political groups. The power of persuasion significantly matters.103 This notion is particularly relevant for my argument as soldiers and militiamen, the enforcers and upholders of tutelary institutions, must constantly be persuaded to remain loyal and dissuaded to defect.

Of course, these acts are not sufficient in themselves. The institutional setting and political context matter just as much. As institutions have distributional effects, the interpretations of rules and policy become contentious sites not just for the pursuit of interest but for reinforcing, weakening, or altering ideational positions. Studies on ideas then must focus on the actors involved in ideational and discursive innovations, the institutional settings in which such ideas are embedded, and the political processes such as policy-making and policy-implementation in which ideas are contested or reinforced. Tutelary veto players, therefore, must not only be able to re-sell and re-package justifications for their existence, particularly to the organized forces of violence they employ, but must be able to embed these ideational justifications within the institutional milieu and preserve them from encroachments from competing ideas that may undermine the reasons for their existence.

Theorizing Hybrid Institutionalization

The way checks-and-balances work in hybrid regimes is different from democracy due to the institutional differences between the two regimes. In hybrid regimes, autocratic institutional features, the weak protection of civil liberties and the poor enforcement of rule of law together

103 Hall 1993.
with competitive elections create a much more unstable and chaotic dynamic conducive for regime failure. Normal veto players are usually not strong enough to overcome these conditions, or one major veto player, the presidency, comes to dominate them all. A different institutional format of checks-and-balances is consequently necessary to explain hybrid regime durability.

**Ideological Guardians**

Ideological tutelary veto players serve as the keystones in the check-and-balances architecture of more lasting hybrid regimes. The study of reserved domains of power and tutelary bodies can be advanced in regime theory by operationalizing these unique types of institutions and councils as veto players. Tutelary bodies act as filters that not only vet the individuals and parties that can participate in the regime but also the policies that are produced by elected government officials in the executive or legislature. Although deleterious for democracy, tutelary institutions may be beneficial in regards to hybrid regime durability as they can contribute to the process of checks-and-balances. The existence of extra layers of veto players serves to ensure greater strategic institutional and policy stability.

But other than to augment checks-and-balances as veto players do, tutelary institutions also play another important role. They act as meta-institutions, or institutions that structure the rules and relations of other institutions within their jurisdiction. In other words, in hybrid regimes, tutelary institutions are located at a regime level hierarchically above the common level at which the executive and legislative branches are located. While the latter two branches act as horizontal veto players with respect to each other, the tutelary veto players of military councils, monarchs, or religious authorities act as vertical veto players, vetting policies drafted by lower-tiered institutions, such as a parliament.

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104 Hall and Soskice 2001: 10-12.
These meta-institutions resolve an important dilemma postulated by veto player theory in regards to regimes with high veto possibilities. These regimes should be doomed to collapse because of their inability to act effectively and spur change due to the more-than-beneficial weight of their checks-and-balances and top-heavy state institutions. Civil war, gridlock and institutional stalemate should be likely results of too much fragmented and decentralized power.

But tutelary institutions are not simply engaged in the act of vetoing. As meta-institutions, they also act to negotiate, break stalemate, and impact strategic policy, particularly at times of crisis and indecision. Hall and Soskice explain that meta-institutions are crucial for institutional stability as they provide necessary forums of elite conflict resolution. Here, problems can be diagnosed and a method for distributing benefits can be decided upon. Tutelary institutions, therefore, provide hybrid regimes with a robust mechanism of elite conflict resolution, simultaneously allowing for the incorporation of a diverse set of elites at the highest organs of the state while also enabling them with the capability to break stalemate and drive forward the policymaking processes of a regime. Without these institutions to streamline governance and manage the unstable forces of their politics, hybrid regimes with a high number of veto players would be susceptible to collapse. Lebanon, for example, is currently a hybrid regime with a high number of veto players but no tutelary or meta-institutions to resolve conflict. Conditions of political gridlock, stalemate and civil war are consequently more likely.

Vertical tutelary veto players, as this dissertation will demonstrate, are particularly active in blocking, constraining, or channeling strategic institutional change rather than non-strategic change. As a result, greater space for the inclusion of multiple sociopolitical forces and centers of power is available within the horizontal institutions of the regime. More groups with diverse interests and visions are given varying degrees of real power with the ability to engage in non-
strategic decision-making and partial strategic decision-making as well. When strategic change threatens tutelary survival, policy is vetoed and effectively blocked. Otherwise, due to the exigency of the issue, strategic change may be undertaken but in a way that is less threatening to veto players and that ensures a wider re-distribution of power and material incentives to a broader set of political elites. Tutelary hybrid regimes are therefore more capable of coopting social forces and preventing defection to anti-regime opposition.

**Managed Instability**

Guardian regimes institutionalize a condition of “managed instability,” thus posing an alternative example of regime institutionalization previously unaccounted. As discussed earlier, hybrid regimes are more unstable and short-lived compared to other regimes types in part as a result of their institutional composition. The presence of both autocratic and democratic institutions and forms of rule create greater institutional conflicts and discord along divergent logics. Diverse systematic pressures of competition between elites vying for the monopolization of power are impacted in various ways by electoral mechanisms of conflict resolution. Stated differently, autocratic forms of elite competition, cooptation, coercion and elimination within the diverse institutions of the regime meet the relatively uncertain dynamics that elections provide, bridging society and methods of social mobilization to the balance of elite power. The results of elections, of course, may lead to outcomes as diverse as elite compromise and the breaking of stalemate to, at times, the “legitimate” means to undertake institutional conquest and dismantle opposition.

This condition of “managed instability” in successful hybrid regimes is exploited effectively to prolong regime survival and delay collapse. As most hybrid regimes lack strong political party systems that can channel socio-political forces in the political arena and contribute
to order, tutelary hybrid regimes such as Iran, Turkey and Thailand with their top-heavy institutional constructions and ideological veto playing meta-institutions can prevent these destabilizing forces from producing abrupt regime change. Consequently, while these regimes may frequently appear politically volatile and unstable, they are actually ordered and durable at the macro institutional levels. In other words, strategic institutional change in the regime is either aborted or it is undertaken in such a way as to enhance elite and social cooptation while preserving the main contours of this hybrid institutional game. The reasons for success, therefore, stem from the unintended historical consequence of regime formation and institutional configuration rather than outcomes of elite strategic decisions alone.

As a result, these tutelary hybrid regimes do not simply create an “uneven playing field” as conceptualized by Levitsky and Way. First, the playing field may be uneven but not between the standard players of incumbent and opposition. The institutional arrangement of these regimes largely precludes the dichotomy of incumbents versus opposition, or insiders versus outsiders. It is possible to belong to both categories at the same time. Different elite centers of power embedded within the institutions of the regime mobilize a variety of resources and tools at their disposal to advance their position in the face of electoral and non-electoral competition. For example, in Iran, former-President Ayatollah Rafsanjani is the chairman of the Expediency Council, a major tutelary institution within the regime, while he acts as “opposition” to President Ahmadinejad’s administration, campaigning against him both directly and indirectly in the 2005 and 2009 elections with the benefit of state resources and patronage networks. Similarly, in Thailand, former-Prime Minister General Prim heads the Privy Council, an important regime tutelary body, and also opposes then-Prime Minister Thaksin Shinawatra and supports, if not plans, the military coup d’état that deposes him in 2006.

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105 Levitsky and Way 2002.
Second, the institutional arrangement of tutelary hybrid regimes also precludes the image of a standard “playing field.” The presence of vertical and horizontal veto institutions implies that the game takes place within a multi-level playing field. Again, this explains why incumbent-opposition distinctions are problematic as different elite centers of power are embedded within the different institutional nodes of the regime, whether it is in the executive or legislature or in other tutelary bodies and veto players located hierarchically above them. The hybrid political game thus involves multiple players at multiple levels.

Political competition in these regimes, as a consequence, resembles a “battle of attrition” game plan. Different political parties and factions aim to increase their presence and reach across these myriad regime institutions. But as a result of regime institutional configurations, competition and change reflect a slow and piecemeal process of gradual institutional “infiltration,” particularly of the reserved domains of tutelary power, or an incremental pushback against growing institutional encroachments.

Contemporary Turkey best illustrates this process as it has been involved in a slow and drawn-out phase of democratization after having been a full hybrid regime over several decades. Through democratic reforms, the civilian AKP government has undertaken gradual democratic infiltration within an important tutelary body, the military dominated National Security Council (NSC). The government has gained the power to appoint a greater number of the NSC’s members than the military. As a result, civilian members now outnumber military officials, thus tilting the Council’s power away from the military towards the government. Likewise, the government has also limited the Council’s institutional reach by, for example, eliminating the NSC’s representative to the Supervision Board of Cinema, Video and Music. Islamic-oriented civilian officials are consequently slowly occupying Kemalist institutions.
“Managed instability” is therefore characterized by the messy and chaotic process whereby this multi-level playing field is tilted back-and-forth along different dimensions in a protracted game of institutional competition. And elites of various stripes work both within the regime and in the streets to advance their interests, enabling social mobilization in the form of strikes, protests, and rallies. Recourse to violent repression, and even coup d’états, is commonly undertaken to ensure the survival of the regime’s institutional contours and prevent stark shifts in elite balance of power. Durable hybrid regimes are able to continue the operation of this complex and volatile contraption over time. Those with ideological veto players, particularly in the form of tutelary institutions, are best able to prolong this game.

Hybrid regimes without ideological veto players, however, fall prey to the ascendance and dominance of one party that captures the main leverages of power in the institutional battlefield and terrain. Hybrid constructions, as a result, give way to fully autocratic forms of rule, if, of course, the autocrats can continue to bolster their position and prevent the appearance of a renewed version of contestation. Belarus and Russia serves as examples of this process towards authoritarianism. Other hybrid regimes, in contrast, are able to liberalize the laws underpinning the operation of their hybrid system and eliminate unelected tutelary bodies that may exist. Democracy ensues as a consequence. Post-Pinochet Chile is illustrative of this case as the tutelary power of the military and military-appointed members of the Senate were slowly dismantled throughout the 1990s.

The Iranian Case Study Design

Iran serves as the least-likely crucial case study of this dissertation, the reasons for which have been explained in detail in the previous chapter. While dominant structural, cultural and institutional theories of comparative politics would expect the Iranian regime to be closed and
hegemonic, it is instead relatively plural and competitive. In addition, while the lifespan of hybrid regimes are short, particularly compared to other regime types, the duration of the Iranian regime far exceeds the average length in years for its regime type in general. Therefore, an analysis of Iran is the most appropriate on the subject because it can most effectively demonstrate the theory of hybrid regime durability hypothesized in this chapter. Specifically, it can verify the effect and trace the processes of ideologically-rooted veto players for the continuation of competitive politics in spite of the existing strong negative impediments.

The objective of the Iranian case study, more specifically, is to explore the processes of strategic institutional change and to delineate the limits and contours of regime transformation. As veto theory would suggest, policymakers to bring about strategic institutional change should be very difficult in Iran irrespective of the type of alteration mechanism undertaken. Since the Iranian regime has a high number of veto players, including the legislature, the executive, the Guardian Council, the Expediency Council, and the Supreme Leader, strategic institutional changes resulting from government policies should be infrequent. Policy and institutional durability, whether it be on major regime institutions, important foreign policy issues, or sensitive national programs, should therefore be sustained more effectively than in regimes with fewer veto players. In the cases in which such strategic changes have occurred, the political process of change should include broad elite negotiations that prompt drawn-out, inconclusive and contentious affairs but that nevertheless result in broader distributional effects for the elite groups involved.

Many of the important strategic decisions formally discussed or undertaken during the lifespan of the Islamic Republic are related to national security issues, such as various decisions over the country’s nuclear program or diplomatic ties with the United States. Strategic issues
less sensitive to national security concerns and relevant to the formal institutions of the state exist as well. These attempts include changes made to the constitution in 1989 which switched the political system from semi-presidentialism to presidentialism and enshrined the new Expediency Council within the constitution, the introduction of local city and village council elections throughout the country in the late 1990s, President Mohammad Khatami’s attempts to increase presidential powers and circumscribe the power of the Guardian Council in his proposed “twin bills,” a push to transform the individual office of the Supreme Leader into a leadership council following the 2009 elections, and the implementation of the country’s economic privatization drive. Figure 1 presents a timeline of the major attempts at strategic institutional change within the framework of the regime irrespective of the final outcome of success or failure.

Figure 1. Attempted Cases of Iranian Strategic Institutional Change

An important difficulty of studying strategic institutional change, particularly in Iran, is the limited degree of access to specific information on the elite decision-making process. The discussions and negotiations that occur in the higher bodies of decision-making almost entirely occur behind official closed doors or in private unofficial sessions. And as stated above, many
strategic issues are also sensitive as they directly or indirectly relate to the national security of the country.

An analysis of Iran’s economic privatization program is perhaps the most effective means to understand the intricacies of institutional change under the Islamic Republic, and it serves as the primary case of strategic institutional change that will be analyzed in the dissertation. Due to the economic nature of the topic, the study of the privatization program is more feasible as access to information is more readily available and decision-making is relatively more transparent in comparison to other strategic issues considered within the policymaking system of the regime. It thus provides a more suitable subject for an in-depth and comprehensive examination of the nature of factional politics and institutional change within the framework of the regime. The economic interests of factions and factional ideas on the nature of state-economy relations are also more readily apparent for study. Moreover, since the privatization process has taken a prolonged period of time to implement in Iran, as it spans across the three administrations of Presidents Hashemi Rafsanjani, Mohammad Khatami, and Mahmoud Ahmadinejad, more instances of factional disputes as well as conflict resolution by state institutions can be observed. In other words, the privatization drive actually encompasses a high number of cases for study, thus enabling a more robust process tracing analysis and further verification of theory.

In addition, it provides variance in the factional composition of the regime, or separation of purpose, across key veto playing institutions. Despite this variance, however, a similar underlying mechanism of decision-making and implementation should be evident. The plural and diverse factional composition of regime veto playing bodies, in other words, should itself be more critical to the underlying process of change than the actual positions of the factions.
themselves. If factional pluralism was minimal or if complete consensus existed between the factions on an issue of strategic order, the overall process would be different as it would be a more streamlined, effectively managed and less contentious affair.

An effective analysis and process tracing of strategic institutional change in Iran must therefore focus on two stages of the process, policymaking and policy implementation. Both policymaking and policy implementation matter because of the variation in enforcement and discretion of policy. As implementation policies will usually give more leeway to discretion, different types of institutional change occur. The comparison of the two processes can illustrate the multiple points and various ways in which elite interests and institutional configurations cross to produce change. Process tracing thus helps to identify and explore the causal mechanisms of institutional transformations. This capability stems from the fact that process tracing attempts to delineate existing causal pathways by using multiple types of evidence in both the production and testing of theory.\footnote{George and Bennett 2005} Analyzing the entire causal chain of events thus allows the researcher to dismiss alternative hypotheses and explanations.

The next chapter, Chapter Three, will present the dynamics of factional contestation over the country’s economic privatization drive within the context of the Iranian political system. This will include not only a discussion of the relevant veto players and institutional architecture of the regime but also the important political factions and the discursive and ideological tensions that exist within the establishment. The chapter will also present a new perspective on the history of competitive dynamics and institutional power relationships between these groups since the revolution based on this dissertation’s theory. As it will be shown, the regime’s strong institutional impediments to change allowed the theocratic factions to effectively limit and constrain the republicans’ attempts at undertaking privatization.
Part II

Regime Resiliency and Transformation in Iran
Chapter 3: Privatization and Elite Contestation in an Islamic State

Introduction

The drive to transform the heavily statist Iranian economy has always been an uphill battle. Entrenched institutional and ideological interests—manifested within the regime’s multiple veto players—have persistently resisted significant institutional change to the structure of the economy. This condition has not only prolonged the state’s implementation of privatization, which has thus far taken twenty-two years and is still incomplete, but has made it a deeply contentious and politicized affair. Privatization, moreover, has come to unsettle the elite factional landscape of the regime and has incited a fierce conflict over the extent and nature of strategic change in the country. Despite the challenges, however, privatization has been significantly advanced during the presidency of Mahmoud Ahmadinejad, who paradoxically came to power as a staunch opponent of the program. The analysis of the Iranian privatization drive that will be undertaken in the following three chapters consequently aims to explain how historically transmitted and consolidated institutions—providing both ideational and structural resistance to privatization—are (re-) negotiated and (re-) channeled for the construction of a new economic path. Such an explanation, moreover, will be invaluable to understanding the overarching mechanisms of institutional transformation in Iran.

The objective of this chapter is to introduce the political and ideological landscape of the Iranian regime that will shape the country’s process of privatization. The chapter accordingly begins with a discussion of the statist nature of the Iranian economy that developed after the revolution. It next examines the institutional architecture of the regime within the framework of veto players and presents the two constitutional orders that have existed in the regime’s lifespan. Finally, the chapter develops a new classification of the country’s factional political scene and
subsequently recounts elite political and ideological contestation over privatization during the Rafsanjani and Khatami administrations.

**Neither East, nor West: The Iranian Economic System**

One of the fundamental ideals of the Iranian revolution, and the newly established Islamic regime in particular, was to create an alternative model of government and economics distinct from Eastern Marxism and Western capitalism—the two competing paradigms of the Cold War. The popular revolutionary slogan of “neither East, nor West” perhaps best characterizes the Iranian state in the 1980s as it tried to stake a unique position on the global stage and develop a just and equitable Islamic economy that could transcend the intrinsic faults and weaknesses of its two main competitors. However, partially due to the fact that there was no blueprint or larger theory of how a modern Islamic economy would actually look, the nature of the Iranian economy came to be shaped by a confluence of factors within its early stage of formation: the revolution, the Iran-Iraq war, and ideology. The end result was a state-centric economy that would be one of the most closed in the world.

The state’s domination of the economy was enshrined in the Islamic regime’s Constitution within Article 44. It is the main constitutional article that delineates the composition and structure of the economy. It divides the economy into three sectors: the state, cooperative, and private sectors. The state sector is the most significant of the three in terms of capital resources and monopolization rights. According to Section 2 of the article, the state sector consists of the following entities:

[A]ll large-scale and mother industries, foreign trade, major minerals, banking, insurance, power generation, dams, and large-scale irrigation networks, radio and television, post, telegraph and telephone services, aviation, shipping, roads,
railroads and the like; all these will be publicly owned and administered by the State.¹⁰⁷

Any significant attempt at privatization would therefore necessitate the revision of Article 44 as it legally obliged state ownership of most economic entities of the country.

 Undertaking such a task, however, would prove to be a very daunting task not only because of the regime’s many veto players, as will be discussed later below, but also because of the fact that Article 44 underpinned and reinforced the junction of both structural and ideological legacies of the revolution. On one hand, it represented the justice-seeking principles of the revolution and Islam even though it was clearly influenced by socialist economic thought. The main constitution writers and the Assembly of Experts for Constitution at the time of the revolution were dominated by those sympathizing with the Left, despite being Islamic. The principal architect of the Constitution, Ayatollah Beheshti, who was particularly concerned with attracting the youth away from irreligious Marxism to a form of religious socialism, changed many of the articles of the first Islamic Republic’s unofficial constitution drafted by Habibi. One of the main revisions was on the issue of the economy, discarding a liberal economic order and a free-market design for a more state interventionist if not monopolistic model. As a result, while the discourse of Islamic economics pervades the constitution, programmatic ideas of action were clearly influenced by socialist rather than “Islamic” or liberal plans.

 The particular Islamic economic discourse included in the constitution was very broad and general, purposefully overlooking the details such a plan should espouse. Islamic economics was distinguished from liberal and Marxist views, or the materialist schools, primarily for being

¹⁰⁷ Constitution of the Islamic Republic of Iran.
a “means” for humankind rather than an “ends.” The preamble of the Constitution contains a section on the economy describing this difference:

In strengthening the foundations of the economy, the fundamental consideration will be fulfillment of the material needs of man in the course of his overall growth and development. This principle contrasts with other economic systems, where the aim is concentration and accumulation of wealth and maximization of profit. In materialist schools of thought, the economy represents an end in itself, so that it comes to be a subversive and corrupting factor in the course of man's development. In Islam, the economy is a means, and all that is required of a means is that it should be an efficient factor contributing to the attainment of the ultimate goal.  

In other words, the proper economic order envisaged by the constitutional founders is one that enables individual spiritual growth and refinement on one hand and social justice on the other. And the particular features that both of these objectives should take are, of course, determined by Islamic criteria.

The specific manner in which such an Islamic economy should be structured and subsequently fostered, however, is not addressed. The greater details provided for the economy in the constitution more closely resemble socialist economic planning of the materialist school than the Islamic one. Article 3 Section 12 of the constitution declares a major responsibility of the Islamic Republic to be “the planning of a correct and just economic system, in accordance with Islamic criteria, in order to create welfare, eliminate poverty, and abolish all forms of deprivation with respect to food, housing, work, health care, and the provision of social insurance for all.” Furthermore, the Constitution states that the economy should provide “basic necessities for all citizens: housing, food, clothing, hygiene, medical treatment, education, and the necessary facilities for the establishment of a family,” and be based on “ensuring conditions and opportunities of employment for everyone, with a view to attaining full

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108 Ibid.
109 Ibid.
employment; placing the means of work at the disposal of everyone who is able to work but lacks the means” (43.2).  

Economic independence and self-sufficiency, as stressed by the dependency school of development, are also heavily stressed throughout the constitution, with the government required to prevent “foreign economic domination over the country's economy” (43.8).

Although Islamic stipulations on the economy are included as well, they are quite few in number. Granting interest-free loans to increase employment (43.2), the prohibition of “usury, and other illegitimate and evil practices” (43.5), and “the prohibition of extravagance and wastefulness in all matters related to the economy, including consumption, investment, production, distribution, and services” (43.6) are examples. Of course, many stipulations state that certain items cannot transgress the “bounds of Islamic law” or that they must meet “Islamic criteria,” but the specificities of such criteria and the clear boundaries of Islamic law are never made clear. These matters are left open to the decision-making process, particularly to the Guardian Council and the Supreme Leader on issues of religious concern, and would later be important ideological foundations from which the theocratic left resists the state’s privatization drive. On the question of private property, however, the constitution makes clear in Article 47 that private property, if legitimately acquired, is to be protected by law. Interestingly, the legality of private property is presented as a matter of civil law and is not granted religious sanctification.

In addition to ideological reasons, the exigency of revolution and war also facilitated the development of a statist economy, entrenching political networks in the vast economic institutions of government deriving benefits from the state’s economic largesse. The revolution,

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110 Ibid.
111 Ibid.
112 Ibid.
in particular, facilitated economic centralization in three ways. First, much of the wealth and property of the Shah and the families heavily implicated in the monarchical regime was confiscated by the state. The Foundation for the Oppressed (*Bonyad-e Mosta’zafin*), one of the many *bonyads*, or para-state economic foundations-cum-religious charities, created after the revolution, was consequently established to manage most of these assets. It transformed into the largest holding company in the Middle East, owning such properties as hotels, movie theaters and shipping lines.

The second reason that the revolution mattered for economic centralization related to capital flight and the migration of many factory owners abroad. Ezzatollah Sahabi, head of the Economic Basij and a member of the Revolutionary Council at the beginning of the revolution, states that:

> Due to the necessities of the time, we were forced to do this [nationalize industry]. Because on one hand, industry was on the verge of collapse and factories were being abandoned because of the corruption of their previous owners [before the revolution], and on the other hand, worker riots had begun and the factories were closed for all practical concern.\(^{113}\)

Even factories and industries that were not intended to be nationalized were brought under state ownership as there was no other feasible policy option available to decision-makers at the time. Furthermore, revenue from oil sales accruing to the state meant that the Islamic regime had the financial capabilities and resources to support both industry and economic enterprises as well as public welfare and social expenditures.

The termination of diplomatic relations with the Unites States, the commencement of sanctions, and the threat of an economic blockade serve as the third factor leading to greater state involvement in the economy. In order to counter these imposing threats to the national economy, the Revolutionary Council working at the beginning of the revolution found it necessary to form

\(^{113}\) Amouee 2006: 19.
the Economic Basij Organization, *basij* being the Persian word for ‘mobilization’.

Its purpose was to supervise, procure and manage essential goods and materials, including foodstuffs, needed in the country to ensure stability and survival of the regime.

The Iran-Iraq war was also very influential in bringing the economy under state control. The exigencies of war necessitated greater state management and control of the allocation and production of resources. The Economic Basij was structurally expanded and its life span extended beyond the early revolutionary period. In addition, the war economy concealed many of the differences in economic outlook that existed between the political factions of the regime.

Speaking in regards to the economic differences amongst the regime’s decision-makers during the war, Mohsen Nourbakhsh, former head of the State Management and Planning Organization, Minister of Economics and Finance under Rafsanjani, and former head of the Central Bank of Iran, states that “the conditions of war did not allow any room for maneuvering so that theoretical differences could be declared and the challenges between them could be understood.”

In other words, both those on the left and those on the right agreed on many of the interventionist state policies not from similar economic viewpoints but from the structural conditions and exigencies imposed on them by the war.

Eventually, privatization officially began when the Iran-Iraq war concluded after eight years of fighting, and the policy variance within the elite expanded. Of course, many other changes had happened as well. The death of Ayatollah Khomeini brought a new Supreme Leader to power, while the veto playing design of the regime significantly changed as well. On the international level, the fall of the Berlin wall and the eventual end of the Cold War further instigated plans to change the economic structure of the regime like in many other countries. But

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114 Ibid.: 20.
115 Ibid.: 82.
before delving into the complex dynamics of the state’s privatization drive, the regime’s important veto players need to be introduced first—the topic of the next section.

The Institutional Architecture of the Iranian Regime

In order to properly identify and assess the institutional veto players of the Iranian regime, the analysis of the regime needs to be divided into two time periods: 1979 – 1989, and 1989 to the present. This division is based upon the two constitutional orders of the regime. Following the revolution of 1979, a popular referendum approved the original constitution of the Islamic Republic of Iran. It was drafted by the Assembly of Experts for Constitution, an elected body comprised of both clerical and lay members, with the clergy obtaining the majority of the seats. Later, in 1989, the supreme leader Ayatollah Khomeini called for a new body, the Assembly for the Reappraisal of the Constitution, with the majority of its members appointed by him, to revise the constitution. After making several strategic changes to the structural features of the regime, including the elimination and formation of new institutions, the constitution was again ratified through a popular referendum in the same year. Reflecting the new modifications made to the constitution, the number and type of institutional veto players was altered as well. Ironically, in an effort to streamline and centralize the decision-making processes of the regime, the number of veto players in the system was increased.

The First Constitutional Order: 1979 – 1989

The original constitution of the Islamic Republic of Iran is modeled on the French Fifth Republic. Based on the Western separation of powers, government is divided into three branches: the executive, legislature and judiciary. The executive contains both the offices of the President and the Prime Minister, making Iran, like France, a semi-presidential system. The
presidency is considered the highest position only after that of the religious leader, and is charged with implementing the constitution and managing the relations between the three branches (Article 113).\textsuperscript{116} Candidates for the office have to compete in nationwide elections and serve a four-year term, with a single successive re-election permitted. The office of the prime minister, however, is the actual head of government in charge of policy and executive affairs (Article 134). Nominated by the president, the prime minister has to be approved by the national legislature (Article 124).

Although the presidency is mostly a ceremonial office, it nevertheless is an important institutional veto player, particularly tasked with supervising and checking the prime minister. In addition to having the right to nominate a candidate for the position of the prime minister, the president has to endorse each of the prime minister’s appointments and dismissals to the cabinet (Articles 133, 136) and approve each of the statutes and protocols written by the Council of Ministers, or the body comprising the cabinet and headed by the prime minister (Article 126). In other words, the president has veto rights over both ministerial appointments and statues drafted by the cabinet. The latter consists of the protocols defining the means by which administrative duties would be handled and how the administrative bodies under the control of the executive would be formed and managed (Article 138).

The legislature of the Islamic Republic encompasses a unicameral chamber known as the National Consultative Assembly (\textit{Majles-e Shura-ye Melli}), hereafter to be referred to simply as the Majles. The upper house, or the Senate, which existed during the time of the Shah, was eliminated. Representatives to the 270-seat Majlis are directly elected by the people and serve four-year terms. The Majles has the power to draft the laws of the state (Article 71), given that they do not violate the Constitution or Shari’ah, the law of Islam (Article 72). As the principle of

\textsuperscript{116} Original Constitution of the Islamic Republic of Iran.
separation of powers establishes, the Majlis is another important institutional veto player. The
Majles must give a vote of confidence for the position of the prime minister and his cabinet
members (Article 87), approve the bills and budget presented to the legislature by the executive
(Article 74), and interpellate and dismiss cabinet ministers and the prime minister if necessary
(Article 89).

The Iranian judiciary, unlike the executive and legislature, does not function as a serious
institutional veto player in the regime as it is not directly involved with checking or supervising
the work of the other two branches. Legal suits can be filed against officials in both the
executive and legislature with the judiciary, thus theoretically providing an independent avenue
for keeping the other branches in check. But it does not have a direct role in assessing
legislation. For example, unlike the U.S. Supreme Court, the Iranian Supreme Court does not
assess the constitutionality of legislative and executive decrees. The judiciary, however, does
play an indirect role critical to the Guardian Council, an important veto playing institution that
will be presented in more detail further below. The Supreme Judicial Council (Shura-ye Aali-ye
Qazai), a body consisting of the head of the Supreme Court, the Prosecutor-General, and three
clerical judges voted upon by all judges throughout the country (Article 158), appoints six jurists
to the Guardian Council (Article 91).

While the institutions of the three branches presented above are familiar to Western
scholars, the Islamic Republic contains several institutions that are unique to its own regime.
The construction of the Islamic Republic has basically been an experiment of contradictions. On
the one hand, Western and modern institutions, such as the legislature and executive, that had
existed in the country since the Constitutional Revolution of 1906, remain important features of
the new regime. They substantiate the significant institutional legacies of the modern Iranian
state that survived the critical juncture of the revolution in 1979. While they have been slightly modified, they still very much assume the same function for which they had originally been designed—to create a modern and independent nation-state based on republicanism—an ideal that continues to resonate with both regime officials and public sentiment.

On the other hand, one of the main goals of Ayatollah Khomeini and his followers, including the current leader Ayatollah Khamenei, was and remains to be the creation of an Islamic government (*hokumat-e Eslami*). Parallel institutions to those of the modern regime were, as a result, created in order to guide and supervise the modern ones according to Islamic criteria. One important reason for this particular outcome to create tutelary bodies was simply the expediency and feasibility of this method rather than a total overhaul of all regime institutions—again an institutional legacy of the development of prior regimes. Another equally important explanation was the fact that Islamic institutions with the capability to organize and manage a modern society in a world undergoing globalization had simply not been theorized and formulated. Modern institutions that had originated and evolved in the West became the only de-facto choice. The goal to create an entirely “authentic” Islamic government, however, has not been abandoned, and, as will be later addressed, this revolutionary ideal would be important for future factional conflict.

Three major “Islamic” institutions were formally included in the constitution besides the modern ones: the institution of the *Vali-ye Faqih*, the Council of Experts, and the Guardian Council. The *Vali-ye Faqih*, or the Jurisprudent Leader, is the highest office in the regime. The term *faqih*, or jurisprudent, refers to a learned scholar of the Islamic sciences. It is stated in Article 5 of the constitution that, “During the Occultation of His Holiness the Leader of the Age (May God hasten His appearance), the Leadership and the *Imamat* of the Muslim community is
the responsibility of the just and virtuous jurisprudent.” The Leader of the Age (Vali-ye Asr), also known as the Imam of Time (Imam-e Zaman) refers to the 12th Shi’ah Imam who is believed to be in Occultation, or in concealment of his true identity, since 941 AD until the “End of Time” when he reveals himself and obtains the mantle of humanity’s leadership. In the meantime, the authority of the 12th Imam’s leadership is vested in a single jurisprudent or in a group of jurisprudents (fuqaha). This broad principle is known as velayat-e faqih, or the rule of the jurisprudent, and justifies the position of the Supreme Leader.

The Supreme Leader is the most important institutional veto player in the regime. Although the leader infrequently intervenes directly to veto a law or presidential decree, he has the full religious and constitutional authority to do so. Furthermore, the leader is charged with appointing the clerics of the Guardian Council, the chief of the general staff of the military, commander in-chief of the Revolutionary Guards, two advisors to the Supreme National Defense Council, the commanders of the three branches of the armed forces (army, navy, air force), the head of the judiciary, the head of the Supreme Court, and the Prosecutor-General (Articles 110, 162). As the commander of the armed forces, the leader is also charged with declaring war and peace.

It is important to note that the Supreme Leader can be dismissed from office. The dismissal is determined by the Assembly of Experts, the 83-member chamber of clerics directly elected by the people in national elections (Article 111). Theoretically, the Assembly of Experts can be considered to pose a check on the leader, thereby acting as a veto playing institution that can block or endorse changes to the status quo. Such a ruling, however, has never been made, although an informal lobbying effort within the council to remove him did take place following the 2009 presidential elections. More importantly, the Council of Experts resolves issues of

117 Ibid.
succession, picking the next leader once the current leader dies or is incapacitated in one way or another.\textsuperscript{118} The position of the leader is, therefore, indirectly elected. The elections for the Council of Experts, however, are heavily vetted through a religious examination. While lay individuals may be elected, none have ever been elected to serve in the council.

Finally, the Guardian Council (\textit{Shora-ye Negahban}) is another important religious institutional veto player. It is a twelve-seat council with six clerics appointed by the leader and six lay-jurists nominated by the Supreme Judiciary Council to the parliament for endorsement. Each member serves for a period of six years. In some ways similar to the veto power held by supreme courts in Western countries, it is charged with assessing whether legislation passed by parliament violates the rules of the Constitution or that of Islam (Articles 91, 94). If it deems that a piece of legislation contravenes either of the two, the bill is returned to parliament for review and revision. A majority vote by only the religious clerics is necessary to determine whether a policy accords with Islam, while a majority vote of the entire council is required to assess its constitutionality (Article 96). In this regard, the interpretation of the Constitution is the responsibility of the Guardian Council, requiring the approval of three-fourths of its members (Article 98). Furthermore, in what separates the Council from other supreme courts, the former also has the duty to supervise all of the elections for office held in the country (Article 99). What this “supervision” actually entails is left unstated. The Guardian Council, however, justifies its vetting of candidates for the executive or legislature based on this article.

The Iranian regime is striking due to the number of institutional veto players it contains. Overall, Iran has six institutional veto players. Four of them are direct veto players, or veto players that are able to directly assert their veto over a specific policy or appointment. They

\textsuperscript{118} According to more theocratic thought, it is the responsibility of the Council of Experts to “find” and “discover” the leader whom God has chosen. In other words, the position is appointed by God and not by individuals.
include the Supreme Leader, the Guardian Council, the president, and the parliament. The other two veto players, or the judiciary and the Council of Experts, are indirect veto players. While they are not able to directly reject a particular policy of the state, they nevertheless are able to provide a check on the other institutions of the regime. As such, they are still considered veto players because they have the ability to both determine and obstruct institutional attempts to change the status quo.

The decentralization of power and the extreme form of checks-and-balances such a high number of veto players creates was particularly significant during the first constitutional order. No institution had the real power and authority to draw and implement policy without the other institutions posing important obstacles. Deadlock was a natural consequence as veto player theory would hold.

In this time period, the Iranian regime experienced two parallel tensions. One was between the office of the President and the Prime Minister, and the other revolved around the disputes between the Majles and the Guardian Council.119 In addition to the separation of powers between these institutions, there was also a separation of purpose. The faction that controlled the Majles during this decade belonged to a different political faction than that of the Guardian Council, while the faction of the president also differed from the faction of the prime minister—each effectively hindering the work of the other. Revealingly, in 1988, when all factions were unanimous on the need for institutional change, then president Khamenei stated:

In socialist countries…the party defines policy. In…Western democracy, the person who wishes to lead announces his policies….[and] the people…vote for them. In our society this is not the case….The Constitution does not specify such as authority….We need a source of author as well as a center, an assembly, an organization to define the country’s policies.120

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119 Brumberg 2001 provides a detailed discussion of these tensions.
The anarchic situation experienced by the Islamic Republic between 1979 and 1989 aligns with veto player theory. The high number of veto players was proving to create too many obstacles and checks on power for policy to be drafted and implemented in the state. Factions were in a constant state of gridlock, none of which could be adequately resolved through recourse to the constitution. As Haggard and McCubbins state, when “law making is so thoroughly separated that numerous competing factions each must consent to changes in law and policy, then government may be incapable of sustaining the public order. The extreme form of this condition, decision by unanimity, can lead to paralysis and chaos.”121 One of the main reasons why the Islamic Republic was able to persist and function was the position of the Supreme Leader. Since all political factions were united on the figure of Khomeini, he had the ability to break stalemate and sustain the order of the state. For example, Khomeini’s role was critical to end a stalemate over the issue of land reform, a major source of contention between the Majles and the Guardian Council.122

With this theoretical framework, Moslem’s comment on the role of the leader is placed in a new light: “Paradoxically, the highly individual, discretionary exercise of *ijtihad* [religious interpretation], coupled with the unencumbered powers of the *faqih*, actually provides the regime with a great deal of flexibility, maneuverability, and, ultimately, resiliency.”123 In the context of so many veto players, the role of the leader has been indispensable for the functioning of the regime. It is not paradoxical, however, in light of what one would expect a meta-institutional veto player to accomplish according to the theory advanced by this dissertation. Nevertheless, in the first decade of the regime, the constant recourse to Khomeini heavily strained the operation of the system and questioned the durability of the regime after the leader’s death.

122 See Moslem 2002: 64.
123 Ibid.: 272.
The Second Constitutional Order: 1989 – present

Two months prior to his death in 1989, Khomeini established the Assembly for the Reappraisal of the Constitution, an assembly whose members were appointed by Khomeini and who were representative of all of the factions within the regime. As Moslem explains, “The Imam [Khomeini] seemed well aware that if the regime was to survive, systemic and ideological deadlock had to be dealt and the government conduct its affairs in an orderly and predictable manner.”  The leader himself had expressed his concern about the lack of systemic order in the regime and the incoherence of many institutional imperatives. Furthermore, Ayatollah Ali Meshkini, head of the Council of Experts, had stated that the revisions to the constitution must “create further centralization and order in the regime.” While the decision-making process of this strategic change was relatively smooth and successful as all the veto players were included within the council to negotiate and agree on the changes, the tutelary Islamic institutions of the state were to remain alongside the republican ones, and the altered regime configuration continues to be marked by a high number of institutional veto players. In other words, while strategic change occurred, the degree to which the change took place was still successfully circumscribed by the number of veto players as well as by Khomeini himself.

Several important constitutional changes were approved. First, with the elimination of the office of the prime minister, the regime switched from a semi-presidential system to a presidential one. Now, the executive is fully under the control of the presidency and the institutional tension between the two posts has been removed, meaning that its management and efficacy have been centralized and streamlined. All of the duties and responsibilities of the prime minister were transferred to the office of the president, while the law requiring legislative

124 Ibid.: 72.
125 See Ettela’at April 27, 1989.
126 Keyhan, June 12, 1989.
endorsement of ministerial appointments remains intact. Overall, the power of the presidency was greatly augmented. He is in charge of the country’s financial and bureaucratic affairs (Article 126), implementing the constitution (Article 113), and head of the newly created National Security Council (Shura-ye Amniyat-e Melli), charged with devising the country’s national security policies (Article 176). This type of change is an example of a revision change, where one institution is removed and another altered.

Second, an arbitration council, called the Expediency Discernment Council of the System (Majma’-e Tashkhis-e Maslahat-e Nezam) was created to resolve the disputes between the Majles and the Guardian Council. Anytime the two bodies reach a stalemate, the Expediency Council is charged with assessing the policy and deciding on its legality – both civil and religious (Article 112). As a result, the Expediency Council is a contingent institutional veto player. It is able to perform its veto playing duty only under these particular conditions. Council members include the heads of the three branches—the president, speaker of the Majles, and chief of the judiciary—and others appointed by the leader. When a legislative dispute between the Majles and the Guardian Council is being reviewed, the clerics of the council will also be included in the Expediency Council, while relevant ministers and Majles commission representatives should be present as well. The creation of the Expediency Council represents a layering type of change, where a new institution is inserted into the political system without the elimination of other institutions.

Besides the revision that eliminated the position of the prime minister, other revisions also were made which had no effect upon the veto powers. The leader was charged with overseeing the relationship of the three branches with one another, rather than the president. The leader also had to consult with the Expediency Council before reaching major decisions (Article
110). Although this could be seen as a check on the power of the leader, there are no explicit laws granting the Expediency Council veto rights over the decisions of the Leader. Furthermore, the name of the Majles was changed from National Consultative Assembly to the Islamic Consultative Assembly (Majles-e Shura-ye Eslami), and the judiciary was centralized with the abolishment of the Supreme Judicial Council. The head of the judiciary, appointed by the leader, would appoint the head of the Supreme Court and Prosecutor-General rather than the leader (Article 162). Boroujerdi and Rahimakhani’s diagram included below as Figure 2 illustrates the current system of power within the Iranian regime.\(^\text{127}\)

**Figure 2. The Power Structure of the Iranian Regime**

\(^{127}\) Boroujerdi and Rahimkhani 2010.
During this second constitutional order, the deadlock between the Guardian Council and Majles, while not eliminated, is more easily resolved due to the addition of the Expediency Council. And with the elimination of the post of the prime minister, no institutional stalemate existed within the executive branch. A new source of institutional friction, however, does appear under the new constitution: institutional conflict between the executive (president) and major decision-making meta-institutions, including both the Expediency Council and the position of the Supreme Leader. The friction between the president and the Leader was most evident during the Khatami administration, while the conflict between the president and the Expediency Council was in full display during the Ahmadinejad administration. More recently, however, conflict between Ahmadinejad and the Supreme Leader has also emerged.

According to veto player theory, it was not coincidental that the only post eliminated was that of the prime minister, the single institution that did not have veto rights in the first place. Interestingly, no institution with veto rights had its veto power taken away. Instead, with the layering process of institutional change, a new veto player was instead added to the decision-making process of the system. This act in itself did not mean that the Guardian Council gave up power either. Rather, the Supreme Leader who would frequently intervene to resolve the conflict between the legislature and the Guardian Council would instead institutionalize his power to make such decisions within the Expediency Council. In this case, under the same context of a high number of veto players, both revision and layering types of strategic institutional change transpire. Revision occurs to the institution whose elimination is least disruptive to the veto players’ status quo, while layering occurs so as not to highly impact or alter the status quo. Therefore, highly ironically, while the goal of the constitutional change was to centralize decision-making in the regime, the reconfiguration only ended up adding another veto player to
the system rather than reducing the number of veto players. To be fair, the Expediency Council was not a typical veto player though but was rather an inter-factional council charged with drawing the macro-policies of the state. Nevertheless, due to its veto power, it is very influential on strategic policies, and would be a key player in the country’s economic privatization drive as will be discussed at length in the following chapters.

**Competitive Factional Politics in Iran**

Multiple centers of power representative of different political factions exist within this complex and multi-layered institutional veto landscape. These factions basically consist of a disarray of associations, parties, organizations and individuals loosely affiliated over political and socio-economic issues. Each has its own newspapers, magazines and institutional platforms, whether they are state institutions or civic and religious associations. Unlike political parties, factions do not have official party platforms with a formal ideology or policy program, central headquarters or national branches, or formal rules binding individuals to one another either through institutional hierarchies or decentralized leaderships.128 Furthermore, due to the malleable ties that associations and parties have with one another as well as their changing policy positions, intra-factional and inter-factional alliances constantly shift.

There is no doubt then that the study of factional politics in Iran is a very daunting task. Nevertheless, such an undertaking is critical for a proper understanding of Iranian politics. As Boroujerdi explains, “political factions in Iran are for real and their disagreements…are genuine and deeply held. These factions use such legally endowed institutions… to wage their political/ideological fights or to jockey for power in a system distinguished by its overlapping

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128 See Murtaji (1999: 1-2) for a discussion of the differences between a faction and a political party.
power centers.”\textsuperscript{129} The study of Iranian factions is, therefore, critical in understanding a system marked by the existence of competitive, albeit uneven, elections that significantly impact the policies of the state. Furthermore, a proper analysis of veto players also requires the identification and study of the preferences and parties of the individuals who assume veto positions.

\textit{Classification of Iranian Factions}

While the study of factions in Iran is challenging due to their amorphous nature, our analyses have been particularly plagued by the classificatory confusion that exists in the literature. The confusion over the identity and substance of factions is not necessarily due to the shortcomings or lack of clarity present in the work of any one scholar but rather how the field has come to identify political factions together. Scholars of Iranian politics, both Western and Iranian, fail to agree on both the number of factions as well as the important dimensions that separate factions from one another.

The present classificatory confusion stems from two different sources. The first is the attempt to classify Iranian factions on a single spectrum. These single continuum-based classifications are inherently problematic because they conflate a variety of socio-economic and political positions onto a one-dimensional scale. The second source of confusion rises from the inconsistent and problematic identification of the important dimensions for factional classification. Basing factional distinctions on dichotomies such as radical vs. moderate or modern vs. traditional is not only imprecise but obscures more important dimensions that can create meaningful representations of Iranian factional politics. A thorough explanation of

\textsuperscript{129} Boroujerdi 2001: 23.
previous methods of factional classification and justification for the system of classification I develop here can be found in Appendix A.

This dissertation identifies the republican-theocracy dimension to provide the important continuum for factional classification in addition to the standard economic left-right continuum. While all of the factions believe in the constitution and religious government, they emphasize different sources of legitimacy and authority. At the more theocratic end of the spectrum, the religious aspects of the regime are considered to be the most fundamental. Regardless of the constitution of the Islamic Republic, the institution of the *velayat-e faqih* is considered to have its basis in God’s will. As Khomeini stated in 1979, “the *velayat-e faqih* is not something created by the Assembly of Experts. It is something that God has ordained.”\(^{130}\) The sovereignty of the regime and its laws, therefore, rest in God.

On the other hand, at the more republican end of the spectrum, the Supreme Leader and the religious institutions of the state are legitimate insofar as the popular will is supportive of these institutions. Since the constitution is seen as a contingent social contract bound between men, it is the people who provide the sovereignty of the regime and its religious institutions. Greater attention is placed on republican and electoral institutions. The degree to which religion is believed to form the basis of the regime, therefore, is an important dimension that has structured Iranian politics over the past three decades. These two dimensions, as a result, identify four main political factions: the Theocratic Right, the Theocratic Left, the Republican Right, and the Republican Left. Figure 3 presents a visualization of my classification. A description of each faction follows below.

The Theocratic Right has received labels as diverse as the conservatives, the conservative right, the traditional right, the fundamentalists, and the moderate traditionalists. Those within the

\(^{130}\) *International Herald Tribune*, 24, October 1979.
theocratic right faction favor a near free market economy with minimal state interference. The bazaari merchants who helped bankroll the revolution and supported the creation of an Islamic state are mostly supporters of this faction. While they stress the importance of social justice, they believe that the best approach lies in a merchant economy networked with Islamic charities. In addition, many of the religious clerics, particularly those who are members of the Council of Experts and the Guardian Council, are in the theocratic right. As theocrats, the sovereignty of the state is considered to belong to God. In addition, they prefer strict application of Islamic law, and consider the “cultural invasion” (tahajom-e farhangi) undertaken against Islamic-Iranian culture by the West as an important threat to be countered. Important associations that belong to this faction include the Society of Combatant Clergy (Jame’eh-ye Rouhianiat-e Mobarez), the Coalition Islamic Society (Jam’iyat-e Mo’ talefeh-ye Eslami), and the Society of Qum Seminary Teachers (Jame’eh-ye Modarresin-e Howzeh-ye Elmi-ye Qum). Important newspapers of the theocratic right have included Resalat, Quds, and Jomhuri-e Eslami.
The Theocratic Left has received even more diverse labels. They have strangely included the neo-conservatives, the neo-fundamentalists, the traditional left, the new left, the new right, the radicals, the radical traditionalists, the populists, the extremist right, the radical right, the ultra-conservatives, and the Hezbollahis. Like the theocratic right, the theocratic left espouses the same religious and social positions. They differ on their economic views, favoring state intervention in the economy to promote social justice and equal welfare. They hold strong anti-capitalist views, believing Islam and capitalism to be antithetical, and look upon the nouveau riche elite produced by the Islamic Republic with suspicion. Many of the supporters of the theocratic left include war veterans, members of the Basij and Revolutionary Guards, revolutionary intellectuals, the urban poor, and provincial classes. President Ahmadinejad, moreover, belongs to this faction. Important associations and parties belonging to this faction include the Developers of Islamic Iran (Abadgaran-e Iran-e Eslami), the Supporters of Hezbollah (Ansar-e Hezbollah), the Society of War Veterans (Jame’eh-ye Isargaran), and the University Students’ Basij (Daneshjooyan-e Basiji). Important publications have included Keyhan, Shalamcheh, and Sobh.

The Republican Right faction has been referred to as the pragmatic conservatives, the pragmatists, the moderates, the modern right, the liberal democrats, and the technocrats. Positioned on the republican segment of the spectrum, they consider the authority of the regime to rest on the people and prefer the Islamic institutions of the regime to act more “moderately” in accordance with the norms of the international community. As a result, they favor more liberal and relaxed interpretations of Islamic law. Economically, they advocate a free market economy like the theocratic right but believe the state should play a developmentalist role to promote industrialization and economic growth along the models espoused by international economic
institutions such as the World Bank and the International Monetary Fund (IMF). Their discourse primarily deals with modernization and economic growth rather than social justice.

The republican right faction is the main advocate of the “China-model” for Iran, whereby social and economic liberties are extended while political freedoms are limited to the extent that they do not jeopardize the country’s economic program or threaten those elites who back the China-model. Supporters of this faction mostly include Western-educated technocrats as well as bazaari merchants and capitalists loosely affiliated around the person of Ayatollah Rafsanjani, president from 1989-1996 and head of two important institutional veto players: the Expediency Council and the Council of Experts. The major parties of this faction are the Executives of Construction Party (Hezb-e Kargozaran-e Sazandegi), the Work Party (Hezb-e Kar), and the Moderation and Development Party (Hezb-e E’tedal va Tose’eh). Important media outlets include the Kargozaran, Ettela’at, and Shahrvand.

The labels attributed to the Republican Left include the radicals, the populists, the reformists, the left, the Islamic left, the modern left, and the social democrats. Out of all the factions, the republican left has undergone the most significant ideological change throughout the course of the revolution. From the 1980s to the mid-'90s, the republican left was most commonly referred to as the Radicals. Economically, they wanted extensive land reform and state control of the economy. Politically, they were highly imbued with revolutionary ideology and zeal, advocating the export of the revolution throughout the world, particularly the Muslim ummah. In addition, they were virulently anti-American with the key organizers and supporters of the takeover of the American Embassy in Tehran and the hostage-taking crisis belonging to this faction. Their ideology slowly changed in the 1990s, partly as a result of the collapse of the Soviet Union and partly as a result of disillusionment caused by their sidelining and exclusion.
from the political scene by those on the right. Eventually, anti-American and anti-Western sentiment transformed to calls for civilizational dialogue. Islamic revolutionary social utopias were exchanged for an amalgamation of Tocquevillian notions of religious and civic associational life and a Habermasian public sphere considered necessary for the creation of “religious democracy” (mardomsalari-ye dini). And economically, as will be discussed later below, most of republican left associations drifted from the far left to the center and center-right.

Important figures within this faction include former President Khatami, former Parliamentary Speaker Mehdi Karroubi, and former Prime Minister Mir-Hussein Mousavi. Important social bases of the republican left, particularly during the reform period of the Khatami administration, can be found in the upper-middle classes and more secular-minded university students and women’s rights groups. The republican left consists of associations and parties such as the Mujahedin of the Islamic Revolution (Mujahedin-e Enghelab-e Eslami), the Association of Combatant Clergy (Majma’-e Rouhaniyun-e Mobarez), the Office of Strengthening Unity (Daftar-e Tahkim-e Vahdat), the National Trust Party (Hezb-e Etemad-e Melli), and the Islamic Iran Participation Party (Hezb-e Mosharekat-e Iran-e Eslami).

Significant publications have included Aftab-e Yazd, Etemad-e Melli, Mardomsalari, and Asr-e Ma.

As my classification reveals, it is problematic to use the term “conservative” or “reformist” for factional classification in Iran, and the application of these terms to the Iranian political arena is an unfortunate legacy of the transitions literature that dichotomizes elites into “hardliners” and “softliners”. “Conservative” is commonly used in political science terminology to refer to pro-status quo actors, while “reformist” is used to identify anti-status quo actors. If we apply these terms to the framework I have developed above, the closest approximation of
their meanings would imply that the factions on the right would be conservative: theocratic and republican conservative. The reason is that these two factions are the most entrenched in the institutions of the state and aim to preserve their positions and power in the regime. Yet, since both try to change the system in the pursuit of their interests, they also have anti-status quo inclinations. On the other hand, the “reformist” groups should be those on the left: the theocratic and republican reformists. In other words, both Khatami and Ahmadinejad are anti-status quo and thus reformists. Their difference lies in the direction and type of change they pursue within the regime. The unsophisticated application of transitologist categories to the Iranian political scene, therefore, hinders a comprehensive and nuanced understanding of the aims and interests of regime factions and their relationship to one another.

*Privatization and the History of Factional Alliances and Competition*

Turnover between the four factions has been common in both the legislature and the executive over the last three decades. These turnovers have simultaneously been marked by shifting “tactical political alliances” for controlling the regime. Four distinctive periods reflecting these factional alliances exist: 1980 – 1987, 1989 – 1996, 1997 – 2004, and 2004 to today. These changing alliances in the executive and legislature as well as the existence of parallel Islamic institutions have basically ensured the incorporation of multiple centers of power representative of different visions and interests within the regime. As a result, different factions have controlled the various veto playing institutions of the regime simultaneously, again reflecting the power-sharing accommodations inherent to the system. The following discussion of the history of factional politics revolves around the state’s attempt to implement privatization. As privatization began under the Rafsanjani administration, the republican right push to expedite
its economic plans eventually led to a theocratic left backlash and the polarization of the factional scene by 2004.


The first period of the regime was marked by the rule of the Islamic Republic Party (IRP). The IRP, supporters for constructing a system based on the velayat-e faqih, represented the main segment of the Islamic Revolutionary coalition. The other two groups of the revolution included the Marxists and the liberals. Once the IRP consolidated its rule after eliminating the Marxists from the political scene with the aid of the liberals, and, by 1981, the liberals as well, factional disputes within the party intensified. Although the IRP was comprised of all four of the factions identified at length above, it was dominated particularly by two of them: the theocratic right and the republican left. Figure 4 represents this arrangement.

Figure 4. Factional Alliance from 1980 – 1988 in the Islamic Republic of Iran
On one side, the republican left members of the IRP were better represented in the Majles, and included the Prime Minister, while on the other side, the theocratic right was in control of the Guardian Council. One of the main sources of contention and rift between the two was the economy. For example, two important bills that caused much contention not only between these two bodies but also within the party itself were the land reform bill and the nationalization of foreign trade bill.\textsuperscript{131} The Guardian Council, or its theocratic right members, rejected the original version of these bills on the grounds that they were un-Islamic, not anti-constitutional. Economic bills, if passed, usually involved a compromise between the two factions and likely included the intervention of Khomeini as well. Eventually, in 1987, with the request of Rafsanjani and Khamenei, Khomeini accepted the dissolution of the party.\textsuperscript{132} The time of open factional politics thus began.

\textit{1989 – 1996: The Alliance of the Right}

The presidential elections of 1989 marked the first electoral turnover in the Islamic Republic. The executive branch switched hands from the republican left Prime Minister Mousavi to the republican right President Rafsanjani. As had been discussed earlier, 1989 also marked the beginning of the second constitutional order with the centralization of power in the office of the president and the formation of the Expediency Council. It also marked the beginning of a new factional alliance that would control the majority of the institutions of the regime: the alliance between the republican right and the theocratic right. Figure 5 depicts the alliance of the right.

Privatization officially began at this time with the First Five-Year Economic Development plan of 1989 to 1994 under the Rafsanjani administration. Indeed, economic

\textsuperscript{131} See Moslem (64-65) for a discussion of these two issues.
\textsuperscript{132} Jomhuri-y{e} Eslami, May 2, 1987.
structural adjustment (*ta’ dil-e eghtesadi*) and development (*towse’eh*) were the main slogans of the new administration. The rather autonomous National Iranian Oil Company (NIOC) was one of the main instigators and supporters of Rafsanjani in his drive to liberalize and privatize the state since it was in need of greater foreign investment and capital.\footnote{Brumberg and Ahram 2007.} The First Plan consequently gave the green light to initiate the privatization of state economic enterprises, deregulate the economy, and attract foreign investments to the country. And it was during this period in which the Tehran Stock Exchange was once again reinvigorated for the first time after the revolution.

The planned liberalization of the Iranian economy, of which privatization was seen as a necessary component, was accordingly viewed with suspicion and apprehension by the theocrats—particularly by the Supreme Leader—as it advanced the plans of the World Bank and the IMF, considered the cornerstones of the “imperialistic” world economy. Reflecting the diverse political landscape of the country, varied criticisms were consequently launched against
the Rafsanjani administration—criticisms that interestingly continue to be made against economic restructuring up to the present day. The republican and theocratic left factions strongly criticized its neoliberal and “capitalist” economic policies that they considered contrary to the justice-seeking principles of the revolution. The theocratic left and right factions decried the liberal and Westernized cultural policies of the Rafsanjani administration as well as the liberalizing “cultural” effects that these economic policies produced for society—deeming them un-Islamic and immoral. And the theocratic right faction was strongly opposed to increases in taxation and greater state involvement and regulation of the bazaar economy—necessary steps in the creation of a modern economic order.

The rift between Khamenei and Rafsanjani was thus set in place at this time as their different visions for the development of the country collided. But, as I will explain below, Khamenei also sensed the political threat that the increasing power and political reach of Rafsanjani began posing as he drove to implement his goals. As a result of these combined factors, the Supreme Leader would come to advance and strengthen the theocratic left faction and his own position of power in order to balance the republican right. Khamenei’s criticisms of Rafsanjani’s reconstruction plans following the war and his emphasis on “social justice” and “revolutionary Islamic values” were precisely the words that members of the theocratic left faction, such as the Basijis, needed to hear. These ideals would eventually form an important component of the theocratic left discourse and that of the Islamic-Iranian model of development—the very language that Ahmadinejad would eventually advance.

In order to efficiently legislate and execute its economic plans, however, the republican right would need to limit oppositional voices to its economic agenda within the regime—it had to prevent different veto players from vetoing its policies. Accordingly, the republican right would

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either need to shut out other factions from the main institutions of the state, or it would need to capture those very institutions to push through strategic change—both of which it tried. These efforts—to expand its political power in order to implement economic privatization—and the resulting backlash it creates from the theocratic left eventually results in the polarization of the factional scene by 2004. As we will see in the next chapter, gaining an extensive political reach in Iran is a formidable task due to the numerous veto playing institutions that exist, and the republican right would eventually be forced to compromise on its policies because of the multi-factional nature of the regime.

Beginning with the 1992 parliamentary elections, in the post-Cold War context after the collapse of the Soviet Union, the political maneuvering of the republican right was instrumental for the massive disqualification of the republican left from the political scene of the country—specifically due to the latter’s criticisms of the right’s economic policies. According to Najafi, former republican right head of the Management and Planning Organization (MPO), the republican left was eliminated from the political scene because of its economic position more than anything else. He explains in an interview:

Another segment of the left faction that was more traditional and at the time was referred to as the traditional left, remained steadfast in their position and expressed their opposition to the plan, but, of course, with the political maneuverings of Mr. Hashemi [Rafsanjani], they were eliminated from the fourth Majles [1992 – 1996]. Perhaps one of the reasons the left was rejected from the fourth Majles was the support Mr. Hashemi lent for their exclusion. As a result, the overall political environment created was to the interest of Mr. Hashemi.\textsuperscript{135}

The republican right thus comes to severely limit elite voices on the economic left in an effort to change the populist economic nature of the regime that existed in the 1980s. The parliamentary elections of 1992 advanced the institutional monopolization of the right and represented the second electoral turnover in the regime and the first parliamentary one. The republican left,

\textsuperscript{135} Amouee: 393.
which had controlled the Majles since 1980 over three electoral cycles, lost to the right, particularly the theocratic right.

By 1994, however, factional disputes between the two rights were becoming serious. This stemmed not just from their difference in religious interpretations but also in the economic realm as well. The theocratic right worried that the republican right was undermining the values of the revolution. Not only did the latter faction support more liberal social values that introduced Westernizing trends in society, which the theocrats viewed as a threat to the Islamicness of the regime, but its developmental policies based on the World Bank and IMF raised criticisms that the economic models of the country were un-Islamic as well. Of course, the interests of both the clerics and bazaari merchants in the theocratic right were also threatened by Rafsanjani’s policies, including regulations of the bazaar economy, the introduction of modern banking systems as well as state taxation programs. Accordingly, the Speaker of the Majles, Nateq Nuri, of the theocratic right, was positioned to take over the presidency after Rafsanjani’s second term as president ended in 1997. Nuri had the backing of most of the senior clergy, and it was heavily rumored that Ali Khamenei, the Supreme Leader, supported Nuri as well.136

Faced with a less than amiable partner on the right, however, the republican right looks elsewhere for making a new political pact and finds none other than the newly stylized republican left faction. Following their disqualification with the 1992 parliamentary elections, the republican left underwent a fundamental rethinking of its socioeconomic and political positions in two areas.137 The first involved a new support for individual civil rights, the development of civil society, and the advancement of democratic forms of rule. The second

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137 See Brumberg (2001) for an in-depth discussion of the ideological transformation experienced by the republican left faction at this time.
fundamental change concerned the economy. Belief in a state economy shifted to acceptance of the market economy. For example, an important association of the republican left, the Mujahedin of the Islamic Revolution announced its new support for economic liberalization and the participation of the private sector in the economy. The republican left reached the opinion that civil society and democracy could only be established through the creation of a liberal market economy and the significant downsizing of the state. Since the economic policies of the Rafsanjani administration were being circumscribed by the theocratic right at this time, the grounds became suitable for the forging of a new political partnership. Accepting liberal economics, in other words, would be the surest way for the republican left to gain the needed institutional support to rejoin the system.

1997 – 2004: The Alliance of the Republicans

The 1997 presidential elections shockingly resulted in an electoral upset. While Nuri of the theocratic right was almost universally predicted to be the next Iranian president, Mohammad Khatami of the republican left won by a landslide. In addition to marking another turnover within the executive branch, it also signified the victory of a new factional alliance between the republican left and the republican right. As the republican left moved towards the center economically and became less anti-American and anti-Western, and the republican right moved farther away from the theocratic right towards republicanism, the grounds for a new partnership were created. Figure 6 illustrates the alliance of the republicans, broadly known as the reformists or the May 23rd Front (Jebhe-ye Dovvom-e Khordad), named after the electoral day of victory – the 2nd of Khordad in the Persian calendar.

The victory of Mohammad Khatami to office, nonetheless, while unexpected and reflective of public support for republican left values, ensured the persistence of republican right economic policies in state planning as members of the Kargozaran were appointed to the new administration’s economic team. The reformist coalition agenda thus comprised relatively liberal cultural and social values espoused by the republican left along with the economic values of the right. Moreover, in the Majles elections of 2000, the republican coalition, particularly the republican left, gained control of parliament—another turnover. After twelve years, the republican left finally regained both the executive and legislature, while the theocratic right lost control over the main republican institution of the state.

Now that the separation of purpose between the legislature, executive, and Expediency Council veto players was minimal as they all broadly pursued republican right economic policies, Khatami moved to expedite the privatization process, resulting in the highest privatization rates of state-owned economic enterprises since the beginning of the First Five-Year Development Plan. The major push came in late 2002. In one of his speeches in his visit to
the province of Kerman, Khatami, after pledging his support to activate and strengthen the private sector, declared: “Like democratizing a country plagued by despotism, the strengthening of private sector is a [long-term] process which would not be completed overnight.”\(^{139}\) As the republican left intellectuals had supported economic liberalization and privatization programs in order to create civil society and instigate democratization, Khatami now officially claimed these two processes—privatization and democratization—to be inextricably linked to one another.

Shortly thereafter, both the administration and the Majles agreed to revise the Third Five-Year Development Plan in order to expedite the privatization process. Article 15 of the plan was amended to allow mother companies to sell-off their subsidiary companies.\(^{140}\) In particular, the aim was to cede shares of the Industrial Development and Renovation Organization's (IDRO) subsidiaries, such as automotive and tractor companies, to the private sector. The revisions also eliminated Article 16 of the Third Five-Year Plan. Article 16 delineated the priority of sale methods to different buyers, such as larger companies must first give priority of sale to the public at large before being sold to economic firms or small companies should first give priority of sale to experienced managers.\(^{141}\) Besides Articles 15 and 16 of the Third Plan, Economics and Finance Minister Tahmasb Mazaheri also said that Article 19 was an important impediment to privatization and had to be amended.\(^{142}\) Article 19 established the guidelines for the revenues accrued from the privatization sales, with 50 percent allocated to the costs for restructuring state-owned companies intended for sale, 48 percent to the national treasury, and 2 percent to the Basij paramilitary group.\(^{143}\)

\(^{139}\) ISNA, September 7, 2002.
\(^{140}\) IRNA, November 13, 2002.
\(^{141}\) The Law of the Third Development Plan (Ghanoon-e Sevvom-e Towse’eh). Expediency Discernment Council of the System.
\(^{142}\) IRNA, December 7, 2002.
\(^{143}\) The Law of the Third Development Plan.
Privatization in the last years of the Khatami administration (2003 and 2004) were greatly increased as a result of these changes and the unity amongst these important veto players. Significantly, the total value of combined sales revenues accruing from the privatization drive in 2003 and 2004 alone was more than the entire sales revenue gathered between 1991 and 2002.\textsuperscript{144} Furthermore, in the first four years of the Third Five-Year Development Plan (2000-2005), the economic privatization rate had increased by 42.5 percent, while it had only grown minimally, with a rate of 2.5 percent, in the Second Five-Year Development Plan.\textsuperscript{145} Figure 7 provides a comparative illustration of the privatization revenues accrued during the Rafsanjani and Khatami administrations.

**Figure 7. Iranian Privatization Revenues, 1991 – 2005**

\textsuperscript{144} Iran Privatization Organization.  
\textsuperscript{145} Iranian Daily, September 8, 2004.
Factional Polarization

These shifting dynamics, however, also paved the ground for the rise of the theocratic left. While the republican left’s move to the “right” bolstered the position of the republican right in the economic arena, it simultaneously left a vacuum of power on the economic left of the Iranian political scene—a vacuum that the theocratic left would eventual fill. The relatively politically dormant theocratic left thus began to organize and activate itself in the political arena of the country at this time, considering the republicans’ political, economic, and ideological platform as a direct threat to the Islamic nature of the regime and the survival of the position of the Supreme Leader and the concept of *velayat-e faqih*. The theocratic left espoused leftist economic policies to prevent the advancement of capitalism in society and strongly advocated the ideals of social justice for the poor and the empowerment of the disinherited.

With the support of Ayatollah Khamenei, the theocratic left would transform into a major political force in Iranian politics in the new century, and it would come to ride the wave of “green uprising,” representing the shifting structure of power within Iranian society. Not to be confused with the political “green movement” of 2009, the green uprising, according to Samuel Huntington, refers to a particular stage in the economic development of a country in which the provincial classes rise up against the unequal power and privileges of the elites in the capital city with the help of a section of the capital elite—a reaction against the uneven economic development of capitalist growth in developing countries.\(^\text{146}\) The foundational green uprising in Iran would thus provide the necessary structural support for the empowerment of the theocratic left—especially for a populist such as Mahmoud Ahmadinejad—and the weakening political grip of “old guard” republican and theocratic right factions.

\(^{146}\) Huntington 1968.
With the victory of the theocratic left to the parliament in 2004 and eventually Mahmoud Ahmadinejad, also of the theocratic left, to the presidency in 2005, the alliance of the theocrats would begin. Figure 8 presents the theocratic alliance, commonly referred to as the Principlists [Usul-gerayan], or those committed to the principles of Islam and the revolution—the theocratic

**Figure 8. Alliance of the Theocratic Left and Theocratic Right from 2005 – 2012**

...dimension identified in this dissertation. Eventually, the state would witness another legislative turnover in 2008 bringing the theocratic right to power, as represented by the new parliamentary leader Ali Larijani, but that would not seriously disrupt the theocratic alliance.

My classificatory framework therefore illustrates a significant phenomenon that has gone largely unnoticed in Iranian politics but that would be acutely important in the explanation of processes such as the state’s economic privatization drive. Iranian political elites and the distribution of power between them slowly polarized between the theocratic left on one hand and the republican right on the other during the past two decades. The polarization between the two factions reached a peak with the 2009 presidential elections and its violent aftermath. While
further explanations of the ways in which this polarization affected privatization and the 2009 elections will be presented in the policy implementation chapter, several reasons for why this polarization came about is discussed below.

First, the clerics and the bazaari merchants associated with the theocratic right have slowly lost power and influence in society. Once critical to the social movements leading to the revolution of 1979, the religious underclasses and rural migrants to the cities voiced their needs through patrimonial clerical and bazaar channels linked with the theocratic right, the main center of power behind the regime. The patronage power of these groups to mobilize the pious poor and lower classes, however, have been eroded by the growth of the state itself as a major employer as well as the general rising disaffection amongst the people with the regime. The emergence and growth of the theocratic left faction supported by the leader and elements of the Revolutionary Guards and the Basij represents the first time that the poorer supporters of the regime have been mobilized independently on the left rather than on the right and, moreover, this has happened in the context of the green uprising. The parliamentary elections in 2004 mark the first time that the theocratic left has captured any institution since the revolution.

Second, as previously explained, the political elites of the republican left mostly moved to the right economically, both bolstering the position of the republican right while simultaneously leaving a vacuum of power on the left. Republican left intellectuals believed that privatization and the creation of a liberal economy would promote the political democratization they sought, thus contributing to the bargaining and policymaking power of the republican right in the privatization process as will be detailed later. As a result, already strengthened by the increasing weakness of the theocratic right, the theocratic left would consequently more easily

147 Arjomand 1988.  
capture and mobilize social constituencies in the electorate abandoned by the republican left, constituencies who favored greater economic redistribution policies and who looked suspiciously upon the privatization and liberalization of the economy. This group would form the core component of the green uprising—the people left behind from the benefits of greater economic development and modernization.

Interestingly, and in line with the historical institutionalist view of institutions as power and resource distributing structures rather than coordinating mechanisms or scripts, these two factions reflect the socio-economic and political preferences of the two most important meta-institutional veto players in the regime: Ayatollahs Khamenei and Rafsanjani. Khamenei as Supreme Leader was instrumental to the empowerment of the theocratic left faction generally, while Rafsanjani was indispensable to the republican right as the head of the Expediency Council and the Council of Experts. While it would be electorally in the interests of the republican left to position itself squarely on the left economically, it has been handicapped to do so because of the patronage and protection that the republican left receives from Rafsanjani as a major tutelary veto player. In order to survive, and perhaps even to further its interests, the republican left has come to support the economic policies of the right.

In contrast, the theocratic left can survive on the left without the need to receive protection from the theocratic right. The reason is because Khamenei as a major tutelary veto player who supports the theocratic left because of the perceived economic and political threat he sees emanating from the republican right, thus providing the much-needed protection necessary for the faction. His numerous support and defense of Ahmadinejad, both after the 2009 elections and in the possibility of legislative motions for impeachment, demonstrate this claim.
In addition, on the issue of factional classification, the results of the 2005 presidential elections would be particularly perplexing for Iran analysts espousing a single continuum view of Iranian factions. With their approach, Khatami and Ahmadinejad are at the opposite ends of the spectrum from the left to the far-right, or reformist to hardliner. The electoral results naturally raise an important question: why would the majority of Iranians who voted for Khatami switch positions so drastically from one pole to the other to vote for Ahmadinejad? It was expected that in the second round of elections between Ahmadinejad and Rafsanjani the people would vote for Rafsanjani at the center of the continuum rather than shift to the far right. But such an outcome did not transpire.

According to the framework developed in this dissertation, however, there is no perplexing shift in voter preference. Iranian voters have generally tended to be on the left on the economic dimension while spanning across the theocratic and republican divide. The vote for Ahmadinejad on the theocratic left, therefore, did not reflect a major change on the part of the electorate. Ahmadinejad was seen both as an outsider to the regime as well as a pious supporter of the lower classes and an advocate of issues pertaining to social justice.\(^{149}\)

The multiple veto players and the multi-layered design of the regime, as a result, provide institutional arenas allowing for the simultaneous existence of different factions within the state irrespective of electoral results. In other words, elections are not an all-or-nothing game. While the representation of interests shift and change, drastic exclusion of multiple factions from the main institutions rarely, if ever, occurs. For example, in 2001, all four factions had control over particular institutional veto players in the regime. The republican left controlled the Majles, with Karroubi as the speaker of parliament. The republican right controlled the Expediency Council under Rafsanjani. The theocratic right controlled both the Guardian Council, led by Ayatollah

\(^{149}\) See Milani (2007) for a description of Ahmadinejad’s populism.
Jannati, and the Expediency Council, chaired by Ayatollah Meshkini. And, the Supreme Leader promoted the position of the theocratic left during this time period. Figure 9 displays the positions of the key elite figures of the regime in 2001.

**Figure 9. The Positions of Important Regime Figures in 2001**

In 2008, three of the four factions controlled veto playing institutions, as the republican left lost power. The Majles was controlled by the theocratic right, under the speaker Larijani. While both the Expediency Council and the Council of Experts were chaired by Rafsanjani on the republican right, the majority in the latter council belong to the theocratic right. Figure 10 represents the 2008 divisions. These positions did not change with the 2009 presidential elections, although the republican right faction was weakened.
Summary

Unlike authoritarian regimes that are controlled by a single party, Iran is ruled by a confluence of multiple elite forces that fiercely compete with one another in national elections. The layered institutional configuration of the Iranian regime—marked by its many veto players—both provides the space for the existence of multiple centers of power within the state and constrains the room for unfettered maneuverability and action by any one faction. While such a condition is favorable for preventing a turn towards dictatorship, it simultaneously prevents an effective and streamlined policymaking process as is evident in the strong rivalry and opposition to the country’s slow-moving privatization drive.

In a strategic move to push through economic privatization despite the strong institutional hurdles in its way, the republican right unintentionally sets the stage for a the polarization of the country’s political scene and the eventual outright collision between the republican right and
theocratic left factions at the time of the 2009 presidential elections. While this chapter focused on the broader political fluctuations in the country and touched on the privatization efforts of the Rafsanjani and Khatami administrations in this process, the following chapters place more detailed focus on how privatization comes about through the revision of Article 44 of the Constitution and its implementation under the presidency of Ahmadinejad. This analysis will as a result shed light on the precise mechanisms that institutional change is actually undertaken in Iran.
Chapter 4: Contentious Negotiations: The Rewards of Collective Policymaking

Introduction

The Iranian parliamentary elections in 2004—which brought the theocratic left to power for the first time since the revolution—seemingly produced a sea-change in the state’s economic development and restructuring policies. It also produced in that year one of the most acute instances of factional in-fighting and institutional stalemate in the history of the Islamic Republic. One day after the elections, the Guardian Council issued a major ruling that would seriously impede the country’s privatization plans: the ceding of state-owned banks and insurance companies to the private sector was deemed unconstitutional. At the same time, the theocratic left parliament surprisingly suspended the entire privatization scheme of the country—making any privatization sales by President Khatami illegal. Privatization had thus precipitated an institutional and factional collision, and only an authoritative revision of Article 44 could open the door to more extensive privatization efforts and facilitate elite conflict resolution.

At the heart of this elite struggle over the future economic order of the country lie two opposing visions of the state. On one side is the “China model” of development advocated by the Kargozaran in the republican right and spearheaded by Ayatollah Rafsanjani. This vision embraces a developmental model on the lines of the World Bank and the International Monetary Fund (IMF) that would construct a modern, privatized and liberal economy and would more fully integrate Iran into the larger global economy. On the other side is the “Islamic-Iranian model” of development promoted by the Supreme Leader, Ayatollah Khamenei. It represents an indigenous and culturally “authentic” model that stands in contradistinction to the China one—particularly when Khamenei considers the latter a political, economic, and ideological threat to
the nature of the regime, and in particular, to the survival of his very office. The story of privatization in Iran—and the ensuing political transformation it launches—thus revolves around a slowly unfolding battle between the republican right and theocratic left factions over this very vision—a battle that culminates in the 2009 elections. This story, even more interestingly, also hinges on the successful manner by which the institutional architecture of the regime reconciles and manages these seemingly irreconcilable forces.

Accordingly, this chapter focuses on the elite policymaking process of the regime over the privatization program, particularly the re-interpretation of Article 44. It thus begins with a discussion of the privatization policies enacted by the Khatami administration and examines the institutional conflict and stalemate that ensues as a result. The chapter then proceeds to examine the ideological reasons for theocratic opposition to extensive economic privatization and liberalization, revealing the tensions and challenges that will arise at both the policymaking and policy implementation stages of the program. Finally, it undertakes an in-depth analysis of the negotiations that take place over the revision of Article 44 and discusses the implications it holds not only for the country’s privatization drive but the regime mechanisms of institutional resiliency and transformation more broadly. As it will be demonstrated, the ideological veto playing context creates a broad and inclusive policymaking process. This mechanism inhibits and restrains abrupt and single-handed methods of rule but simultaneously produces a dissonant and discordant outcome that better satisfies the interests of a broad spectrum of the political elite.

Institutional Deadlock

While President Khatami successfully opened the doors to the establishment of private banks and insurance companies *alongside* their long-standing state-owned equivalents in 2001, his goal to actually privatize state-owned banks and insurance firms proved much more
controversial. Indeed, it would come to produce an acute institutional battle pinning the regime’s different centers of power against one another in 2004. At the beginning of his plans, however, particularly prior to the parliamentary turnover to the theocratic left, the privatization controversy did not spill into the regime’s highest institutional chambers as the Guardian Council and the Supreme Leader were largely silent on the issue. Opposition occurred indirectly through more discrete legal mechanisms as will be explained below.

In his bid to privatize most if not all state-owned banks, Khatami began with the Worker’s Welfare Bank (Bank-e Refah-e Kargaran), and it became the first state bank to be privatized by the regime with its ownership ceded to the Social Security Organization (Sazeman-e Ta’min-e Ejtema’i; SSO), a non-state public firm. While there was no serious policymaking dilemma between the different organs of the regime over this effort, the State Audit Organization (Sazeman-e Bazresi-e Keshvar), a body charged with the oversight and supervision of state activities, filed a complaint shortly thereafter. It claimed that the move on the part of the administration violated Article 44 of the Constitution, which had explicitly specified that “banking” and “insurance” were to be under state control. Of course, this position was contradictory as private banks were allowed to be independently established despite the same constitutional provision ruling otherwise. The administration pushed forward with its objectives nevertheless. When its plans for the privatization of Iran Export Bank (Bank-e Sadarat-e Iran), Iran Commerce Bank (Bank-e Tejarat-e Iran), and Iran Nation’s Bank (Bank-e Mellat-e Iran) were reported in 2003, however, a formal complaint was filed with the Administrative Justice Court (Dadgah-e ‘Edalat-e Edari) to determine the legal status of this action. The court ruled that the move was illegal by the end of the summer of 2003.150

150 Iran, April 14, 2004.
As a result of this legal impediment, the administration decided to revise and clarify the laws on privatization as part of both the Third Five Year Development Plan (2000-2005) as well as in its proposed Fourth Five Year Development Plan (2005-2010). Tahmasb Mazaheri, the Minister of Economy and Finance, presented the administration’s new plans to the Majles for approval later that year. After parliamentary debates, the plans were approved by the republican left parliament in February 2003 and were subsequently sent to the Guardian Council for final review. Quite unexpectedly, however, as the Guardian Council had previously ratified the overarching framework of the Third Five Year Plan which entailed privatization, the Guardian Council vetoed the privatization of state-owned banks and insurance companies based on constitutional grounds—effectively obstructing Khatami’s privatization scheme.

Since the republican left Majles did not have adequate time to revise the plans in accordance with the Guardian Council’s demands before its term expired and the theocratic left came to power, it just re-sent the plans unchanged to the Guardian Council, knowing full well that it would be immediately rejected again. The republican left’s aim was to have the plans directly referred to the Expediency Council per law due to its stalemate with the Guardian Council. The parliament expected that the Expediency Council would certainly approve the bill given that it was headed by Rafsanjani on the republican right who was one of the principal proponents of privatization. The Guardian Council did not make any subsequent moves, however, and wished to see the new theocratic left parliament propose a re-worked version of the plan. Nonetheless, Khatami refers the bill to the Expediency Council himself to bypass theocratic efforts to impede privatization. The factions were therefore now simply amassing support and preparing for a direct confrontation over the nature of economic change. The privatization policymaking process would inevitably lead to political deadlock, as the Majles and
Guardian Councils were controlled by the theocrats and the presidency and Expediency Council were controlled by the republicans.

The Guardian Council was infuriated by the fact it was sidelined from the decision-making process by the sixth Majles, the President and the Expediency Council. Ahmad Jannati, the head of the Guardian Council, consequently sent a letter to Rafsanjani, as head of the Expediency Council, objecting the move. Citing both relevant constitutional articles and parliamentary by-laws, the Guardian Council claimed that such an action not only violated the rights of the parliamentary representatives in the seventh Majles to participate in decision-making, but that the very decision of the parliament to send the bills in unrevised form to the Guardian Council countered the philosophical basis of the Guardian Council itself. In other words, any parliament could simply return an objected law to the Guardian Council without any formal discussion and revision stages in the hope of simply bypassing the body for the Expediency Council, thus violating the spirit of the Constitution.\textsuperscript{151} Jannati asks whether “it is really in the expediency of the system” for this to happen and expresses his “expectation that Your Excellency [Rafsanjani], to prevent these illegal and wrong practices, will emphasize the strict enforcement of the Constitution and defend the sacred religious laws.”

One week later in early June 2004, the Expediency Council approved of the revisions to the Third Five Year Plan made by the sixth parliament as expected, thus backing Khatami in the conflict at hand and ignoring the demands of the Guardian Council. More specifically, in veto player language, the Expediency Council vetoed the Guardian Council’s veto.\textsuperscript{152} Interestingly, on the very same day, the Guardian Council issues another letter to Rafsanjani explaining in greater detail the constitutional basis of its decision. The letter ends by stating that the

“Expediency Discernment Council of the System does not have the right to assess and discern the expediency” in such a case when the Guardian Council is being intentionally sidelined without parliamentary response to any of its questions and concerns.153

In the meantime, the new theocratic left parliament was busy revising and amending the Fourth Five-Year Development Plan despite its approval by the prior parliament and its referral to the Guardian Council. More importantly, it was blatantly ignoring the decisions being made by the Expediency Council in support of privatization. In fact, by mid-August, the theocratic left Majles declared the official one year suspension of the country’s privatization drive as outlined in the Fourth Five-Year Development Plan. It criticized the Khatami administration for failing to deliver a bill on its exact privatization plans to the parliament for review. Its veto effectively—although indirectly—enacted the Guardian Council’s earlier veto of the actual development framework. This decision also formally signaled the Majles’ support for the Guardian Council’s ruling and placed the two institutions at odds with the executive and the Expediency Council. Gholamreza Mesbahi-Moqaddam, a theocratic MP from Tehran, stated that the “Majles does not oppose privatization. However, it does oppose opposition to the constitution. The Majles is intent upon implementing Article 44 of the constitution. In this connection, it will amend what the sixth Majles approved in opposition to the aforementioned article.”154 As it was the final year of Khatami’s second four-year term, the Majles perhaps also wanted to wait for the results of the ninth presidential elections in 2005 to better assess the direction in which the economy should move. Waiting for elections to break political deadlock has been a common factional strategy in Iran.

By mid-September, the Majles moved to further undermine the economic liberalization and privatization plans. It voted on a double-urgency bill to amend Articles 124 and 130 of the Third Five-Year Economic Development Plan, which had been approved by the theocratic right parliament years earlier after Khatami first took office. In effect, the changes obliged the administration to obtain approval by the Majles for economic deals reached with foreign companies on an individual deal-by-deal basis. Haddad-Adel, theocratic left Speaker of Majles, defended the changes as constitutional, stating that the “approval of the double-urgency bill, which mandates government to obtain permission from the Majles for conclusion of contracts with foreign companies” is based on its “right to supervise all affairs, including conclusion of contracts with foreign companies, as per articles 71, 76, 78 and 84 of the Constitution.”155 The theocratic left was thus actively using its new found veto power to limit the scope of executive discretion and to stop the republican right’s economic plans.

A week later at the end of September, the Expediency Council upped the ante by directly entering the politically scene. It formally authorized Khatami to ignore parliament, continue with privatization, and to independently ink foreign economic deals without parliamentary review. The formal statement issued by the Expediency Council declared that on “economic issues and foreign trade, the cabinet has the authority to decide on exigency of the economic agreements with foreign partners, and the parliamentary commissions are also empowered to take decisions giving ground for privatization.”156 That Rafsanjani made such a move was quite unexpected. Legally, the initial vetting of policy ratified by parliament should go to the Guardian Council and then only in cases of conflict referred to the Expediency Council. Here, the Expediency Council took the initiative and broke custom in the formal Iranian decision-

making process. It even more importantly contravened the views of the Supreme Leader, as will be explained later in the chapter. The Expediency Council thus now formally opposed the Majles and, in effect, vetoed its policies indirectly by giving the green-light to the executive to ignore parliament.

Subsequently, on October 2, 2004, the Expediency Council moved forward with delineating and formalizing the reinterpretation of Article 44 of the Constitution. By highlighting Article 43.2 of the Constitution which stipulated that the state must not become a “major absolute employer,”\(^\text{157}\) the Expediency Council moved to limit state ownership within different economic sectors. It deemed that all major industries, service and manufacturing sectors must be ceded and privatized. The declaration stated that:

> In order to bring about economic development and prevent further losses to the national economy, the government is authorized to cede large industries and those mentioned in articles 43 and 44 of the Constitution to the cooperatives and private sectors except for downstream oil and gas industries.\(^\text{158}\)

With the exception mentioned above, banking, insurance, power generation, railway, airlines, shipping, telecom and postal service would be required to be withdrawn from state control.

Furthermore, in response the Majles’ suspension of the privatization policies envisaged in the Fourth Development Plan, the Expediency Council also urged parliament to desist from obstructing privatization and called upon Parliament Speaker Haddad-Adel to deliver the Fourth Five-Year Economic Development Plans to the administration for necessary planning and execution. At the same time, the Expediency Council also approved the Fourth Five Year Development Plan rejected by the Guardian Council previously and on which Jannati had written Rafsanjani the letters, stating that the Supreme Leader has given it the authority to resolve these

\(^{157}\) Constitution of the Islamic Republic of Iran.  
\(^{158}\) BBC Monitoring International Reports, citing text of report by IRNA, October 2, 2004.
conflicts. With these changes, the Expediency Council, in effect, eliminated the grounds on which the Guardian Council could veto its privatization policy as Constitutional stipulations requiring state ownership of major economic and industrial sectors was rescinded.

Yet, the matter was still not over. Seven days later, on October 9th, Ayatollah Khamenei directly intervened in the political dispute as one of the Supreme Leader’s roles is to mediate and resolve elite conflict. He held a session with the Majles Presiding Board and MP heads of the parliamentary commissions, and he extensively lauded and praised the activism of the seventh Majles and claimed that it was the “Majles of work”—demonstrating his support of the parliament when it was facing extensive criticism for blocking economic change. Moving to the privatization issue that had by now become a major national topic of discussion, Khamenei stressed the importance of cooperation between the different branches of government, particularly the legislature and executive. He then briefly presented his own position on the topic:

In regards to Article 44 pointed to, while any capitalistic economic approach towards privatization is not acceptable, the “state-ization” of all affairs is not correct either; and privatization must be performed under the supervision and sovereignty of the state and in line with Article 43 of the Constitution.

Article 43 refers to the economic principals expressed in the Constitution such as “the provision of basic necessities for all citizens.” Here, Khamenei is particularly stressing the subsection on the “prevention of foreign economic domination of the country’s economy” (43.8), which was the issue raised by parliament on reviewing foreign economic deals made by the executive.

As a result, while supporting the general process of privatization as the republican right wanted,

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161 Constitution of the Islamic Republic of Iran.
he specifically strengthened the position of the theocratic left parliament at this time—effectively halting privatization and blocking the Expediency Council.

It is also interesting to note the comment made by Haddad-Adel to Khamenei in the same session. When listing the activities of the Majles, he states that it has worked “to amend the criticisms of the Fourth Plan by the Guardian Councils and to forward the plan to the administration.” The views and economic positions of the Expediency Council and its recent declaration against this very effort were subtly excluded yet clearly ignored in his speech. It reflected the deep factional and institutional differences that had manifested themselves within the regime at during this process of strategic institutional change.

But how can economic privatization be undertaken without a “capitalist approach”? What does the Supreme Leader mean? For Khamenei, the answer lies in the Islamic-Iranian model of development—theoretically highlighting why the ideological and cultural position of the theocrats becomes important at this critical juncture of strategic institutional change. While all political factions now paid lip-service to the term “privatization” with the Leader’s cue, a common conceptual consensus of the term did not exist between them. To state that all factions now support privatization does not really mean that they all support the same project; they support different plans which are nevertheless referred to as “privatization.” This condition therefore opens the ideational space for discursive contestation. Within this context, Khamenei actively supports the development of an ideological basis to stem the economic and political agenda of the reformists who perceivably threatened the survival of the *velayat-e faqih.*
Ideological Struggle

In his analysis of Iran’s economic development plants, Jahangir Amuzegar briefly discusses the “ideological shackles” that impede the country’s successful development. These include the commonly examined factors of the regime’s hostility towards capitalism and its emphasis on Islamic social justice. What has been less stressed and analyzed, but is importantly mentioned by Amuzegar, is the theoretical clash between humanistic and theistic thought within the regime and the renewed attention given by theocratic factions to the development of an indigenous model of Islamic development as an alternative to capitalism and liberal democracy.

In other words, the intellectual discursive roots of Iranian political factions are rooted in more foundational philosophical struggles amongst the intellectual elite. Contrary to what one might expect in a revolutionary or ideological setting, there is no one elite discourse that has gained hegemony in the Islamic Republic of Iran. This condition is naturally reflected in the multi-factional nature of the regime as illustrated in the previous chapter. Multiple and plural ideological positions exist alongside one another, albeit in a tense and conflicting manner. Significantly, the discursive viewpoints and competition present in the Iranian intellectual scene, both lay and clerical, are even more pronounced and complex than the purely political one. The focus of this section is on this ideological competition, presenting the elite intellectual dynamics of the regime and analyzing how these ideological positions shape the economic privatization drive and impact the growing theocratic perception of political threats emanating from the republicans, particularly the republican right.

As discussed in Chapter 3, one of the ideological goals of the revolution was to create an alternative model to communism and capitalism that was captured by the slogan “neither East, #162 Amuzegar 2009.
nor West.” Despite the intellectual and discursive diversity found within the revolutionary ruling coalition on the left and the right as well on the republican and theocratic positions, there were nonetheless two key, elite intellectual circles that had taken shape prior to the revolution but became best representative of official regime discourse during the 1980s: the Sadrai circle in the Islamic seminary and the Heideggarian circle in the university. The Hedeggerian circle was pioneered by Ahmad Fardid (1912 – 1994), professor of philosophy at the University of Tehran and a specialist of Heideggerian thought. Like Martin Heidegger, Fardid was critical of modernity, subjectivity, and nihilistic individualism and called for a turn towards the Orient and Islam as the solution. This line of thought would heavily influence later Iranian intellectuals such as Jalal Al-e Ahmad and Ali Shariati, and would be best embodied by the post-revolutionary thinker Reza Davari Ardakani, professor of philosophy at the University of Tehran and head of Iran’s Academy of Sciences (Farhangestan-e Ulum).

Sadrais, in contrast, are primarily based in the Islamic seminaries, or hawza, and follow the philosophical tradition established by Mulla Sadra, perhaps the most influential Iranian philosopher who lived in the 16th century AD during the Safavid dynasty. Mulla Sadra’s transcendent theosophy (hekmat-e muta’liye) is interpreted as an important philosophical justification for the guardian role of clerics, who are responsible for guiding people to the light of Truth after they have reached it themselves. While the majority of the clerics, particularly the theocratic right, are Sadrais, the most important and influential figure of Sadrai thought within the framework of the regime is Ayatollah Abdollah Javadi Amoli, director of the Isra Research Institute in Qum. In addition, Mohammad Khamenei, brother of the current Supreme Leader, is the president of the Sadra Islamic Philosophy Research Institute in Tehran, the largest research institute on Sadrai thought.

163 See Mirsepassi (2006) for a more thorough discussion of his intellectual proposal.
With the end of the Cold War and the dissolution of the Soviet Union representative of one ideological pole of the bi-polar world order, however, a quandary developed for the paradigm of “neither East, nor West.” Western liberalism had emerged as the global victor while Islamist thinkers had still not been able to formulate a theoretically sophisticated and appropriate Islamic model of governance and development as they had claimed they would. Reformist thought, particularly driven by Abdolkarim Soroush of the Popperian circle, flowered at this time, and the ascendance of technocrats near Ayatollah Rafsanjani greatly shaped the dominant ideas of the state. Accordingly, in the 1990s, the intellectual discourse of the state shifts away from “neither East, nor West” to rather a domestic struggle within the Islamic regime between the forces of “modernity and tradition.”

The discourse of modernity versus tradition can find its roots in the Ministry of Islamic Guidance under then Minister Mohammad Khatami within the Rafsanjani administration. It set the stage for the main rivalry and outright conflict between the Heideggerians and the Popperians. In contrast to the Hedeiggerian circle that is primarily based on continental philosophy, particularly its German variant, the Popperian circle derives its thought from British analytic philosophy and specifically, as the name indicates, Karl Popper. Writing initially against Marxism, Soroush advocated the use of Popper’s “falsifiability” method as a way of opposing Hegel’s “dialectical method” grounded in metaphysics, but the strategy also became an effect way to undermine the anti-modern discourse of Heideggerians as well. Working to weaken the philosophical justification of guardians, Soroush argued that religious truth, rather than being an essence, was only an interpretation, and that no single group, such as the clergy, could therefore claim monopoly over such interpretation. As will be discussed later below, he also separated science from personal religious experience and faith. Soroush consequently

164 See Ali Paya (2003) for a thorough discussion of the Popperian circle in Iran.
developed and advocated the concepts of religious pluralism and civil society as well as religious democracy in Iran. The Popperian ideal for an “open society” also had economic implications, emphasizing the importance of a liberal capitalist economy and stressing the dangers of “closed” state-centric socialist, and particularly communist, economic models.

The theocrats, including the Supreme Leader, would therefore not only view the rise of the reformists as political threatening with their goal to expand political democracy but, just as importantly, the new liberal economic order that they were supposedly pushing to create, including privatization, was also viewed within the same political light. In other words, the political, economic, and cultural liberalization plans advocated by the republicans was considered to be aimed at undermining the core values of the Islamic regime. Of course, it is true that this did represent a factional struggle over sustaining and (re-)defining the ideological veto institutions of the state. Theocrats believed that liberalization and Westernization of culture as well as the emphasis of technocrats and experts undermined the role of the clergy. The end result of such developments, in other words, would perhaps be the weakening of not only the ideological legitimacy of the Supreme Leader and other clerical veto players of the regime but eventually the elimination of the very institutions themselves—leading to institutional drift as many monarchical veto players faced in the Western world. This phenomenon clearly indicates the importance of discursive competition and discursive change in the processes of institutional change. It also explains the prominence of the cultural and ideational front in the confrontation between various regime factions, a dimension that cannot be fully explained and operationalized solely through historical or rational institutionalism.

Faced with this perceivably serious threat, the Heideggerian circle did not prove to be effective in stemming the tide of reformist and Popperian discourse within the university. It
largely lost much of the allure and persuasiveness it had prior to the revolution and during the first decade of Islamic rule. Popperian and reformist discourse became much more dominant. With the increasing popularity of the reformists and the resounding electoral victory of Mohammad Khatami to the presidency in 1997, resistance to the ideas of religious democracy and political reform seemed like an up-hill battle.

Yet surprisingly, with the support of Ayatollah Khamenei, a strong theocratic “intellectual” backlash would take shape along with the development and rise of the theocratic left faction. And even more interestingly, this ideological campaign would not be generated in the university—one of the primary institutional settings for ideological and discursive contestation in the country. The religious seminary and the Basij paramilitary forces would now jointly resist the reformist discourse of the university. With their ascent to power in 2004 and the end of the republican alliance, the theocratic alliance signaled another change of regime discourse—this time shifting from “modernity and tradition” to “theoism and humanism.”

Theoistic thought that starkly opposed the ideas of economic and political liberalism, civil society, and human rights thus came to the fore.

**The Islamic-Iranian Model of Development**

Hearkening back to the goal of establishing an alternative political and economic system based on Islam, Khamenei comes to advance a discourse on the Islamic-Iranian model of development to oppose economic liberalization and to limit the advancement of capitalism through extensive “liberal” privatization. The roots of Khamenei’s plan can be traced to two distinct yet related phases in this ideological resistance campaign: the combat against “cultural invasion” that began in 1992 and the “software movement” in 2001. “Cultural invasion” (*tahajom-e farhangi*) refers to the direct and planned encroachment of Western and secular
liberal values in society aimed at undermining Iranian religious, national and revolutionary values—a conspiracy linked to reformist goals. According to the Supreme Leader:

Cultural invasion happens when a particular group—political or economic—attacks a nation's cultural institutions for the sake of its political purposes. They do so in order to rule over that nation. Such groups would also bring with them new concepts into that country and nation. They do so forcefully and try to replace the culture and national beliefs of the nation with new concepts. This is what cultural invasion is all about. In cultural interchange, the aim is to enrich and develop the national culture of a country. However, in cultural invasion, the ultimate goal is to uproot and eradicate the national culture of a country.\(^{165}\)

The theocrats aim to counteract this phenomenon by safeguarding cultural and religious “authenticity” and advancing Islamic-Iranian identity.

While the theocratic factions may have been able to slow down and relatively limit the expansion of the discourse of the reformist factions and liberal variants of Islamic interpretations, the general plan was not successful as a whole. This is because while it is true that the theocrats had the coercive and institutional upper-hand in the factional competition, they were unable to compete intellectually with the theoretical proposals made by the main thinkers of the reformists or fully answer the questions and doubts raised by them. In other words, mostly coercive rather than persuasive methods were used in society.

The main discourse of modernity versus tradition on one hand and the visions of religious civil society, religious pluralism, and religious democracy on the other, put the theocrats in an awkward position. While the republican intellectuals had been able to innovate and present newer ideas, the theocrats merely repeated the thoughts of Ayatollah Khomeini and others such as his student Morteza Motaharri or simply restated the traditional principles of Islam without providing new and more convincing justifications. When the reformists spoke of democracy,

civil society, and human rights, the only resistance that the hardliners could show was to co-opt the terms. Many theocrats began using the term religious democracy, or would respond to criticisms by saying that Islam also has civil society or Islam also has human rights—Islamic human rights.

Over time, the development of theocratic thought on how to resist cultural encroachments leads to a call by the Supreme Leader for a “software movement” (jonbesh-e narmafzari) in 2001. In an address to the students and professors of Amir Kabir University of Technology in Tehran, he explains this new endeavor:

A university must be able to bestow a deep and fully comprehensive software movement to the country and this nation so that individuals who are of work and effort can—with these indigenous suggestions and frameworks and scientific innovations—construct the true structure of a developed and just society based on Islamic thoughts and values.\(^{166}\)

In this instance, the term “software” does not refer to issues of information technology and computer systems. It rather means the theoretical ideas, or the social sciences and philosophical postulations, necessary to create the foundations for an Islamic polity. Learning from the policy weaknesses of the program to resist the cultural invasion, Khamenei shifts the emphasis from coercive methods to persuasive, intellectual, and “scientific” methods instead. Rather than to increase moral supervision and discipline in society, through the moral police for example, greater attention has been placed on the development of Islamic social sciences, theories and policy paradigms for the establishment of a true Islamic polity that has yet to be built but that is a goal of the revolution.

The two main intellectual currents which work to advance the software movement are the neo-Sadrai circle and the “Basiji thought” (tafakor-e Basiji) circle. Ayatollah Mesbah Yazdi, who is head of the Imam Khomeini Educational and Research Institute in Qum, and Hassan

Rahimpour Azghodi represent two of the most influential neo-Sadrai thinkers. Primarily working within the clerical seminaries, they follow the Islamic philosophy of Mulla Sadra. Unlike many traditional Sadrai thinkers in the regime within the Sadrai circle as explained earlier, such as Ayatollah Javadi Amoli, neo-Sadrais aim to develop and extend Sadrai philosophy and thought in a diversity of fields, including government, economics, law, and even art. And politically, the neo-Sadrai circle provided significant support to Ahmadinejad in his rise to power and, recently, the group promoted the newly formed Islamic Steadfastness Front (Jebhe-ye Payedari-e Eslami) of the theocratic left in the parliamentary elections in 2012.

One of the main thinkers of the software movement—and later the “soft war” campaign in 2009—is Hassan Abbasi, belonging to the Basiji circle. Disseminating his theories across the expansive social institution of the Basij paramilitary, Abbasi is in charge of the Center for Doctrinal Analysis, also known as the Think Tank of Conviction (Andishkadeh-ye Yaghin), which is involved in the indigenization of “doctrinology studies” in the area of government and politics. The center considers itself the Iranian counterpart to TRADOC, the U.S. Army Training and Doctrine Command, except that it is more expansive as it develops the regulations and methodology for civilizational strategic planning based on Islamic doctrines and principles. Unlike the neo-Sadrais, however, Abbasi does not base his work on the philosophy of Mulla Sadra but rather on the philosophy of presence (falsafe-ye huzoor), which he claims is rooted in Khomeini’s book Asrar va Salat, “The Secret of Prayer.”

The software movement thus creates a direct conflict with the Popperian circle and completely ignores the Heideggerians in the battle over Islamic governance. The main way that Soroush argues for the separation of religion and state is through an analysis of the ontology of

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168 Moreover, Abbasi does not consider Khomeini to be a Sadrai as most Sadrais claim him to be.
knowledge. He does so by grounding his work in the Aristotelian differentiation between “essence” and nature on one hand and God-given truths on the other. In other words, nature and God are seen as having two different domains of knowledge. Empirical and positivist science, that has been enabled and given the potential to flourish as a result of Western secularism, is different than the divine sciences of the search and study of truth and God. Objects of humanly study as a result cannot be sacred. As he states, there is no such thing as religious or non-religious water, or religious or non-religious wine. This logic is then applied to government: there cannot be religious or non-religious government as policies of statecraft cannot be religious or non-religious. Science is the tool that can be used to assess, supervise and implement policy.

This theoretical position both implies that a religious figure, such as the Supreme Leader, is not necessary as a guardian as science acts as both the guardian and producer of such knowledge. It also implies that all individuals can come under the rigorous scrutiny of science. Religious science he contends still matters but it is about the individual experience and search for truth. In other words, religion is mostly relegated to the private realm. Religion can enter government only as a result of the religious preferences of voters expressing their wishes in the electoral arena. Iran will become a religious rather than secular democracy because of the inherently religious nature of the electorate.

Similarly, the target of the theocrat’s software movement is precisely the same ontology of knowledge. Instead, however, it aims to counteract the position espoused by Soroush. The dichotomous view of sacred and non-sacred knowledge in terms of actual essences as espoused by Soroush is rejected. Religion should be the primary building block of the sciences rather than an alternative value-system. According to Abbasi, the sciences, particularly the social sciences such as economics and political science, are innately value-laden projects, whether Islamic or

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169 See Brumberg (2001: 208) for a discussion of this topic.
The principle dilemma and challenge facing Iran rests on the domination of the materialistic, empirical and positivistic sciences on the university system’s production of knowledge. It is not “science” per se that is taught and advanced in the universities but “liberalism” itself. And such liberalism—including its political, economic, and cultural variants—is accordingly considered a significant threat to the theocratic nature of the regime.

From this point of view, the Qur’an is not simply a personal moral guidebook informing the individual the moral laws of do’s and don’ts. It is rather the source of knowledge and conceptual lexicon that can enable the development of theories of the state and economy that can establish a just order. Consequently, Abbasi moves to theorize and differentiate between the two “super paradigms” (abar paradigm) of humanism and theoism. While the latter is based on God and the laws and criteria set by God, the former is centered on the individual human being and defines everything—or the political, economic, and social order—around mankind. Each super paradigm then has its own type of government, society—civil society for the former and hijri or Mahdavi society for the latter—and lifestyle. (See Appendix B for illustrative examples of these different models.) He therefore criticizes reformists—or the republican factions—for working within the humanist paradigm, despite their use of religious language, in order to advance humanist concepts of democracy, capitalism, and civil society.

Similarly, Rahimpour also alleges that the religious discourse created by republican intellectuals, such as that of Soroush, is truly non-religious thought bound in “religious wrapping.” As a result, such thinkers attempt to undermine Islam itself with “the transfer of secular concepts to the religious world by modernizing tradition in the name of religion, imposing Western responses upon religious thought, and reconstructing non-religious responses

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with religious language.” Moreover, for Rahimpour, modernity is a threat to religion because in humanist thought, “religion is respected only when it is pushed to the periphery.” Either religion is non-thinking (*din-e na-andishidani*), meaning that it cannot be used to produce thoughts and postulations on issues of governance, economics and society and is simply segregated to the personal realm of experience, or thinking is non-religious (*andisheh-ye gheir-e dini*), meaning that only “secular scientific” concepts and methods, rather than religious ones, can be used to search for answers to important political, economic and social questions. He argues that this condition is a product of the “sacred red lines” that the West has drawn around its own ideological interpretation of the social sciences and that it has imposed upon the Islamic world, in the guise of science, as the hegemonic discourse. The duty of Muslim intellectuals, consequently, is to break down these red lines and advance a different form of science.

Of course, these ideas are not just limited to these elite “scholarly” circles. The theocratic factions, including its main political speakers, have adhered to the Supreme Leader’s call for the software revolution. For example, speaking at the Quran Recitation Contest of the Army in 2009, Ali Larijani, the theocratic right head of the Majles, states that “if we are looking for political, cultural, social and economic independence, we need to rely on the Quran. We need to construct a utopia with detailed systems and structures from the concepts and thoughts of the Quran.” This way of thought, more interestingly, would directly enter the policymaking and policy implementation scene in regards to privatization and economic restructuring more broadly.

In the summer of 2004, at the height of institutional stalemate over privatization within the regime as discussed at length above, Khamenei holds his first meeting with the newly elected

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172 Ibid.
173 *IRIB Quran channel*, Saturday May 23, 2009 2:30PM.
theocratic left parliament. There he explains his disdain for the republican right’s China model of development and emphasizes the need to develop alternative Islamic models of development. He asks the newly elected theocratic left parliament:

What type of development are we after? This is a critical point in the current economic and non-economic discussions underway. Some are after throwing out words and detracting the minds of people from critical issues: the China model, the Japanese model, the whatever model. The model of development in the Islamic Republic accords with the culture, history, heritage and beliefs and faith of this people; a completely indigenous model derived from the Iranian nation itself. One must not copy anywhere; not from the World Bank; not from the International Monetary Fund; not from this country on the left, not from that country on the right; each place has its own needs. There is a difference between using others’ experiences and following imposed, dictated and mostly outdated models….One must use from the experiences and knowledge of others, but the method and model chosen must be completely local.\(^{174}\)

Khamenei’s statements illustrate both his disdain of “foreign” economic development plans proposed for the country and his call for an indigenous alternative. What this local plan will look like and how it will be produced are left unmentioned but will be a reoccurring theme in Khamenei’s speeches to this very day.\(^{175}\)

Later in October and November, in the midst of intensive economic decision-making within the ruling elite, Ayatollah Khamenei gives several speeches that present his economic outlook and directly bear upon the policymaking process of privatization. On October 28, 2004, Khamenei holds a meeting with all heads of the regime and the three branches, including Rafsanjani, Khatami, Haddad-Adel, and Ayatollah Shahroudi (head of the Judiciary Branch), as well as other major state officials. Here he describes his vision to the elite:


\(^{175}\) For example, more than a year after the ninth presidential elections, in December 2010, Khamenei launches the “Strategic Ideas” (andisheha-ye rahbordi) seminars of the Islamic Republic, a series of workshops comprising leading political and intellectual elites of the regime on issues deemed of utmost importance by the Leader. Revealingly, the very first seminar beginning this initiative is titled “The Islamic-Iranian Model of Progress” (ulgoo-ye eslami-irani-ye pishraft).
Social justice must be realized; religious values must be instituted in society. Society must be made into a religious and Islamic society. Two years ago I stated in one of these sessions that we had an Islamic revolution; next we formed an Islamic system. The next stage is to form an Islamic state; the next stage is to form an Islamic country; the next stage is to form an international Islamic civilization. Today we are situated in the Islamic state and Islamic country stage; we must produce an Islamic state….We must go more towards Islamization, Muslim-ization and living more piously and more Muslim-like. We must move towards an Alavi [Imam Ali] lifestyle….Our cultural, economic, political, and security divisions are responsible; everyone is responsible.\textsuperscript{176}

Again, Khamenei stresses two important themes. The first is social justice, which has become one of the major slogans of the theocratic left. The second theme is that of comprehensive Islamization of the polity in all its dimensions, as related to the software movement. With the stages he presents, Iran has just passed the initial stage of establishing an Islamic system. In other words, so far only the Islamic system, centered upon the conception and actualization of the \textit{velayat-e faqih}, or the Supreme Leader, has been achieved. But the actual state and society—including its political, social and economic spheres—still need to be Islamized as they are based on modern foundations and institutions remaining as important vestiges from the past. Economic liberalization and privatization are looked upon disdainfully, from this point of view, because they are seen as liberalizing rather than Islamicizing factors—a point he will address later as well.

On November 11\textsuperscript{th}, Khamenei holds a session with President Khatami and the members of his cabinet discussing the sayings and letters of Imam Ali, considered the direct successor to the Prophet by the Shi’a. His speech is one of the few speeches in which he presents his broad economic outlooks and positions. It also contains an important yet indirect reference to the decisions being made over the Iranian economy by the Khatami administration and the republican right faction more specifically:

[Imam Ali] states that [religious] faith is a way whose path is completely clear. Faith is the most illuminating light….because faith is the base of human action and movement….Whatever you think to be the truth, if you bring faith in it, it becomes the base of your action. Today you see some people defend a certain economic or social position [i.e. liberalism] with complete passion and invest upon it. A clearer example: the existence of Marxist currents during our youth whose period some of you have also experienced. Some people were really willing to give up their lives for Marxist concepts. They had given heart and brought faith. This faith becomes the source of action, and that of such a difficult action: fighting and being in the scene and killing and being killed. If faith in a principle exists, that human becomes automated to move in the direction of that faith.177

While very subtle, the quote above refers to the country’s economic restructuring plans and illustrates Khamenei’s criticisms of those advocating liberal economics. Khamenei is saying that it is important to implement Islamic policies—rather than liberal ones—if one has faith in Islam. For example, those who have faith in Marxism attempt to implement programs in line with Marxism. Khamenei chooses to give the example of Marxism as an indirect analogy to liberalism. The example of Marxism is not only less politically sensitive but the issue he is highlighting becomes more visible with this tactic rather than if he had spoken directly of liberalism. Still, Khamenei’s main point is to question those officials in the Khatami administration who want to implement liberal economic policies. His statement insinuates that those who have “complete passion” for these policies must also have faith in its basis: liberalism. This is considered to be in contradiction to the objectives of a theocracy, whose officials should have faith in religion, here Islam, and to base economic policy on the ideals of that religion rather than on the ideals of a different philosophical tradition. Khamenei implies here that to truly have faith in Islam means to deny faith in liberalism and consequently to oppose liberal economic policies.

Revising Article 44

As my discussion of the Constitutional revision process over economic privatization will shortly reveal, that there is, in reality, no theoretically expounded Islamic-Iranian model of development per se, however, means that privatization moves forward in an *ad hoc* fashion due to the intersecting features of the Iranian political landscape. In other words, the Islamic-Iranian model in its current application is really the China model but only disfigured and revised as it passes through the regime’s unique institutional and ideological veto machine. Numerous Iranian veto players create a strong impediment to abrupt, drastic and unilateral forms of institutional change by incorporating multiple power-wielding partners representative of eclectic viewpoints in the decision-making process of the state. Competitive consensus-building—rather than single-handed rule—therefore characterizes the Iranian regime’s *modus operandi*.

With the republican right Expediency Council and the theocratic left parliament at odds over the path of privatization in 2004, only an authoritative revision of Article 44 could open the door to more serious privatization schemes. Such alteration, however, did not begin at the time of the Expediency Council’s declaratory statements in support of Khatami’s economic policy to privatize state banks and insurance companies. Rather, the revision process of Article 44 had begun much earlier in 1998 with the express consent of Ayatollah Khamenei. Rafsanjani’s direct public support for the privatization process in 2004, however, was unprecedented and contentious not only because there had been no disagreements between the Majles and the Guardian Council to precipitate the Expediency Council’s intervention, but, even more importantly, the announcement of the definitive results of the Constitutional revision process was

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strikingly premature as it had not yet received Khamenei’s formal consent within the policymaking framework established between the two bodies. In fact, its proposal had even been explicitly denied approval by the Leader earlier on.

The revision process of Article 44 comprised three re-iterative rounds of policy drafting between the Supreme Leader and the Expediency Council. More precisely, elite discussions and negotiations took place within the Macro-Economic Commission (Commission-e Eghtesad-e Kalan) of the Expediency Council. The Commission comprised six individuals in the first round, with four on the republican right (Mohammad Hashemi Rafsanjani [Ayatollah Rafsanjani’s brother], Mohsen Rezai, Bijan Namdar Zanganeh, and Mohsen Nourbakhsh) and two on the theocratic right (Morteza Nabavi and Habibollah Asghar-Owladi). After 2003 in the second and third rounds, the Commission was composed of seven individuals: three on the republican right (Mohammad Hashemi Rafsanjani, Mohsen Rezai, Bijan Namdar Zanganeh), three on the theocratic right (Morteza Nabavi, Habibollah Asghar-Owladi, and Mohammad Javad Iravani), and one on the republican left (Majid Ansari).

Demonstrative of the overall style of elite bargaining and pact-making within the regime, a single-faction never monopolizes the decision-making process—a conditioned ensured by the Supreme Leader who appoints members rather inclusively, bringing a wide variety of elites into the highest organs of the state. The revision of Article 44, as a result, takes place predominantly between the republican right and theocratic right factions on one hand, and between the right factions (the Macro-Economic Commission) and the theocratic left (the Supreme Leader) on the other. As a result, while the plurality and flexibility of elite coalitions create a strong social base of support for the regime, it also generates difficulties in streamlined decision-making and efficient management. Reflecting this condition, the entire process of altering Article 44 of the
Constitution took the Expediency Council 9 years (1998-2006) and a total of 65 sessions to complete.179

**Round One**

The Commission’s first policy report was approved by the 256th general session of the Expediency Council in early 2002. The report, entitled “The Participation of the Private and Cooperative Sectors in the Economy and the Boundaries of the State Sector,” was comprised of three clauses and, after approval, was forwarded to Khamenei for his review. The Supreme Leader’s response was delivered a year later in early 2003—denying formal approval and requesting the Council to rework the plan. For the sake of clarity, it was at this stage of elite negotiations that Rafsanjani issued its ruling over privatization in 2004 even though the proposal had not been accepted by the Supreme Leader.

Khamenei’s main demands consisted of incorporating greater provisions to ensure the sovereignty of the state and emphasizing and augmenting the role of the cooperative sector. The former concerns the protection of “sensitive” industries and entities from foreign economic control resulting from “unregulated” foreign direct investment—precisely the issue raised by the theocratic left parliament in 2004 and subsequently opposed by the Expediency Council. The latter point on cooperatives, however, deals with the economic sectors and would become a major point of difference more generally between the theocratic left and the republican right. While the right predominantly supported the growth and prosperity of private enterprise within the private sector, the theocratic left advocated co-ops and the cooperative sector, presumably viewed as a more equitable method of economics. Cooperatives are technically private enterprises as well, but, in contrast to private firms, they are composed of many more partners

179 Ibid.
and are financially heavily dependent on state financial support rather than private capital. Consequently, while the state would be obliged to cede its economic companies and financial enterprises as part of the program, the question would devolve to—not whether the state should privatize or not—but which non-state sector should be prioritized in the privatization scheme.

**Round Two**

After more than a year of studying and reworking the plan in the second round of policymaking, the Macro-Economic Commission presents its final recommendations to the Expediency Council at its 328th Session in early August 2004, exactly in the middle of all the political discussions occurring between the different regime institutions over privatization as described at the beginning of this chapter. It is in September that the Expediency Council publicly declares its decision to relax the interpretation of Article 44 and formally announces that it was possible for the Khatami administration to carry on with the privatization of banks and insurance companies and ignore parliament. In reaction to the stringent criticisms leveled at its decision by the theocratic left and even the Supreme Leader, however, the council attempted to moderate its positions. For example, as a sign of compromise, it was agreed that the state would retain a critical stake in state banks despite the ceding of their shares to the public. Morteza Nabavi, a theocratic right member of the Expediency Council, explained that “we want to keep at least 35 percent of the shares of banks which are to be privatized, so that the state can apply its control in the sector.”\(^{180}\) Later, however, as will be discussed below, more state banks are removed from privatization rather than having the state hold a 35 percent share of each bank.

Furthermore, in response to Ayatollah Khamenei’s guidance that privatization should not contradict Article 43 of the Constitution, the Expediency Council passed two general notes to its

\(^{180}\) *AFP* news, October 20, 2004.
continued revisions of Article 44.\textsuperscript{181} The first note stipulated that privatization should not pose problems for the sovereignty of the state. The second note mandated that the implementation of the privatization drive should be administered in a balanced fashion with the utmost care to prevent the formation of another monopoly by the private sector. In other words, the three different entities (state, cooperative and private sectors) should be balanced rather than “monopolization” moving from the state to the private sector. This move in itself is indicative of the concerns that theocratic factions, particularly the theocratic left, had of the strengthened power of the private sector and the negative implications it may hold for the regime.

In December 2004, the Expediency Council finally completes its second round of policy-making in regards to Article 44 and approves the policies put forward in the 341\textsuperscript{st} Session of the council.\textsuperscript{182} It had taken the Council a total of 14 sessions and more than four months from the time it had received the policies approved by the council’s Macro-Economic Commission in August. Overall, the second round itself had taken more than two years of time, and the Macro-Economic Commission had convened for 26 sessions on the issue of Article 44 independently of the general sessions held by the Expediency Council.

The final written proposal was presented in the format of five general clauses. The titles of the clauses, with each representing a specific major topic of focus, are as follows: Clause A (\textit{Band-e Alef}) – “General policies concerning the development of the non-state sector and the prevention of the growth of the state sector;” Clause B (\textit{Band-e Be}) – “General policies of the cooperative sector;” Clause C (\textit{Band-e Jim}) – “General policies on the development of non-state sectors via the privatization of state activities and enterprises;” Clause D (\textit{Band-e Dal}) – “General policies for ceding the state sector to the private sector;” and Clause E (\textit{Band-e Ha}) –

\textsuperscript{181} IRNA, November 6, 2004.
\textsuperscript{182} Report of the Expediency Discernment Council of the System’s Macro-Economic Commission.
“General policies for the application of state sovereignty and the averting of monopolization.”

Rather than to analyze these policies at this point in the process tracing, a more-thorough analysis will be undertaken when the final revisions and additions made to these plans by Ayatollah Khamenei are discussed further below. The purpose is to accomplish a more comparative and comprehensive analysis of the two recommendation—that of the Leader supportive of the theocratic left and that of the Expediency Council on the republican right.

In May 22, 2005, shortly before the presidential elections, Khamenei responded to the re-worked framework proposed by the Expediency Council in regards to Article 44. He had only approved four of the five clauses, and those that he approved had been modified and revised with his own suggestions. Clause C (Band-e Jim), dealing with the policies that would determine how exactly shares would be ceded or the privatization process carried out, had not been approved. Khamenei would keep Clause C in order to allow for more time on additional reviews and examinations. However, he asked the Expediency Council to analyze and prepare reports in response to four questions and concerns that he posed about the respective clause. These included the relation of privatization to the each of the subsections of Article 44, an analysis of the factors that cause and produce the inefficiencies of state-owned enterprises, the general effects that privatization will create as state companies are ceded to the non-state sector, and the degree to which the non-state sectors are prepared to handle privatization and the means that exist for guaranteeing state sovereignty.

An analysis of the approvals, additions and editing that Khamenei undertakes on the general policies of Article 44 reveals that he had in fact agreed upon the overall privatization policies and framework of the plan. Khamenei clearly showed that he did not want the state to

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183 Ibid.
have a monopoly over the ownership of economic enterprises and was serious about the ceding of the shares of state-owned economic enterprises. Many of the revisions he makes were simply about the wording of certain policies or minor changes. Indeed, Khamenei agreed with the Expediency Council’s recommendation that the executive should cede at least 20 percent of state shares of economic enterprises each year, with the completion of the privatization drive planned for no later than the end of the Fourth Five-Year Development Plan (2005–2010).

Yet, some of the revisions Khamenei made, albeit within the general framework of the privatizations plan, were indeed significant and were representative of the Leader’s stated intent on expanding “social justice” and constructing alternative developmental paths. He had specifically lent direct institutional support to the strengthening and expansion of the cooperative sector, along with the private sector, in the direction of the new national economy. In fact, certainly more than a half of the revisions and alterations he made dealt with the subject of cooperatives, which was addressed in significant detail as well. It is true that these changes did not necessarily mean an absence of support for the private sector, as the general plans produced by the Expediency Council were primarily focused upon the latter group. However, the alterations he made at the very least ensured the growth and strength of the cooperative sector as a counterweight to the private one. While the initial proposal by the Expediency Council had stated that the share of the cooperative sector in the national economy should be increased, Khamenei stipulated that the cooperative sector had to gain at least a 25 percent share of the entire national economy by the end of the Fifth Five-Year Development Plan in 2015 from its current 5 percent share. He also added that “the state must act to establish cooperatives for the unemployed in order to create active employment” (Clause B – 2).185

In order to provide state support for the development and expansion of the cooperative sector, Khamenei added several more important stipulations to the general policies of Article 44—thus also paving the way for Ahmadinejad’s “justice shares” program. Clause B-11 called for “the establishment of all-encompassing national cooperatives for covering the first three deciles of society in order to eliminate poverty” (B – 11). The strengthening of the social security system (D – 2-1) is stressed and, even more significantly, he stipulates that “30 percent of the revenues gathered through the sales of state shares should be allotted to the all-encompassing national cooperatives in order to eliminate poverty” (D – 2-2). In addition, while the proposal had stated that the cooperative sector should be supported, Khamenei specifically added that it is “the state” that should support it and wrote that the methods of support are comprised of “tax discounts [as well as] the provision of lines of credit made available through all of the country’s financial institutions” (B – 3). Furthermore, the new guidelines introduced by the leader call for the removal of limitations placed on the cooperative sector from investing in the “banking and insurance sectors” (B – 4); “the establishment of a cooperative development bank with the capital provided by the state with the purpose of raising the cooperative sector’s share in the national economy” (B – 5); “state support of the cooperatives to gain access to the final market and the comprehensive and just dissemination of information to this sector” (B – 6); the provision of “professional and technical training” to the cooperatives to raise efficiency and production (B – 8).

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186 Ibid.  
187 Ibid.  
188 Ibid.
**Round Three**

The third and final round of decision-making surrounding Article 44 of the Constitution began after the Khamenei’s second letter on the specifics of Clause C (Band-e Jim) on the process for ceding state shares. The Macro-Economic Commission, along with Rafsanjani as well as the Minister of Economy and Finance, began holding specialized sessions with economic experts, heads of state banks, as well as important state officials, such as the head and presiding board of the Central Bank of the Islamic Republic of Iran, to receive recommendations and develop adequate responses to the leader’s requests. In addition, the Macro-Economic Commission began developing assessment criteria for the condition of economic enterprises before and after sales as well as the efficiency of such firms, and a comparison of the performance of state and private banks.\(^\text{189}\) These sessions took a total of ten months to complete, after which the approved report was forwarded to the main body of the Expediency Council.

After three general sessions of the Council and the presentation of the final document to Ayatollah Khamenei, Clause C was approved and publicly declared on July 2, 2006.

Khamenei made several changes to Clause C as well. This included another list of privatization objectives that had not previously been mentioned:

Change in the role of government from direct ownership and management of enterprises to policy-making, guidance and overseeing; economic empowerment of the private and cooperative sectors, and enabling them to enhance competitiveness of their products in international markets; preparing Iranian enterprises to apply global trading rules intelligently and in a gradual and target-oriented manner; development of knowledge-based human capital; development and enhancement of national standards and endeavoring to conform our quality assurance systems to the international standards.\(^\text{190}\)

He also added Iran Insurance to the Central Insurance as insurance companies that cannot be privatized (C – 3). Interestingly, while the Expediency Council had previously given the green

\(^{189}\) Ibid.

\(^{190}\) The General Policies of Article 44 of the Constitution of the Islamic Republic of Iran.
light to Khatami to privatize state banks, the terms of its own proposals had obviously been changed after opposition. The following seven banks have been officially excluded from the privatization process in Clause C – 2: the Central Bank of Iran, Bank Sepah, Iran National Bank (Bank-e Melli-e Iran), Bank of Industry and Mines (Bank-e Sa’nat va Ma’aden), Housing Bank (Bank-e Makan), Bank of Agriculture (Bank-e Keshavarzi), and the Export Development Bank (Bank-e Towse’eh-ye Sadarat-e Iran). Finally, and surprisingly, Khamenei called on the state to cede 80 percent of its shares in all economic enterprises covered under Article 44 to the non-state sectors, when the Expediency Council had only proposed selling 65 percent of the shares as part of its compromise. The full text of the General Policies of Article 44 of the Constitution of the Islamic Republic of Iran can be found in Appendix C. I have made the text of the major revisions and additions made by the Supreme Leader in bold print.

Significance

The approval of the general policies of Article 44 that pave the way for privatization marks a major shift in the institutional and ideological path dependency of the state economy. Article 44 was basically the pivotal element sustaining the institutional duration of the regime’s particular form of state–economy relations. Any faction wanting to obstruct economic liberalization and privatization could simply turn to the Constitution and the judiciary for the legal and legitimate means of obstructing change. Such an act was also legitimate not only due to its legality per se but the discursive and ideational legacies of the Islamic Revolution that looked upon capitalism, the private sector and foreign investment with both disdain and suspicion.

In the context of institutional deadlock between the institutions and factions of the Islamic Republic, the Supreme Leader and the Expediency Council, two meta veto institutions of
the regime, undertake an extended process of policymaking to create the new general policies of Article 44 in order to allow economic privatization. As the analysis also shows, however, the composition of the executive, parliament and Guardian Council is also critical in how policymaking is both restrained and facilitated. The final policy outcome, therefore, did not reflect a single-handed and narrow interpretation of economic privatization—neither by the left or the right, nor by the republicans or the theocrats. No one faction could dictate policy—each had to compromise with the goals and interests of others. Although some financial institutions and banks were to remain under state control, privatization nevertheless had been approved with the support and inclusion of all factional preferences.

The challenges facing Iranian privatization, and policymaking leading to strategic institutional change in general, are therefore more significant than those of other countries due to the institutional and ideological configuration of the regime. The existence of multiple veto playing institutions, or decision-making bodies, creates a strong system of checks-and-balances. In fact, it is too strong to allow for streamlined policymaking and effective management of the country. In addition to this separation of power, the separation of purpose is also significant, with various factions with distinctive ideological affinities controlling different decision-making centers or, in other words, holding veto rights.

Massoud Nili, former head of the Management and Planning Organization (MPO), describes the resulting conditions of the Iranian decision-making process in 2002, a description that aligns very closely with the predictions of veto player theory and the analysis undertaken in this chapter:

The reality is that we have no preordained theory for the management of the country, and this is the case for the economy as well…Still after 23 years it is not apparent what we mean when we speak of economic liberalization, globalization, social justice, and so on. Each person and each group makes decisions and acts
based on his own thinking and interpretation [of such concepts] and presents his
own views to society. Trust between individuals is diminished and decision-
making becomes extremely difficult under these conditions. As a result, a
complex and extensive industry, referred to as the “session industry” [san ’at-e
jalesa], emerges to the extent that the nature of the country’s policymaking
system comes to be embedded in these sessions and lobbying efforts. Perhaps for
an external observer it may be very strange to understand why officials and
decision-makers in Iran waste so much of their time and energy in these numerous
and diverse meetings and sessions. But this returns to the country’s decision-
making system, which is also very dangerous. Different people with sometimes
conflicting ideas, who comprise these various decision-making bodies, spend their
time from morning until night negotiating with one another.191

Again, the high number of veto players creates greater policymaking friction, requiring
additional tedious sessions of negotiation and compromise in order to move forward. But, as my
analysis shows, this may be bad for management and effective governance, but it is critical to
successfully integrating multiple centers of power within the regime and restraining the
hegemonic ambitions of any one faction. Despite the dissatisfaction and disillusionment it may
produce, reflective of the fact that most Iranians of all political stripes are highly critical of the
status quo conditions of the country, it simultaneously ensures that each faction has a vested
interest within the regime and that it can advance its interests to some degree by participating in
the game—crucial incentives for not joining the opposition. Moreover, the compromises that
these inclusive, contentious and drawn-out negotiations produce, mitigate and restrain the
ambition of any one group from becoming too dominant and undertaking drastic institutional
reform. Because change occurs through piecemeal efforts, greater regime institutional continuity
is ensured.

Privatization and the revision of Article 44, accordingly, is not simply a bundle of
policies and processes that provide a clear-cut and unanimously agree upon set of principles for
action. It is a program that, through the interaction of ideas, institutions and interests, can be

designed in a multiple number of ways. Within the institutional context of the Iranian regime, the revolutionary, Islamist and anti-capitalist ideas espoused by Khamenei, the Supreme Leader, produced a particular policy outcome when it faced and interacted with the modern, capitalist ideas and planning produced by the members of the Expediency Council, particularly Rafsanjani. While privatization and the overarching framework of the latter’s policy proposals were accepted, policies highly supportive of the cooperative sector that was seen as a way of rescuing the ideals of the revolution and the important position of the state were aggressively inserted and supported. These two ideological and policy strands, however, would also reveal themselves in the implementation stage of privatization—the topic of the following chapter.

In other words, the ideological and institutional context of the institution of the Supreme Leader and that of the Expediency Council, supported by the legal and religious rules of decision-making and policymaking with the regime, produces a unique direction of outcome. While compromise and the forging of new possibilities resolved elite conflict over the policymaking of Article 44, it also opened up the door for a new game field in which factional contestation and conflict would again appear. Therefore, due to the broad and multifaceted agreements made by these political institutions within an extended and conflict-ridden policymaking process, the final outcome inherently contained within itself multiple discordant paths and interpretations by which policy could be subsequently implemented.

The reason is that besides policymaking, the way implementation of these plans is carried out also matters. Not only can policies be designed in a multiple number of ways, but ratified policies can be interpreted and implemented in a number of ways, producing the actual movement along one path out of many possible paths (multi-finality). The 2005 presidential elections would therefore be critical to influencing and guiding this contested process. Further
process tracing thus still remains to be done in order to understand the implementation of the Iranian privatization plan and to fully demonstrate the mechanisms of institutional change within the regime.
Chapter 5: Delegating Privatization: The Battle to Implement Change

This chapter focuses on the implementation process of the privatization drive in order to more fully demonstrate the mechanisms with which institutional change takes place within the regime. Just as the policy-making process proved to be a highly contested and drawn out battle for institutional design, the implementation process would be an even more tumultuous and conflict-ridden endeavor of institution building and destruction. In particular, the chapter details the discordant manner in which Ahmadinejad interprets and administers the privatization laws of the state on one hand and the institutional opposition that works to contain and restrain him on the other. The political intrigues that play out between the figures of Ahmadinejad and Rafsanjani, or the theocratic left and republican right factions more broadly, come to be publicly demonstrated in full force both in the streets and within the highest organs of the state with the aftermath of the 2009 elections. This election was unique because the winning candidate would be able to steer and alter the final stage of the state’s privatization drive—a uniquely strong incentive for any faction to gain control of the executive office at this time.

The 2005 Elections

Following the revision of Article 44 on the role of the state in the economic sphere, the 2005 presidential election would determine who would execute the country’s new economic policies—it would delegate the authority to implement privatization. Two divergent views were embedded within Article 44 due to the impact of the regime’s institutional architecture on the policymaking process between the Supreme Leader and the Expediency Council. One pushed for the China-model, and the other envisaged an unspecified Iranian-Islamic model that supposedly ran counter to the tenets of liberalism economically, politically, and socially. It was
not coincidental then that the two primary candidates in the second round of elections, Rafsanjani and Ahmadinejad, clearly reflected these divergent strands. The conflict and tension between the two men, while personal, therefore had deeper roots within the larger ideas they espoused, the institutions that supported them, and the interests that were at stake.

With representatives of all four Iranian factions participating, the 2005 election was the most politically diverse since the revolution. It also included the highest number of candidates—seven—running for executive office. While political campaigning was very intense, the outcome was widely viewed as being certain beforehand. Most people, including scholars and analysts, predicted that Rafsanjani would win the presidency and complete the privatization process he had begun sixteen years earlier. The electoral results declaring Ahmadinejad as president with 62% of the vote would naturally come as a shock to many and would be a source of public embarrassment for Rafsanjani.

The factional composition of the candidates were as follows: two represented the theocratic right—Ali Larijani, former head of IRI Broadcasting and former Minister of Culture, and Mohammad Bagher Ghalibaf, former head of the Disciplinary Forces (the national police); one represented the republican right—Akbar Hashemi Rafsanjani, head of the Expediency Council, member of the Council of Experts, and former President and Speaker of Parliament; three candidates represented the republican left—Mostafa Moin, Minister of Science under Khatami and Rafsanjani, Mohsen Mehralizadeh, head of the National Sports Organization under Khatami, and Mehdi Karroubi, twice former Speaker of Parliament; and one candidate from the theocratic left, Mahmoud Ahmadinejad, mayor of Tehran. Moin and Mehralizadeh on the republican left, however, had been vetoed by the Guardian Council. Ayatollah Khamenei
however intervened and vetoed the council’s decision, requesting their reinstatement and again demonstrating Khamenei’s commitment to factional inclusion rather than exclusion.

After the first round of elections, with no candidate receiving the necessary majority vote to win the presidency, the top two candidates would go on to the second round of voting: Rafsanjani on the republican right and Ahmadinejad on the theocratic left. Rafsanjani presented himself as a skilled manager with the will and expertise capable of leading the country. He stressed the importance of economic privatization and liberalization to set a new direction for the country and lead to national development, the common discourse of the republicans. Likewise, in the social and cultural arenas, he spoke of the necessity for individual (moral) privacy and greater social freedoms, particularly for the younger generation of Iranians. In contrast, Ahmadinejad spoke of the plight of the common Iranian who had been neglected with the economic programs of the post-war period. He criticized the “oil mafia” and corrupt networks within the regime that had been exploiting its financial resources from the public fund—indirectly referring to the person of Rafsanjani. With the discourse of the theocratic left, he stressed the importance of reviving revolutionary values in society, expanding social justice and the distribution of wealth, and preparing the grounds for the arrival of the 12th Imam per the new emphasis of the software movement.

Once in office, Ahmadinejad moved to drastically reduce the economic privatization of state enterprises. The value of privatization sales in his first year as president in the Iranian calendar year of 1384 (March 2005 – March 2006) was approximately one-eighth of the value of that of the previous year and one-twelfth of the value of privatization sales two years earlier in 1382 (March 2003 – March 2004).192 Moreover, he publicly declared the type of privatization previously undertaken by the other administrations (Khatami and Rafsanjani) to be the “looting

192 Data from Iran Privatization Organization.
of national wealth,” explaining, “I've heard that a factory, worth 300 billion rials (USD 32.715 million), is offered at 1.050 billion dollars (USD 114,504). Had the law allowed, we would have given the production unit to laborers free of charge so that it would both remain active and earn profit for the government.” He then stressed that the “Iranian nation does not accept that sort of privatization at all” (Italics mine).

Interestingly, Ahmadinejad does not attack privatization per se but rather the type of privatization undertaken. As the analysis of the policymaking process of Article 44 made clear, contestation had shifted not from whether to privatize or not but rather how privatization should be undertaken and in what direction. In other words, if Rafsanjani had won the presidency, privatization would have been carried out very differently than the program Ahmadinejad would come to follow.

**Justice Shares**

In the summer of 2006, with mounting criticism of Ahmadinejad for having basically halted the country’s privatization drive in his first year in office, Khamenei directly intervenes to enforce and resuscitate the privatization plans. The Supreme Leader issued an executive order obliging the president to sell 80 percent of the state’s shares in the companies affected by Article 44 and to finish the privatization drive by the end of the Fourth Five-Year Development Plan by March 2010. Moreover, as previously explained, Khamenei had surprisingly raised the ownership share that the state had to cede to 80 percent rather than the 65 percent the Expediency Council had earlier outlined as a compromise.

Immediately after Khamenei’s decree, Ahmadinejad formally asked the Supreme Leader’s approval for his distribution of “justice shares” (saham-e ‘edalat) to the poorest 30

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percent of Iranian society, which is roughly equivalent to 21 million people. Khamenei sent an official letter to Ahmadinejad the following day approving the plans. In addition to his formal approval, the letter also set exact stipulations on the issue of the justice shares. Khamenei had approved the ceding of a maximum of 50 percent share of state companies that could be sold according to Clause C in the form of justice shares. Furthermore, the prices of the shares had to be marked down 50 percent for the two lowest deciles of society—with prices being set by the stock market mechanism.

The justice shares program thus represented a type of voucher privatization as state company stocks would be distributed to the people at discounted rates. Of course, the idea of enacting voucher privatization in Iran did not come from Ahmadinejad. It had been initially suggested by Firouzeh Khalatbari in the Iranian Chamber of Commerce at the time of the Khatami administration, and different versions of the idea were later proposed, including Ahmad Tavakoli and Ahmad Kabolizadeh’s idea of “popular privatization” (khosoosisazi-e mardomi). In fact, Khatami had drafted the first voucher privatization bill at the very end of his term in July 2005 under the title, “Executive by-Law of Developing Ownership and Increasing Iranian Household Wealth.” It would come to serve as the draft version from which Ahmadinejad would later pass the justice shares decree.

The overarching manner in which voucher privatization would come to be implemented in Iran and the unique legal groundwork necessary for the plan, however, had been broadly addressed by Khamenei within the revised version of Article 44 under the cover of the cooperative sector just prior to the 2005 presidential elections. In accordance with the new law,

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194 Letter of Ayatollah Khamenei to Dr. Ahmadinejad in Regards to the President’s Proposal. July 3, 2006.
195 See Atashbar 2011: 1.
the cooperative sector had to be strengthened and empowered parallel to the private sector. And
directly related to the voucher privatization program, national cooperatives that covered the
lowest deciles of society had to be established with the objectives of producing employment,
increasing household income, and reducing wealth disparity in the country. The justice shares
program would directly contribute to and satisfy this aspect of the law—an addition explicitly
made by the Supreme Leader to the Expediency Council’s plan that otherwise completely lacked
any mention of this element in particular and even voucher privatization more broadly. In
addition, Khatami’s drafted by-law on voucher privatization made no mention of the cooperative
sector either.

Voucher privatization has previously been carried out mostly in Central and Eastern
Europe, including countries such as Czechoslovakia, Poland, and Russia. While this method of
privatization is argued to have been detrimental to the economic and political development of
countries such as Russia, where newly privatized company managers were able to purchase and
procure their shareholders’ stock and gain full control of their respective companies, the Iranian
method was designed differently in order to presumably avoid the pitfalls commonly associated
with voucher privatization. No vouchers or coupons were handed out to individuals to choose
and purchase company stocks on their own. Rather, once individuals successfully registered in
the program, or were identified and approved by the state based on their financial status, they
would automatically become members of their local town cooperative enterprise that was to be
established according to the plan. State companies’ divested shares would in turn be handed to
the cooperatives, and individual shareholders in the cooperatives would each receive yearly
payments of profit in their bank accounts. Moreover, the purchasing cost of the stock would
automatically be decreased from the yearly profit for a 10 year interest-free period, and the lowest deciles would receive an additional 50 percent discounted rate.

The exact manner in which the shares would be ceded was ratified by the Ahmadinejad cabinet on November 12, 2006, representing the third round of edits made to the voucher privatization by-laws passed by the Khatami administration. The proposal was approved under the “Executive By-Law of Increasing Iranian Household Wealth through Expanding the Cooperative Sector’s Share on the Basis of Justice Share Distribution”—explicitly inserting the cooperative sector within the title. According to the plans, a Central Headquarters of Justice Shares (setad-e markazi-e saham-e edalat) would be established under the Presidency in Tehran along with the intermediary Broker Agency of Justice Shares (kargozari-e saham-e edalat). The Central Headquarters would be headed by the President, while the acting Secretary would be the head of the Iran Privatization Organization who is appointed by the President. The board would comprise 18 individuals representative of not only the executive organs of the state but also Islamic welfare and revolutionary organizations associated with the theocratic factions. Twelve have voting rights and include the President, nine Ministers (i.e. Economic Affairs, Interior, Industries and Mines, Cooperatives, Agriculture, Labor and Social Affairs, Justice, Welfare and Social Security, and Health), the head of the Management and Planning Organization, and the head of the Foundation of Martyrs and Veterans Affairs (Bonyad-e Shahid va Oomoor-e Isargaran). The six non-voting members are the Commander of the Basij Resistance Force (Niroo-ye Moghavemat-e Basij), the head of the Imam Khomeini Relief Committee, the head of the State Welfare Organization, the head of the Less Developed Regions Office, the head of the Civil Records Registry, and the head of the Iran Privatization Organization.
State economic companies and enterprises being privatized would each be required to cede their shares to the Broker Agency, which would next “transform the basket of different divested shares into a single unitary share and then divest the shares of the company to Provincial Investment Companies,” in proportion to the number of individuals qualified to receive justice shares in a given locality. Each province would have its own Provincial Investment Company for a total of 30 companies representing the country’s 30 provinces, and each of these companies would in turn be owned by Local Justice Cooperative Companies that would be established across 337 cities throughout the country depending on the population of each locality.

An individual stock owner, in other words, would be a member of a Local Justice Cooperative Company and the shareholder of its larger Provincial Investment Company, which would be distributing stock profit made from a bundled variety of divested company shares. As a result, an individual would not be able to choose what company to invest in, and the justice shares received could not be traced back to the original economic enterprise that was privatized but only to the provincial company that owned a partial share of that business. The Tehran Provincial Investment Company, for example, has a 3.05% share of Bank Mellat and a 3.85% share of Iran Air. Each provincial company would in turn have a share of these enterprises in relation to the population of the province accepted to the justice shares program. Furthermore, individual shares could not be sold in the first four years of ownership, unless 20 percent of the stock purchasing price had been fully paid by the owner prior to its sale. As a result, the procurement of company stock by any one group would be very difficult if not impossible.

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198 Data from Tehran Provincial Investment Company.
because of the fragmented manner in which stocks would be divested to the Provincial Companies.

The way in which people would be allotted justice shares would also be politically salient as regime supporters within the lower classes would stand to benefit disproportionately from the program. The process for identifying and registering individuals for receiving justice shares and the subsequent distribution of profit to them would unfold in many stages—with the first stage beginning in 2006 up to the nineteenth stage undertaken in 2010. The first stage comprised three groups of individuals: individuals receiving social security benefits and protection from the Imam Khomeini Relief Committee, an Islamic social charity and welfare organization that acts as an important source of patronage for the pious supporters of the regime within the lower and needy classes; individuals covered by the State Welfare Organization; and unemployed war veterans identified by the Basij paramilitary. The second stage included all villagers and nomads. The third stage included all state employees and the retired personnel of the state, military and those under the coverage of the Social Security Fund, while the fourth stage included war veterans and their families as identified by the Foundation of Martyrs and Veteran Affairs. Later stages would include other groups such as single-mother households, religious seminary students, mosque employees, nationwide Friday prayer committee employees, and even news reporters.

The distribution of justice shares would thus serve as a patronage tool for not only the theocratic left and the Ahmadinejad administration but also for the regime more broadly. While the subject of justice shares would become very controversial at the time of the 2009 presidential elections, given that rival factions claimed that Ahmadinejad was using the distribution of justice share profits in order to gain popularity and buy the people’s vote, the justice shares program
was itself an important act for persuading regime supporters to accept the economic privatization drive itself. Justice shares, in other words, enabled an ideological re-framing of the very idea of privatization. The theocratic left had always stood adamantly opposed to privatization. It now needed to ideologically justify why it would be executing the plans itself. The justice shares—the name clearly identifying with the ideological outlook of the theocratic left—provided a significant and tangible way in which the revolutionary regime could clearly demonstrate to its supporters that its method of privatization was different than the earlier plans made by Rafsanjani and Khatami, and that privatization was now geared towards benefiting the common Iranian rather than the upper classes as commonly perceived.

Accordingly, Ahmadinejad presented privatization as the means by which the government sought to reduce economic inequalities in society and redistribute national wealth amongst the people in an equitable fashion. This type of development would lead, he argued, to the establishment of social justice in the country rather than to undermine it as had been occurring under prior administrations. Revealingly, Ayatollah Jannati, head of the Guardian Council, who blocked the privatization efforts of the sixth republican left Majles, now claimed that privatization was key to the elimination of poverty and discrimination in the country and called on everyone to support the privatization drive.\(^{199}\)

Working within the discourse of “social justice” increasingly emphasized by Khamenei during the Khatami era, Ahmadinejad explicitly based his socio-economic position on the idea of social justice and placed greater attention on the provinces outside of Tehran. For example, on July 5\(^{th}\), two days after Khamenei’s official support for the justice share program, Ahmadinejad approved a double-priority bill to earmark two percent of Iran’s oil revenues to the oil producing provinces, particularly Khuzistan in the south of the country. In addition, he transformed the

\(^{199}\) *Iran*, July 8, 2006.
usual cabinet meetings into a rotating affair that would be move from one province to another rather than meet only in the capital city. Throughout his first term as president, three rounds of provincial visits took place to each of the thirty provinces of the country. The attention that he gave to the people who felt acutely neglected by the central government increased his popularity nationally and also gave the executive better access to and oversight of provincial development projects and local issues pertaining to social security needs. These political dynamics and patronage conditions are similar to the ones Huntington describes in which a “green uprising” occurs, or when the countryside is empowered by a segment of the central elite, in competition with the rest of the elite, and is incorporated more fully into the political game and within national redistribution programs.

President Ahmadinejad’s unorthodox economic policies, including his justice shares scheme, were also legitimized based on the growing discourse of the software movement and the development of an indigenous Islamic Iranian model of economic development. In response to the stringent criticisms leveled at his economic policies and the particular manner he approaches the issue of privatization, Ahmadinejad appeared on national television in order to influence public opinion and persuade the country about his plans. He states:

The majority of you should remember that before the Revolution, they had created a political and cultural climate in which according to them there were only two schools of thought. One was capitalism and the other Marxism. Which one are you? [They would ask]. As soon as you said anything negative about Marxism, they would say: so you are a capitalist. If you criticized capitalism, they would say: So you are a Marxist. They had made such a climate that public opinion had no record of any other school of thought, or belief that there are other ways of thinking. The world can be analyzed another way. They would say either this or that.

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200 Huntington 1968.
201 BBC Monitoring International Reports, translation of speech broadcast by IRINN, November 20, 2006.
Reminiscent of Khamenei’s speech analyzed earlier, he criticized both Marxist and capitalist economic plans through a comparison with the past, particularly when Marxist ideas were strong. Again, the analogy insinuates that liberalism is another ideology like Marxism and not a science with which to evaluate Ahmadinejad’s economic policies and to subsequently claim that the administration’s plans are unscientific.

Ahmadinejad subsequently moves the discussion to the present time and explains:

Now, there is a group of people in the world that say the economy has only two forms. Why are there only two forms? You can make this glass in 10 different ways. No, in 100 different ways. You can make a glass using hundreds of methods. Why do you say two methods? An economic problem can be resolved in 10 different ways. Why do you think that human behaviour can only be analysed using a simulated model? Why do you think this way? You are wrong. You can analyse human behaviour using a 100 different ways. This government belongs to the people and people like me have no say. We are merely the servant and the dust under the feet of the nation.\footnote{202}

In other words, he argues that not only can the economy be modeled and constructed in a myriad number of ways, but privatization can be implemented in a number of ways. As the statement demonstrates, Ahmadinejad attempts to open the discursive space in which to legitimate and bolster his privatization plans. While the other factions criticize him for failing to truly privatize, he basically claims that there is more than one way to privatize. When his particular method of privatization is called unscientific by his critics, he counters that their science stems from the ideology of liberalism and not “science” per se. Instead, the country should be developed according to the Islamic Iranian model. Reminiscent of Khamenei’s speeches, he proclaims, “our first duty is to rebuild this country rapidly and to establish a model society which represents the chaste Islamic way of life. This is our major mission today. And our second mission is to present this model to humanity. This is what humanity is demanding from us today.”\footnote{203}

\footnote{202}{Ibid.} \footnote{203}{Ibid.}
Ahmadinejad believes that his policies and methods of governing strive towards justice and represent a real and viable alternative to other economic models.\textsuperscript{204}

**The Implementation of Justice**

The value of shares ceded under the first term of the Ahmadinejad administration in the national privatization drive was indeed very significant. Between March 2005 and March 2009 (1384 – 1387), the total value of shares ceded was 491,030 billion rials, representing 96.6 percent of the total value of shares ceded between March 1990 and March 2009 (1370 – 1387).\textsuperscript{205} Figure 11 presents a comparison of the privatization revenues accrued during presidencies of Rafsanjani, Khatami, and the first term of Ahmadinejad. The value of shares ceded under the single presidential term of Ahmadinejad was almost 18 times as much as the total value of shares ceded under both of the Rafsanjani and Khatami administrations combined.

**Figure 11. Iranian Privatization Revenues**

\begin{figure}
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\end{figure}

\textsuperscript{204} Interview with President Ahmadinejad, April 2009.  
\textsuperscript{205} Iranian Privatization Organization.
If privatization is understood as the selling of state assets, then Ahmadinejad was certainly determined and successful in privatizing the state. However, if privatization is to mean the selling of state assets to the private sector, then a significantly less amount of privatization actually took place.

Figure 12 presents the yearly privatization sales value to each economic sector. Between March 2006 and March 2007 (1385), of the 25,390 billion rials ceded, 21,735 billion rials (85.6 percent) of the shares were ceded to the justice share cooperatives and distributed as justice shares, and only 3,655 billion rials (14.4 percent) were sold on the stock exchange or through tenders to the private sector. The next year, March 2007 to March 2008 (1386), out of the 249,937 billion rials ceded, 177,437 billion rials (71 percent) of the shares were distributed as justice shares, 27,482 billion rials (11 percent) went to public quasi-state organizations, such as the Social Security Organization, to pay off the government’s debt, and 45,018 billion shares (18 percent) went to the private sector. The final year of Ahmadinejad’s first term, March 2008 to March 2009 (1387), out of 214,939 billion rials shares ceded, 142,936 billion rials (66.5 percent) were justice shares, 31,240 billion rials (14.5 percent) went to public quasi-state enterprises to pay off debt, and 40,763 billion rials (19 percent) were ceded to the private sector. A comparative yearly percentage sale to each of the economic sectors can be found in Figure 13.

As a result, while a substantial number of shares have been ceded in this period, the majority has been in the form of justice stocks at 69.7 percent, and 12 percent went to public quasi-state enterprises. The latter group represents formally non-state entities that nevertheless have strong managerial and financial links with the state, such as the Social Security Organization and the State Retirement Organization. The public companies, however, have been encouraged by the state to restructure the newly purchased companies in order sell them at a
higher price when a suitable opportunity arises to do so—the line of action that China apparently follows. Finally, only 18.7 percent of the value of privatization belonged to the private sector.
Figure 14 presents a breakdown of privatization shares by economic sector under the first term of President Ahmadinejad.

**Figure 14. Total Privatization Shares (%) by Sector, March 2005 – 2009**

As with the policymaking process between the Supreme Leader and the Expediency Council which resulted in greater emphasis being placed on the cooperative sector rather than the private sector, the implementation stage also led to the dominance of the cooperative sector rather than the private sector, particularly since the justice shares were ceded to local cooperative companies. In other words, both Ahmadinejad and Khamenei pushed for this particular interpretation and implementation process of privatization. If Rafsanjani were to have won the 2005 presidential elections, however, the private sector—especially foreign investors—would have probably become a more significant benefactor in the privatization drive instead of the cooperative sector. Furthermore, it is very likely that justice shares would not have been handed out either—or if they were, they would not have been undertaken within the framework of the
cooperative sector. In fact, a curt response by the Expediency Council in relation to the announced voucher privatization that stated the council’s detachment from the decision illustrates the skeptical, and even critical, outlook the establishment has on the justice shares program. Nevertheless, the amount of actual privatization that is undertaken to the private sector under Ahmadinejad’s first term in the executive is still greater than the privatization values of both the Rafsanjani and Khatami administrations combined (see Figure 15).

**Figure 15. Comparative Privatization Revenues**

![Graph showing comparative privatization revenues between Ahmadinejad and Rafsanjani and Khatami administrations.]

Again, the ideational tension in both the policy-making and policy implementation process stems from this economically liberal and anti-liberal divide that exists within the highest organs of the state. Both camps agree through institutional compromise to change the fundamental structure of the Iranian economy and to embark upon an expansive privatization program. But the details of how this would be done and to what end would have to be settled through the contentious politics that would unfurl between the different factions. Demonstrative

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206 Report of the Macro-Economic Commission’s Sessions on Khordad 20th and 27th.
of this condition, an article in the *Iran* newspaper closely affiliated with the executive explained that Ahmadinejad was not against privatization but rather the liberalization of the economy. It condemned the *Kargozaran* Party (and newspaper), on the republican right, one day after it had openly declared that the party espoused the political and economic ideas of liberalism, which is a taboo statement to make in the theocracy, and that Maraashi, the head of the party, had stated that “Islam does not have a political, economic, or social system.”

Further reflective of this ideational chasm, *Kargozaran* had argued that the “philosophy of privatization” was based on the works of thinkers such as John Locke and that democratization and liberalization were important “prerequisites” to successful privatization. The article in *Iran* continues to state:

[Kargozaran] has referred to the main reason for the ‘opposition of the senior officials of the previous governments’ of Iran to the Ninth Government [of Ahmadinejad] and the way it has gone about to implement the privatization process. Kargozaran has written: ‘The high ranking planners and technocrats in the governments of Messrs Hashemi Rafsanjani and Khatami were armed with this philosophy (that is to say liberalism), and they had faith and belief in it.’

However, it must be said that the key sentence that the official mouthpiece of the Executives of Construction Party [Kargozaran] has printed immediately after the sentence which we have just quoted is indeed the fundamental basis and foundation for disagreements between the senior officials of the previous administrations of the country with the Ninth Government. We are referring to the key sentence which states: ‘Their insistence (the high ranking officials of the governments of Messrs Hashemi Rafsanjani and Khatami) on extensive privatizations was aimed at achieving the above mentioned objective [liberalization]…’

The issue is crystal clear: A group of officials who for 16 years were at the helm of the management of the country's economy believed that a necessary prerequisite to privatization was the "liberalization" of the society, while another group, who have been elected by the people to manage the affairs of the country, believe that this kind of privatization is in fact in contradiction of the ideals and realities of the Islamic society.

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Of course the issue was more than just about ideas but interests as well—although it was the ideas that defined and shaped the nature of the interests. For example, the institution of the Supreme Leader enshrined in the Constitution and within religious discourse was diametrically opposed to liberalism because it viewed the expansion and growth of liberal philosophy and values in society as a serious threat that would undermine its position as the principal institution of the state. The type of religious values and political behavior sustaining the velayat-e faqih, in other words, simply could not be replicated if the Leader’s followers were to believe in liberalism. As a result, it was not just social justice and the deprived classes that mattered on the issue of privatization, or even the special interests within the theocratic camp that would financially profit from patrimonial politics. Perhaps even more importantly, the fundamental nature of the regime was at stake.

**Criticisms**

The justice shares program significantly altered the pathway of privatization in Iran. But, it also meant that a drastic transformation in the economic order and state economy relations did not transpire either. The justice shares scheme, in other words, secured the dominant and intrusive nature of the state within the economy. In many ways, it in fact siphoned off and protected the degree to which the state could actually be privatized by transferring state ownership to non-state—yet state controlled—entities. Reflective of Khamenei’s earlier words, privatization had occurred in a “non-capitalist” way.

The Iranian cooperative sector, or cooperatives and co-ops in general, are technically not dominated by the state. Coops are very much private businesses like their counterparts in the private sector. They differ from private businesses, however, in that they have a broader ownership base and perhaps demonstrate a more equitable form of economic enterprise due to
their ownership structure. As part of the revised version of Article 44, cooperatives are given special privileges and support by the state—including financial funding and the establishment of a national cooperative bank—as a means of increasing employment opportunities and economic development in the country. Any group of citizens can establish their own cooperative business and receive state support.

Justice share cooperatives, however, are not normal cooperatives because they are actually controlled by the state. The managers of the justice share cooperatives are state-appointed, and they are the ones who decide upon and appoint the allotted board members that the coops have on the executive board of a newly privatized company. As a result of the justice shares program, the state is still able to find significant representation and indirect ownership of newly privatized businesses. Many times, state managers of newly privatized firms retain their management position despite the fact that the firm may have been completely privatized. Privatization has thus usually come to mean the transfer of state ownership without the transfer of actual management power—a critical principle of the very idea of economic privatization.

According to Mohammad Nahavandian, the head of Iran’s Chamber of Commerce, this is disconcerting because oversight and supervision by public representatives would decline while management effectively remained in state hands.208

Economic experts reflective of different viewpoints both hailed and criticized the moves. The justice shares was lauded for giving momentum to the privatization drive, for helping to raise the purchasing power of the poor, and, eventually after the stock prices become re-paid, for strengthening the private sector.209 Critics claimed that it only empowered the state rather than the non-state sectors. Iraj Nadimi, Rapporteur of the Majles Economic Committee,

209 For example, on this last point, see comments of Jamshid Edalation, deputy chairman of Iran’s Chamber of Commerce, ISCA News Agency, April 4, 2006.
states that the “distribution of justice stocks is against the objectives of privatization in the country. This is because the government intends to carry on with its direct management of the stocks for the next 20 years and it is not going to allow the stockholders to have any role in this respect.”  

According to Shahbazkhani, a representative of the Majles:

The main objection that may be raised to this policy is that managers of these companies [whose stocks are to be sold] will actually be reinstated by the government and no real privatization will be practiced. In other words, intermediate companies will be established that will soon be corrupted financially. New shareholders will be able neither to supervise the company nor to increase their capital. Consequently, some type of public monopoly will be added to the governmental monopoly that will reduce room for competitive investment.

The main pitfall of the justice shares program, therefore, lies in the fact that common Iranians who own company stocks through the justice shares program cannot directly influence the management of the privatized companies. Of course, the eventual goal of the justice shares program is to have an independent justice share board where cooperative managers are voted upon by the shareholders, but this has yet to be realized. The state-centric economic order, consequently, has only replicated and upgraded itself in new ways due to the confrontation of theocratic left and republican right forces—those wanting to secure an “Islamic” redistributive state and those seeking a more modern liberal economic order. The justice shares plan, however, would continue to be a point of contention between the factions as they jostled to shape the future of the cooperative companies and voucher privatization.

The Backlash of the Right

The republican right—and over time important elements of the theocratic right—moved to check and restrain Ahmadinejad’s method of implementing privatization. The

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opposition between these forces—and the rivalry between the persons of Ahmadinejad and Rafsanjani—would eventually set the stage for a fierce intra-elite struggle for power at the time of the 2009 presidential elections despite some changes made to the justice shares scheme, as will be explained further below. Indeed, Khamenei would continue to support the theocratic left’s interpretation of privatization and shield Ahmadinejad from any serious threats to his position such as parliamentary impeachment by the newly elected theocratic right parliament in 2008. Not only did liberal privatization represent an ideological threat to the position of the Supreme Leader, but the more aggressive posture that Rafsanjani assumed became another important source of concern as well.

Initially, the republican right claimed that Ahmadinejad was disregarding the orders and wishes of the Supreme Leader. For example, in an interview with the republican Shargh newspaper, Mohsen Rezai, Secretary of the Expediency Council and one of the republican right members of the Macro-Economic Commission who drew much of the general policies of Article 44, expressed that he was worried that the true intentions of the Leader were not properly conveyed and, as a result, the program would be incorrectly implemented due to personal interpretations of privatization. Moreover, members of the Expediency Council would commonly criticize the pace of privatization and even claim that they do not endorse the justice shares program.

The most important figure to lead the way in these criticisms and champion privatization was none other than Ayatollah Rafsanjani. In January 2007, he called on the administration to activate and strengthen the private sector and quicken the privatization drive. He added that the Leader was saddened that the Article 44 had not been implemented, which was supposed to lead to nothing less than an “economic revolution” in the country. Interestingly, after stating that the

\[212\text{ Shargh, July 18, 2006.}\]
“private sector should be taken seriously,” he added that “I, at least on my own behalf, want the Supreme Leader to present his views in this area to the officials, experts and the people.” These statements indirectly called on Khamenei to be accountable and responsive to these criticisms. Generally in his speeches, while Khamenei always emphasized the importance of social justice and privatization, he had never lauded the significance of the private sector in the way that Rafsanjani did. Because of the Leader’s silence or ambiguity on the details of the implementation of the privatization drive, Rafsanjani publicly asks him to make his specific stances known to the nation. Two days later, 100 members of the Majles met with Rafsanjani where they were told by the head of the Expediency Council his concerns about the implementation of the privatization drive and the lack of serious determination or plans on the part of the government. While Gholam Hossein Elham, the administration’s spokesman, immediately refuted Rafsanjani’s allegations that the administration had not proceeded with the privatization plans, the reality was that only seven percent of the privatization shares planned to be sold were actually ceded in the first eight months of that year.

Subsequently, in response to Rafsanjani’s call, Ayatollah Khamenei held a meeting with the economic officials involved in implementing Article 44 where he chided the government for not taking enough steps to implement the privatization program and deemed the results “unsatisfying.” Khamenei states that one of the reasons why privatization has not been properly implemented is “because of the different perceptions that exist on the issue,” and explains that “individuals from each of the various institutions or even within one institution are...
not unanimous on the intentions of the different clauses and the results that must be attained through their execution. There is not a united understanding or a united perception.” To emphasize and publicize his full support for the privatization plans, as Rafsanjani had asked, Khamenei called the implementation process a “jihad” and explained that neither Islam nor the Islamic Republic is against the “creation of wealth” for the enrichment of individuals and society.

More specifically, he states that an Islamic economy rests on two pillars, both of which must be obtained together and not one without the other: “the expansion of wealth” and the “equitable distribution [of wealth] and the alleviation of poverty within Islamic society.” Interestingly, Khamenei thus signals his support for both the approaches of the republican right and the theocratic left in the privatization process—wanting to include broader factional interests and visions within the implementation stage. He also praises the editors of Article 44, basically the Expediency Council, and states that they were “fair” in the planning and that they wrote the policies taking “the middle position between a capitalist economy and a socialist economy.”

The Leader discusses his economic positions in the rest of his speech, again as Rafsanjani had wanted, with one of his statements being particularly striking in its support for the right: “One of my close and very good friends told me that the policies of Article 44 which I issued will [unfortunately] result in the enrichment of individuals and the creation of capitalists in the scene. I replied that I issued these policies for that very same reason so that that would happen.” Yet it would remain common to hear government officials make statements contrary to this viewpoint. For example, Ahmadinejad’s Minister of Cooperatives would state on national television that the administration rejects capitalism because it “benefits those with financial capital… [as] capital brings capital, thus benefiting only a certain segment of society. In
contrast, cooperatives can enable common ordinary people to participate in the economic field, raising production and creating employment.”

While Ahmadinejad pledged to follow the wishes of the Supreme Leader, criticisms only increased as the plans executed were still tilted towards emphasis on the justice shares. The head of the Executives of Construction Party (Kargozaran) Hossein Maraashi, a relative of Rafsanjani, lambasted the president for its incorrect economic policies and for obstructing and interfering in the affairs of the private sector. Morteza Nabavi, one of the theocratic right drafters of the policies of Article 44 in the Expediency Council, also criticized the government’s implementation, although he stated there had been improvement in the administration approach. On April 19th, Rafsanjani again criticized the president’s privatization policies to members of the Majles and insinuated that Ahmadinejad did not believe in privatization and the downsizing of the state, as evidenced by the fact that the state had just increased its expenditure by 45 percent in the new year. While Rafsanjani repeatedly makes these criticisms on the republic right, Mohammad Reza Bahonar, an influential member of the theocratic right, also calls Ahmadinejad’s administration the “Trial and Error Administration” for its lack of plans and poor management skills.

An article in the republican right Kargozaran makes a list of its grievances at Ahmadinejad that targets the ideological position of the administration and the theocrats more generally. The article states that it is the “political philosophy” of the ninth government that is most detrimental to the economy. Its principles lead to “annihilating the economic policies of

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218 IRIB Channel 4, “Ta’ovon and Towse’eh,” July 29, 2009. 7PM.
222 For example, see IRNA, May 8, 2007; Mehr News Agency June 13, 2007; IRNA, July 8, 2007; Mehr News Agency, July 17, 2007; E’temad-e Melli, September 1, 2007.
former governments” of Rafsanjani and Khatami, the weakening of the private sector by
“deviating banking resources toward different directions in order not to let them reach the private
sector,” the short-term redistribution of money to the people in order to gain popularity, and
authoritative price stabilization policies through increased imports. Furthermore,
Ahmadinejad’s international posturing is also criticized for hurting the international economic
and trade climate of the country. In fact, many in the theocratic right became critical and
disillusioned by the Ahmadinejad administration as the bazaar merchant’s economic
opportunities deteriorated in this period.

The rivalry and grudge that had developed between the Ahmadinejad and Rafsanjani in
the 2005 presidential elections had reached far more serious levels. On his visit to the province
of Kerman, which is Rafsanjani’s hometown province, Ahmadinejad condemns those criticizing
him in a public speech simultaneously broadcast live on national television. Ahmadinejad states
that the people “are happy with the process of implementing justice,” but that, indirectly
referring to Rafsanjani, there are also “some individuals who are constantly opposed to the
process of implementing justice. Such individuals include the pretenders, the so-called
privileged persons close to the authorities, some greedy individuals and some persons with an
insatiable appetite.” He continues his speech, proclaiming:

They assume that the implementation of justice will be contrary to their vested
interests, contrary to their existence and contrary to their prestige. You [the
people] have plenty of memories concerning the behavior of such individuals. At
present, we are confronted by various elements [influential authorities] who
consider themselves above the law and above others in the arena of politics, in the
arena of the economy and in the arena of running the country. And when their
claims are ignored, they raise a cry of protest and confront the process of
implementing justice.

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224 Kargozaran, June 20, 2007. OSC translated.
Using negative public sentiment surrounding the figure of Rafsanjani to his advantage, Ahmadinejad attempts to bolster his own policies and method of implementation. He shifts the public’s attention to other issues; it is not that his plans are problematic or have weaknesses per se but that those who are opposed to the execution of justice criticize them and try to obstruct them. Tainted by their corrupt track record, most regime insiders such as Rafsanjani are simply incapable of breaking this image or responding to such accusations. In fact, the protests made by the Islamic Republic elites only add to the perceived weight and significance of Ahmadinejad’s cause.

**Institutional Restraint**

Since impeachment would not be a possible option due to the stance of the Supreme Leader, one of the main methods that the republican right uses in its attempt to limit Ahmadinejad and influence his method of implementing privatization is through institutional restraint at both the standard and meta veto player levels. As Ayatollah Khamenei gave the Expediency Council greater supervisory powers after the 2005 presidential elections,\(^{226}\) the Expediency Council would play an important role in these efforts. Executive power, over time, would be checked by not only the parliament but by both the Expediency Council and the Council of Experts as well as newer supra-institutional bodies that would be established with time. As a result, the domain of economic policy would be broadened and made much more inclusive than the administration. In other words, Ahmadinejad would be forced to share more power—a condition that he highly disliked.

Besides the additional power bequeathed to the Expediency Council by Khamenei following Ahmadinejad’s victory, the attempts to constrain the president began a few months

\(^{226}\) Majd 2010.
after the Ahmadinejad administration began its formal operation. In November 2005, Mohsen Rezai calls for the establishment of the High Council for National Development (Showra-ye ‘Ali-ye Towse-ye Melli), to be headed by the president, but inclusive of other state officials, to decide upon and implement national economic policies jointly, particular those related to the privatization program and the liberalization of the economy.\footnote{Iran, November 5, 2005.} In other words, the proposed plan—which never went through—placed Ahmadinejad as one among many officials with the ability to decide on economic policy.

Or in 2007, as inflation rates began to rise dramatically in the country, the Expediency Council declared that it would not only develop economic policy proposals but would actually write by-laws in order to curb inflation. Such an act, however, would result in the council usurping some of the executive branch’s authority. In reaction to this news, the hardline political blogger Fatemeh Rajabi, wife of government spokesman Elham, decried the move and sensationally called it nothing short of a “coup d’état” against Ahmadinejad.\footnote{Mardomsalari, May 4, 2007.}

The balance of factional power would begin to tip towards Rafsanjani with an unpredictable event: the death of Ayatollah Meshkini, chairman of the Council of Experts. Explained previously in Chapter 3, the Council of Experts is an elected body of clerics who supervise and select the Supreme Leader, and it even has the power to formally dismiss the Leader. With the loss of Meshkini, new intra-council elections were held and Ayatollah Rafsanjani was elected as the new chairman in September 2007.\footnote{IRNA, Sept. 4, 2007.} In other words, Ayatollah Rafsanjani, at the same time that he chaired the powerful Expediency Council, now headed the Council of Experts which had the jurisdiction to oust Khamenei from power. Upon his victory to the new position, Rafsanjani immediately called upon the Council of Experts to play a more
active role in the country, particularly by engaging in the supervision of the government in its implementation of the general policies of Article 44.\textsuperscript{230}

Given that the Council had never directly been involved in issues of daily governance and administrative politics, his statement proved to be controversial and instigated heated debate in the country’s media outlets.\textsuperscript{231} Moreover, a few days earlier, Rafsanjani issued a veiled threat to Ahmadinejad that if his economic policies were not corrected, the Expediency Council had the power to interfere as it was charged with the supervision of the implementation process. He had not actively intervened thus far because, as he explains, “[w]e are not being serious on the implementation side of Article 44 in order to avoid disputes. Otherwise, there would always be quarrels if we took open positions against the government and the parliament every day for their measures against the policies.”\textsuperscript{232} He continues to say, however, that “we propound these issues in the private meetings and we avoid doing so [in public], so that the national confidence would not be damaged, and this does not mean that we accept everything.”

The expanding power of Rafsanjani within the Council of Experts and his attempt to politicize the body was also threatening to Khamenei—both to his immediate position as the Council of Experts was charged with assessing the qualifications of the Leader and to his particular economic vision of the state which Ahmadinejad was advancing and which was also seen as critical to the survival of the \textit{velayat-e faqih} in the long term. In other words, Khamenei interpreted Rafsanjani’s action not just as a warning signal to Ahmadinejad but to himself, particularly since it was obviously he who had been supporting the president and cushioning him from these pressures. In a meeting with the Council of Experts, Khamenei explains that the body is not “an arena for power [politics]” or “an arena for fighting and [waging] war over power,”

\textsuperscript{230} \textit{IRINN}, Sept. 4, 2007.
\textsuperscript{231} For example, see \textit{Ettehad-e Jonub}, Sept. 19, 2007 and \textit{Partow-e Sokhan} Sept. 25, 2007.
and that they must be “careful about their words and actions.” In a veiled message to Rafsanjani, he states: “I warn them [the enemies] not to come close to the sanctity of the Council of Experts and to take these kinds of games [elsewhere] to other issues.”

In return, as the executive was responsible for deciding and drawing the country’s annual budget, Ahmadinejad threatened to cut off funding for the Expediency Council, which relied on the government’s financial support to function. He openly asked what “right” such institutions had for receiving funding when they work against the interests of the elected government and the people. Interestingly, Ahmadinejad questions the legitimacy of a non-electoral veto body in the face of an elected office, a question that had been used by the republican factions in previous times against the theocrats, particularly the Guardian Council. Furthermore, after the IMF praised the country’s economic performance with GDP growth rates over 6 percent and falling unemployment, Ahmadinejad proposed appearing on live television to debate Rafsanjani on the economy, who of course ignored the proposal.

The tit-for-tat relationship continued between the two. Heading the Eid al-Adha prayers in December, Rafsanjani publicly declared that Ahmadinejad’s policies and government performance reports were based on lies and forgeries. He states that “[g]iving false promises and statistics should be avoided and the realities should be reflected. Even though unrealistic and exaggerated information may be given to the people, they are aware of what is happening.” He subsequently tells the government to change its approach: “Don't do this. Reflect the realities and the facts which are tangible for the people. This isn't an issue which can be kept hidden from the people.” And, he again threateningly declares that “[w]e in the Expediency Council are

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236 IRINN Channel 1, Friday, December 21, 2007. OSC translated.
ready to develop any policies that we believe to be right in order that through the resolute Leadership of his Eminence the issue can be addressed appropriately.”

In 2008, with the coming to power of the theocratic right parliament, a degree of institutional restraint that altered the implementation process of privatization was eventually realized. Ali Larijani, theocratic right member of the Expediency Council who would become the new Speaker of Majles in a month after the victory of the theocratic right in the parliamentary elections, announced the Expediency Council’s plans to approve the establishment of a new council which would supervise the implementation of the country’s economic policies, particularly the 20 Year Outlook Plan of which privatization is a major issue. Despite the protestations of the Ahmadinejad administration, the Expediency Council approved of the creation of the Supreme Council for the Execution of the General Policies of Article 44 that spring.

The new council would be headed by the President and his relevant ministers, but would also include Mohsen Rezai as the representative of the Expediency Council, members of the parliament involved with supervising privatization, and members of the business elites. Ahmadinejad, however, dragged his feet on actually establishing the body despite the legal requirement to do so. A national seminar titled "Supervising the Implementation of Article 44 Policies" was organized in June with the aim of provoking “more serious movement” on the issue and in which Rafsanjani called for greater involvement of officials and even of the State Inspectorate Organize to examine and reprimand the lack of policy implementation. And in late July 2008, Rafsanjani officially declared that the Expediency Council had decided to begin

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238 Aftab-e Yazd, June 24, 2008.
its actual supervisory role over the implementation of the general policies of Article 44. His calls for greater supervision were again repeated on August 12th, stating that his tolerance had come to an end, as well as again on August 22nd, August 26th, and Septembers 1st and 3rd.

Mohammad Nahavandian, head of Iran’s Chamber of Commerce, also criticized the politicization of Article 44 and the administration’s failure to support the private sector. Furthermore, he declared it a necessity for the Expediency Council to supervise the implementation of the privatization program, providing support for Rafsanjani’s proposal.

Eventually, the President established the Supreme Council for the Execution of the General Policies of Article 44 with its first meeting being held in November 2008. With the passage of the parliamentary law on privatization, the Supreme Council accepted to end the justice shares scheme in the format of the cooperative sector. From 2009 and on, justice shares would only be handed to individuals and would not be integrated as part of the justice share cooperative plan. It was also agreed that the Broker Agency for Justice Shares would be disbanded, which it eventually was in late summer of 2009. The remaining goals would be to activate the popular electoral mechanisms within the already established Justice Share Cooperatives and to prepare their entry into the public stock market so they function like other businesses. These objectives, however, have faced far more resistance from the cooperative sector and remain contentious issues that remain to be accomplished.

The interesting point was why the Expediency Council did not act earlier on its words and stipulate the creation of such a body. The reason for this condition most likely was that the Leader continued to support the President in the face of the mounting criticisms by the

241 Iran, Aug. 13, 2008.
Expediency Council. For example, on August 23rd 2008, at time when Ahmadinejad was under particularly severe criticisms by Rafsanjani, Khamenei praised the achievements of the administration and expressed his “support” for the government given that it is very active – “a government of work,” humble and down-to-earth, one that has revived the ideals and discourse of the revolution. In contrast to this populist image encourage by Khamenei, Rafsanjani criticized the cultural and psychological obstacles to privatization present in the country. He declared that the negative images of the rich and the capitalists as worldly and taquti, or godless rebels, had to be revised as it was preventing many from entering the economic scene and investing in companies and projects.  

Eventually, when the Supreme Council for the Execution of the General Policies of Article 44 is established, Rafsanjani states that “[a]t the beginning of the ninth government [of President Mahmoud Ahmadinejad] the Leader told me: ‘Given that the government is new and has adopted certain slogans, do not take the duty of supervision too seriously.’ In a sense, the duty [of additional supervision] that he had conferred on us was taken back.”

Despite the restraints placed on Ahmadinejad, however, given that there was only six months left until the presidential elections, the presidential elections would be the most important site of focus as it would be critical for the future of privatization. The next presidential elections would be very important for solving the conflict between Rafsanjani and Ahmadinejad since the privatization drive was still incomplete. Despite 40 billion dollars being privatized thus far, more than 70 billion dollars of privatization remained from the approximately 110 billion dollar privatization planned. According to the Majles’ stipulation, the entire privatization program had to be completed by the year 2014, representing a delay from the 2010 date at the end of the

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245 Iran, Sept. 4, 2008.
Fourth Five-Year Development Plan that had been originally called for by the Expediency Council and approved by the Supreme Leader. As a result, the significance of these elections was much higher than usual. It was the last chance for any faction to take over the executive and implement and finalize the privatization drive in another manner towards a different path.

**The Aftershocks of Privatization**

Today, most analyses of Iran take the 2009 presidential election as a critical frame of reference to evaluate and explain the dynamics of post-election Iranian politics. While there are very attractive reasons for doing this—given that the election produced the most significant mass protests and subsequent state clampdown since the revolution, resulted in the dismantling of reformist left forces from the system, and raised suspicions about the nature of the regime and the political intentions of theocratic hardliners, I argue that contextualizing Iran with regards to the election of 2009 risks detracting our attention from more fundamental transformative processes unfolding in the country and creating a myopic view of the meaning of elite factional struggles. The presidential election and the contentious politics it produced, in other words, are themselves part of a larger and more important context that tends to be overlooked and lost in the haze of sensational politics.

As previously discussed, the Iranian political scene had slowly polarized between the republican right and theocratic left factions beginning in the 1990s—each reflective of the institutional power of its main veto playing sponsor with Rafsanjani as head of the Expediency Council (and eventually the Council of Experts) and Khamenei as the Supreme Leader. While Khamenei does not belong to any one faction—as he clearly supported the theocratic right in the 1980s—he changes position as part of his larger role of balancing and restraining political factions within the Islamic regime. His support of the theocratic left provides him with the most
effective means of limiting the growing ascendance of Rafsanjani at that time. The republican right—in an attempt to expedite and push through economic privatization—had been weakening the multi-factional nature of decision-making within the regime in regards to economic policy.

Reflective of the Iranian regime’s strong checks-and-balances and weak party system, the rise of the theocratic left and their gaining control of the parliament in 2004 and the executive in 2005, consequently, circumscribed republican right economic plans while simultaneously enacting privatization under the mutually revised framework of Article 44. No one faction is able to dictate the terms of policy and must compromise and accommodate the interests of others. Here, the theocratic left does not end the country’s privatization drive as it clearly wanted to at the start of its rule, and the republican right is not able to implement the particular privatization plan it had envisioned. Rather, a contradictory and quasi-statist economic order is slowly and painstakingly forged through unorthodox economic policies. More importantly, this process secures the theocratic base of power, and particularly the Supreme Leader, from the perceived threats that a completely privatized and liberal economy would pose to them.

The 2009 presidential elections, however, presented the last opportunity to the republican right faction for regaining control of economic policy after its 4 year hiatus in rule and for implementing privatization itself. In fact, one of the main goals outlined by Mousavi in his election campaign was for the proper and speedy implementation of privatization—thus assuring the republican right that he would not follow leftist economic policies as he had in the 1980s—and his victory would have most likely resulted in a republican right economic team as had been the case with the Khatami administration. On the other hand, it was also pivotal for the theocratic left to ensure its victory in the elections so as to prevent its economic policies from being “undone” and to enact the rest of the privatization program. With hindsight, and in this

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246 Iran, April 20, 2009.
light, that the 2009 elections led to the largest social mobilization and street protests since the revolution is not surprising. The economic stakes had never been this high in any other Iranian election. Irrespective of whether electoral fraud had been committed or not, the incentive structure for the elites and the rising tensions between the two groups because of economic privatization—the most significant strategic change to the structure of the state since the revolution—all but foreboded an explosive struggle to capture the executive branch of government at the time of elections.

This conflict—rather than being a struggle of the opposition against the regime as is sometimes portrayed—was therefore an intra-elite battle that resulted in regime-led versus regime-led social mobilization. Indeed, Rafsanjani and his family provided important regime support to Mousavi’s electoral campaign as well as both pre- and post-election backing to the “green movement.” Even more significantly, Rafsanjani, in line with his previous political goals and his warnings to Khamenei, maneuvered behind the scenes as the head of the Council of Experts to replace the institution of the Supreme Leader with a council of clerics. As the Supreme Leader was considered the main impediment to his economic plans, Rafsanjani thus moved to weaken Khamenei.

Khamenei, on the other hand, did not want to eliminate Rafsanjani or the republican right from the regime but rather restrain their economic agenda and political reach. The words of praise and friendship Khamenei bestowed upon Rafsanjani in his Friday Prayers speech after the election was meant as a clear public signal to Rafsanjani that he was still a close confidant of the regime and that he would continue to play an important role in formal politics—a gesture saying

that Khamenei wanted him in.\textsuperscript{249} And he would later explicitly state his desire for “absorbing the maximum and expelling the minimum” number of elites within the regime as possible, again signaling that he had no desire to exclude diverse voices within the regime or change the multifactional nature of the regime.\textsuperscript{250} Moreover, in 2012, Khamenei reinstated Rafsanjani as the head of the Expediency Council despite persisting rumors that Rafsanjani would be finally dismissed for his critical stances.

At the same time, however, Khamenei’s veto of electoral criticism and opposition to Ahmadinejad’s re-election victory had to be enforced by the coercive forces of the state, otherwise the position of the Supreme Leader risked drifting into irrelevancy. The minimum guideline—or the “red line”—behind the regime’s “authoritarian bargain” to participate in the game is to accept the Supreme Leader’s veto power. To reject this veto right would mean to reject the system and thus face expulsion from the regime—as clearly happened to green movement leaders Karroubi and Mousavi but not to Rezai. Khamenei’s reliance on the Revolutionary Guards and the Basij thus paid off as he was successfully able to enforce his veto decision and ensure his very relevance and survival.

Summary

An effective analysis of formal institutional change in Iran, such as the privatization drive, thus must focus on two important stages of the process: policymaking and policy implementation. As examined in detail in the previous chapter, strategic policymaking is marked by an extended period of negotiation and compromise, particularly in the form of backroom dealings, amongst the elite. Special meetings and sessions, some public and others behind closed doors, are frequently held alongside intensive private lobbying efforts for the purpose of drafting

and ratifying policy. In particular, higher decision-making centers, such as the Expediency Council and the Office of the Supreme Leader, are involved in the process either implicitly or explicitly, thus making policymaking a multilayered and collective process. And different policymaking bodies and veto players are sometimes at odds with one another, leading to political jockeying for power within the elite and sometimes resulting in public galvanization and direct elections to break stalemate. In general, watered-down, open-ended and/or ambiguous policies are ratified as a result of such divisions, while sensitive issues are either fleshed out in private or left to fight out another day.

Yet once a policy has been ratified through the formal decision-making process of the regime, the implementation of the policy itself starts another contested course over the method of implementation as various political factions come to interpret written law differently. Additional policymaking to solve the contested issues at hand may or may not occur depending on the context. Nonetheless policy implementation at the strategic level is marked by further factional in-fighting, delay tactics, or policy reinterpretation and (mis-) implementation. Since the nature of the institutional change is strategic, it is much more likely that both the Supreme Leader and the Expediency Council attempt to guide and supervise the implementation.

More specifically, the political struggle over privatization in Iran represented a conflict-ridden process in which the theocrats come to secure their position and “buy-in” to the shifting capitalistic economy. They do so in order to ensure their survival in the face of significant threats—threats emanating from the republican right politically on one hand and the nature of changing economy on the other. Far from attempting to eliminate opposition and construct a dictatorship, the theocrats work to ensure the survival of the theocracy as it undertakes liberal changes it itself considers a threat to its own ideological position and hence very existence. In
fact, this is precisely how the regime successfully adapts to changing conditions and survives. The regime does not oppose the forces of institutional change. It directly draws them in to the formal policymaking process of the state and subsequently transforms *itself* in slow and unexpected ways due to the ad hoc negotiations and modifications that take place between multiple discordant institutions and interests reflective of different power centers. If the regime had attempted to withstand the forces of change through a narrow and single-handed rule, it would have been very brittle and would have probably collapsed much earlier.

This condition is in itself one key evidence as to why the Supreme Leader—and the regime in general—does not operate like or resemble a sultanistic, personalistic, or neopatrimonial autocratic regime. Regimes with a high number of effective veto players and an institutionalized system of checks-and-balances, such as Iran, are antithetical to sultanistic regimes. On a continuum measuring the degree of division of power extending from highly concentrated to very dispersed institutions, Iran under the Shah and post-revolutionary Iran would be located at the two opposite ends of the scale. Regimes with fragmented powers, such as the current Iranian one, are usually plagued with problems of poor management and governance as well as high bureaucratic and financial corruption due to the numerous parallel institutions of power within the state. Policymaking and policy implementation processes are inefficient and conflict-ridden—rather than streamlined processes—and result in ad-hoc policy implementation schemes. Such regimes are chaotic and seem unstable when they are in fact quite stable—a method of rule I call “managed instability.” As the case of Lebanon demonstrates, too many veto players and fragmented power leads to constant stalemate and political deadlock. The Iranian regime’s strong institutional system of checks-and-balances rooted in its numerous ideological veto players therefore ensures the incorporation of multiple...
power centers within the regime and prevents the formation of full authoritarianism on one hand and democracy on the other.

In contrast, sultanistic regimes, such as the Shah’s Iran,\(^{251}\) are basically single veto player regimes. They represent one-man rule without the institutionalization of other social power centers and effective decision-makers besides the sultan himself. Weak and hollow institutionalization, a narrow social base of support, and a non-existent ideological justification consequently makes these regimes very fragile and susceptible to collapse\(^{252}\)—precisely the quality Iran lacks as it has proven astonishingly resilient in the face of significant social, military, economic and political challenges since the beginning of the revolution.

Given the institutional structure of the regime with multiple centers of power weakly institutionalized in factions and a diverse set of veto playing institutions solidly institutionalized in the organs of the state, it is most likely that any normal and comprehensive plan designed for the country—such as privatization—would be significantly watered-down or altered. This situation results in a drawn-out process of persuasion, power politics, negotiation and compromise, creating a whole new plan of action from the one originally specified:

The plight of planning in Iran has always been the point that plans are not regarded comprehensively and are subjected to fundamental reviews during their process of drawing up, ratification and implementation. That is in such a way that plans neither maintains the views of the formulator nor satisfy the views of those who approve and supervise them. For that reason the implementation of fundamental change in the process of drawing up of a plan was a problem that beset many of the development plans in the country.\(^{253}\)

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\(^{251}\) Chehabi and Linz (1998) categorize the Shah’s Iran as an ideal type for sultanism.
\(^{253}\) Hezbollah Online, January 14, 2009. OSC translated.
The problem would be compounded given an incomplete or unspecified plan that was to enter the decision-making system both in a piecemeal and erratic manner. It was understandable why Ahmadinejad’s conduct would be likened to a “trial and error” approach.

With the predominance of experts espousing liberal economics within the regime who had more comprehensive plans for action more attuned with the proposals of the World Bank and the International Monetary Fund on one hand and Ahmadinejad who disdained such policies and believed in an alternative that had not really been created based on Islam and social justice on the other hand, the resulting program enacted in the economic field became a deviated form of liberal economics. Like the policymaking process of Article 44 described above, the main push within the planning cadres and experts in the regime and the Expediency Council who had pushed for liberal economic policies were able to eventually gain some semblance of their goals in gradual structural adjustment programs. Yet at the same time, Ahmadinejad would also stubbornly push through his own goals within this quasi-capitalistic framework, such as the distribution of justice shares, the establishment and major expansion of formal interest-free Islamic banking (gharz ol-hasana), “kindness” (mehr) loans and housing to the poor and the recently married. Failing to fall within any one economic paradigm, the economic order has become, as a result, a contradictory amalgam and blend of liberalism, socialism and Islam. In other words, while it has incorporated elements of each thought, a comprehensive system based on a single comprehensive philosophical or ideological position does not exist.

As both these positions illustrate, ideas and worldviews shaped strategies and plans—defined and channeled interests towards particular paths and outcomes. Moreover, the plans of these diverse factional visions and interests, embedded within the different decision-making and veto-playing institutions of the state, would be re-molded and re-configured into new policy
platforms as they passed through the multiple institutional layers of the regime. Negotiations and compromise, revisions and editing, would create something new reflective of these different visions and interests but not aligned to any one particular group. An eclectic and ad hoc program, without a comprehensive, well-planned and rigorous theoretical base, is produced by these inevitable institutional interactions. The implementation stage involved another contested phase of politics in which one particular strand of this eclectic program would be emphasized over the others, depending on the factional composition of the executive or body charged with implementation. As a result, as Brumberg and Ahram explain:

Such an institutional array makes the ultimate triumph by the state over society, a turn to the lotus-eating arrangement typically envisioned in economic determinists, unlikely. Rather, such an arrangement encourages repeated iterations of competition, repeated attempts to renegotiate and refashion the pact binding societal elite to the state.

Consequently, the institutional configuration of the regime both prevents the monopolization of power by any one group—leading down the road to authoritarianism—and inhibits the push to democratize the regime from within. The Islamic Republic has thus come to represent a durable hybrid regime.
Part III

Elaborating the Paradigm
Chapter 6: Regime Change and Survival in Comparative Perspective

While Iran demonstrates the mechanisms undergirding hybrid regime durability, the focus of this chapter is on hybrid regime transformations to democracy and authoritarianism instead. In particular, the chapter begins with a case study of another guardian regime—Turkey—that has today largely democratized. As my analysis will reveal, Levitsky and Way’s concept of “linkage and leverage” is crucial for explaining the particular path the Turkish regime has followed.254 The pull of the EU to accept Turkey as an official member significantly curtailed the country’s guardian veto powers and allowed the piecemeal reform of its tutelary institutions. Institutional infiltration and role modification, moreover, proved to be the dominant mechanisms in which guardian bodies were transformed overtime into relatively benign or at least more democratic institutions.

In contrast, Russia serves as a case study for hybrid regime transformation to authoritarianism. It was an illiberal, non-tutelary hybrid regime in the 1990s that slowly became an authoritarian regime in the 2000s under President Vladimir Putin’s rule. The regime’s asymmetric institutional architecture places disproportionate power in the hands of the presidential veto player in comparison to other institutional veto players. Overtime, the president’s “gatekeeper” ability to provide and deny access to rents for the elite coupled with the Kremlin’s centralization efforts to weaken and dismantle regional veto players resulted in the monopolization of the electoral arena by a single faction—United Russia. The existence of multiple centers of power within the regime and the unstable and chaotic policymaking dynamics that characterized Russia in the 1990s as a hybrid regime, consequently, has given way to a

254 Levitsky and Way 2010.
single hegemonic power across regime institutions and a streamlined and relatively more efficient policymaking process under authoritarianism.

In addition, in both the Turkish and Russian analyses, as in my study of the Iranian regime, I will be looking at how the policymaking process of economic privatization is shaped by the institutional configuration of each regime. On one hand, privatization serves as a standard case of strategic institutional change that can be compared across these cases. It will thus provide a more methodologically sound method of comparison and will better help to elucidate the broader mechanisms of regime transformation in each country’s political sphere. On the other hand, privatization has typically been advanced through the strengthening of executive power and their impetus for implementing painful and difficult reforms across their regimes. My analysis will therefore reveal the importance of leadership restraint in precisely these instances of executive push for change.

Writing on the economic reforms of the post-communist countries, Joel Hellman insightfully concludes by stating:

One of the fundamental tenets of the politics of economic reform has always been to create a constituency of winners with a stake in sustaining and advancing the reform process…Yet a comparison of the postcommunist transitions suggests that the winners can do far more damage to the progress of economic reform than the losers. As a result, the success of economic reform depends both on creating winners and on constraining them. Paradoxically, the most effective means of constraining the winners in the postcommunist transitions has been to guarantee the political inclusion of the very constituency that most existing political economy models seek to exclude: the short-term losers of reform.\(^{255}\)

The ability to constrain and to provide for an effective manner of political inclusion squarely rests in institutional design. And just like economic reform, more stable political reform should also include both the winners and losers of the process. Turkey and Iran, as guardian regimes, enact significant executive constraints and checks-and-balances when undertaking

\(^{255}\) Hellman 1998: 234. (Italics mine)
privatization—integrating both winners and losers in the policymaking process. Russia, however, demonstrates single-handed rule—using both coercion and cooptation—to push through economic reform, especially after its new 1993 constitution which significantly strengthened the power of the president. The differences of regime institutional configuration are therefore significant in explaining why Russia ceased to be an electorally competitive regime in contrast to Iran and Turkey.

Turkey

The Republic of Turkey has been the world’s most durable hybrid regime, lasting for 50 years from 1961 to 2010. Its longevity has remarkably been more than 4 times the average of hybrid regimes and more than 6 times the average of all tutelary hybrid regimes. Competitive electoral politics and non-democratic rule continued to mix over a long period of time, weathering multiple economic and political crises. Nevertheless, Turkey underwent democratization in the new century, slowly weakening and dismantling its guardian players to finally become a democracy in 2011.

Turkey, moreover, like Iran, was a guardian regime with an ideologically dominant military intervening in state politics. The role of the military was critical in the foundation of the modern state of Turkey, and it has considered itself as a guardian of the Turkish state ever since. The military, for example, has undertaken 4 coups d’états throughout this period: 1960, 1971, 1980, and the soft coup of 1997. It also established in the post-coup 1961 constitution a key tutelary institution that would serve as the main body from which the military would interfere in politics and would act as the main guardian institution of the regime: the National Security Council (Milli Güvenlik Kurulu). Overtime, the powers of the National Security

\[^{256}\text{See Shambayati (2004) for a comparison of the Iranian and Turkish regimes.}\]
Council were augmented until its most expansive condition being enshrined in the post-coup 1982 constitution that continues to be in use to this very day. As Sakallioğlu explains, this configuration resulted in “a dual system of executive decision making” between elected civilian—who were popularly elected albeit vetted—and the military.²⁵⁷

The “guardian mentality” of the Turkish military is rooted in the ideology of Kemalism elaborated by the founder of the modern Turkish state: Mustafa Kemal Atatürk.²⁵⁸ Kemalism rests on six fundamental pillars, or the “six arrows”, which are nationalism, republicanism, laicism, populism, reformism, and étatism (statism). Since the beginning of the Cold War until today, the military has been “protecting” the Turkish state from different existential threats emanating from communism, Kurdish nationalism, or political Islam. Demirel states:

The Turkish military…came to perceive itself as the sole custodian of the Republican State and its underlying values. It is the guardian not only against external enemies but also internal ones. It imagines that internal enemies arose since civilians became at best indifferent to them [the enemies] or at worst actually encouraged them.²⁵⁹

The lack of the military’s trust in the people and in civilian officials who may not really know what is best for the interests of the country, therefore, has always made it difficult for the military to accept civilian supremacy and only further bolsters its guardianship mentality.

The Turkish judicial system was also institutionalized as a tutelary body primarily in the Constitutional Court (Anayasa Mahkemesi). It has the power to both ban political parties and prosecute the highest officials of the Turkish state. Its eleven members are appointed by the president—who has predominantly been of military background—from the nominations of other state courts, including two military courts, and civil bureaucracies. As a result, elected government officials have little say in the composition of the body. Revealing its true nature, in

²⁵⁷ Sakallioğlu 1997: 158.
the opening session of the Court in 1993, the chief justice declared that “the Constitutional Court was the guardian of the regime.”\textsuperscript{260} The Court, moreover, would serve a key veto player constraining executive power and strengthening regime checks-and-balances. It would be particularly active in the country’s policymaking and policy implementation process of privatization, the topic of the following section.

**EconomicPrivatization in Turkey**

Turkey was one of the first countries in the developing world to embark upon an economic privatization drive. With the military coup d’état in 1980, the ruling military council remarkably transformed the economic vision of the state based on a heavily statist doctrine to that of a free market neo-liberal one, thus initiating deep structural reforms in the country. Economic privatization represented the key component of these plans, and it would officially become state policy in 1984 with the coming to power of the first post-coup civilian government under the leadership of Turgut Özal. Throughout this sensitive period of economic reform, international financial institutions, particularly the World Bank and the International Monetary Fund, would come to provide Turkey with significant financial support and technical assistance in the hopes of turning the country into a successful model of privatization.\textsuperscript{261}

Paradoxically, however, given the seemingly opportune climate for undertaking such a strategic case of institutional change, Turkey has experienced one of the most drawn out and sluggish privatization efforts in the world despite its government’s intended efforts in accomplishing the task.\textsuperscript{262} At least in terms of the size of divestiture, no significant privatization of state enterprises occurred until 2005—more than twenty years after the state formally began

\textsuperscript{260} Quoted in Shambayati 2004: 263.  
\textsuperscript{261} Öniş 1992: 10.  
\textsuperscript{262} World Bank 1995; Ercan and Öniş 2001.
ceding its economic assets (See Figure 16). In the decades between 1985 and 2004, the value of privatization was a dismal 9.4 billion US dollars. In contrast, between 2005 and 2010—in only five years—the value of privatization drastically spiked to 32.2 billion US dollars. As a result, prior to 2005 the revenues from the Turkish privatization program represented only 22.6 percent of the state’s total privatization revenues achieved through 2010 (see Figure 17).

Turkey’s efforts in undertaking institutional change, in other words, fell quite short of success in the pre-2005 period.

Figure 16. Turkish Privatization Revenues, 1985 – 2010

Similar to Iran, intra-state political struggles and institutional conflict within the Turkish regime—particularly with the intervention of tutelary veto players—negatively impacted the nature of policymaking and policy implementation in the country’s privatization drive. As Ercan and Öniş explain, the “Constitutional Court, a key institution of the state apparatus’s legal arm,

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263 Privatization Administration, Republic of Turkey Prime Ministry; and the State Planning Organization.
has emerged as a critical institutional vehicle in creating obstacles for the privatization program.\textsuperscript{264} The institutional structure of the regime has thus impeded effective government planning and produced chaotic, ad hoc management decisions. Eventually, the structural pull of the EU was critical for expediting Turkey’s economic reform plans and pushing the country to finally privatize in 2005. The power of the EU, therefore, successfully countervailed the institutional logic of the regime’s guardian institutions.

**Figure 17. Comparison of Turkish Privatization Revenues Before and After 2005**

\begin{figure}\centering
\includegraphics[width=\textwidth]{figure17}
\caption{Comparison of Turkish Privatization Revenues Before and After 2005}
\end{figure}

\textbf{Özal’s Push for Reform}

In an effort to streamline and manage the difficult process of strategic institutional change, Turgut Özal attempted to re-structure and transform the institutional dynamics of the

\textsuperscript{264} Ercan and Oniş: 120.
Turkish regime through the creation of a strong and unbridled executive. His mode of governance as Prime Minister in the 1980s was consequently characterized by his attempted rule by decree and his disdain for republican institutions—such as the parliament—that could impede the actualization of his economic vision. Indeed, Özal was one of the key architects of Turkey’s economic reform plans even before he became the head of government, and he served as the Deputy Prime Minister of Economic Affairs under the non-elected interim government established after the 1980 coup. He had previously been the Undersecretary of the State Planning Organization between 1967 and 1971 and thereafter a skilled manager at both the World Bank and in the Turkish private sector. As a moderately Islamist figure, however, Özal was elected as the Prime Minister when his Motherland Party (ANAP) won approximately 47 percent share of seats in the November 1983 parliamentary elections to the surprise of the military, and he would later become President in 1989 up to his unexpected and suspicious death in 1993.

Özal issued Decree-Law No. 233 in 1984—his first year in office—to expand his administrative power. It not only increased the executive’s control over state owned economic enterprises but more importantly circumvented legislative veto power in regards to privatization. The Council of Ministers was granted the right to make any decisions in regards to the privatization of state enterprises without parliamentary review or approval. The same year, Decree-Law 2983 established the Housing Development and Public Participation Administration (HDPPA) as the principal body charged with implementing privatization. Per a layering process of institutional change, it was created to by-pass the power of pro-statist civilian institutions and bureaucracies and to further concentrate power in the office of the Prime Minister in order to

266 For a more detailed examination of Özal’s biography, see Öniş 2004.
efficiently implement privatization. The HDPPA’s budget was not subject to parliamentary control either—reflecting another political trend under the Özal administration by which the government resorted to unsupervised extra-budgetary funds.

Despite the attempts at weakening the checks-and-balances of the regime, however, the institutional push to expedite privatization may have more likely created a stronger oppositional backlash to the government’s privatization program. Even though the power of the Prime Minister was significantly expanded, the institutional configuration of the regime still prevented the emergence of an excessively strong and unchecked executive found in some presidential systems. On one hand, that Turkey was still a parliamentary system meant that the parliament played an important role in balancing the different forces of the regime. Also, the opposition parties in the legislature were important players who were able to hinder—or at least significantly delay—the privatization plans of the country. And with the legislative electoral turnover in 1991, the new coalition government of the True Path Party and the Social Democratic Populist Party would bring their largely anti-privatization views to the fore. At the same time, ANAP was not united fully behind privatization, as its liberal wing was supportive and its Islamic conservative wing was critical of the plans.

On the other hand, as in Iran, Turkey’s tutelary veto players were paramount for checking and circumscribing executive power. The Turkish legal system would provide the opposition parties the means to counter privatization through recourse to two important tutelary veto players—the Council of State as well as the Constitutional Court. Since the country lacked a comprehensive legal framework for privatization and the policymaking process was limited to the executive without legislative participation and negotiation, the judicial veto players could

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267 Ercan and Öniş 2001: 118.
easily block the president on legal grounds. The court system therefore frequently rendered the Prime Minister’s power to rule by decree useless.

Some of the court decisions, moreover, proved to be very embarrassing for the government and negatively impacted the political climate for undertaking privatization. The privatization of the Citosan cement company to a French firm and the USAS aircraft catering company to a Swedish firm serve as useful examples, as will be described below.\textsuperscript{269} A common method of privatization used by Özal and which significantly fuelled the opposition was the selling of state enterprises in the form of bloc sales to international firms. Not only did privatization consequently undermine the étatist model favored by the Kemalist elites and labor unions, but privatization—referred to as “foreignization” by its critics—came to be seen as a threat to the very independence and national security imperatives of the country.

The Citosan and USAS deals resulted in a lawsuit being filed against the HDPPA by the opposition parties. In 1990, the lower court declared both deals as null and void because bloc sales to foreigners contravened the executive’s previously declared guidelines to favor nationals for privatization. Despite the government’s appeal to the country’s highest administrative court and its rescinding of such previous guidelines, however, the Council of State upheld the cancellation of the deals and ordered the return of the companies to the state. The government would consequently be forced to rethink its strategy for privatization—if it even had one to begin with. As Kjellström writes for the World Bank in 1990, “the strategy today is not very clear, improvisation and ad hocery persist.”\textsuperscript{270} This is while the blocking or cancelling of privatization sales by the Constitutional Court would continue even into the new century.

\textsuperscript{269} Kjellström 1990: 30-31.
\textsuperscript{270} Ibid.: 52.
**Policymaking in a Guardian Regime**

The policymaking process in the 1990s was also marked by a chaotic and ad hoc decision-making style. It was a difficult time period for Turkish privatization because of the inherent political instability in government due to the fragmented political system. There was constant turnover in parliament—both electoral and even non-electoral because of the 1997 “soft” coup—with successive coalitions being forged and broken between diverse political parties. Partisan veto players within the legislature would thus have significant impact on policymaking as well. Due to the frequent political fluctuations in power, however, it would mostly be a negative one, further contributing to the absence of an overarching vision and plan for privatization. Directly reflective of these political conditions, there was very high turnover in the top managerial personnel in the Privatization Administration (PA), the institutional successor to the HDPPA.  

Between 1993 and 1997, for example, the average length in office of the President of the PA was 5.25 months. The volatility was even more extreme for the office of the PA Vice-President. From 1995 to 1997, the PA incredibly witnessed 30 different Vice-Presidents enter and leave office. 

Intra-regime conflict increased uncertainty over the direction of privatization and inhibited any significant privatization sales in this decade like its previous one. As Ercan and Öniş explain:

> In this type of environment, intra-bureaucratic conflicts between established layers of the state (for example, the Constitutional Court) or the bureaucracy (for example, the Treasury or the Ministry of Finance) and the newly formed bureaucratic units emerge as a striking obstacle to the smooth implementation of the reform process.  

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271 Ercan and Öniş: 125. Data is from the Privatization Administration, Republic of Turkey Prime Ministry.  
272 Ibid.: 111.
Such a dynamic would even be evident—contrary to the expectations of many—with the eventual creation of a legal framework for privatization under the Privatization Law of 1994 (Law 4046). Many expected the Constitutional Court to be much more constrained given the new law, but its interventionist role only continued.

In regards to the privatization of the country’s telecommunications sector, for example, the Constitutional Court set its objective on a different set of laws—the Telecommunications Law of 1994 and 1995—ruling them to be in violation of the Constitution. The laws lacked detail on the institutional bidding and valuation procedures for telecommunications firms.\textsuperscript{273} Related clauses within the Privatization Laws were consequently annulled as well. The Privatization Law was again amended in 1997 in an attempt to address the issue—representative of the reiterative and uncertain policymaking process.

While problematic for an efficient and speedy implementation of the privatization program, however, the intervention of the Constitutional Court nevertheless was beneficial to the incorporation of multiple centers of power within the Turkish regime and for ensuring the institutional continuity and boundaries of the hybrid regime. Throughout the policymaking and implementation stages of privatization, one of the principal concerns of the Court was “the preservation of parliament’s ultimate authority…and avoidance of arbitrary administrative preferences.”\textsuperscript{274} The Court therefore directly strengthened the regime’s checks-and-balances for its own interests—it had to prevent any one group or party from gaining too much power at the expense of its own.

\textsuperscript{273} Ibid.: 122.
\textsuperscript{274} Celasun and Arslan 2001: 243.
The disdain for privatization in the tutelary echelons of the regime is also rooted in the Kemalist ideology of the state. As one of the six principles of Kemalism being étatism, state owned economic enterprises are viewed as the defenders of the national interest and it is the state rather than the private sector that can best serve the nation. The Constitutional Court, therefore, is the guardian of this particular ideological viewpoint. The Court was however also intent on safeguarding the state’s sensitive and strategic assets, particularly those believed to be important for national security. It thus favored a piecemeal, case-by-case review and legislation style for the sale of state-owned economic enterprises—further elongating and complicating Turkey’s privatization.

Forging Change: The Importance of Linkage and Leverage

Turkey’s eventual success in proceeding with privatization in the 2000s is due to a confluence of factors. First, the country’s economic crisis at the turn of the century (2000-2001) was key to instigating the government to significantly alter the economy and to draft new and more comprehensive privatization laws. These changes were also partly due to the stringent stipulations the IMF would place on Turkey for undertaking reform. Moreover, the rise to power of the Justice and Development Party (AKP) in 2002 with a nearly two-thirds share of parliamentary seats created a strong unified government that could withstand opposition and streamline effective policymaking and implementation. Another important yet related reason was that the tutelary veto players of the regime were significantly weakened or democratized from within—as will be discussed in the following section. As a result, the AKP has had near

276 Celasun and Arslan: 243.
277 Öniş 2011.
monopoly power to undertake privatization without any serious countervailing checks. And
lastly, the legal framework suitable for privatization had been finally established.

While the latter point was in part the result of the Constitutional Court’s efforts at curbing
privatization in the previous two decades by demanding more detailed and coherent laws, there
was another important reason as well. The pull of gaining accession to the European Union
provided a crucial mechanism that directly altered the country’s economic and privatization
program.\textsuperscript{278} The EU not only dictated how the country’s laws and legal framework on
privatization had to be altered, but it also provided Turkey—and its diverse political elites more
precisely—with the necessary incentives to actually move in a liberalizing direction.

Indeed, the impact of the EU on Turkey’s privatization drive was present from the very
first legal framework on privatization drafted in the country. The Privatization Law of 1994 was
in fact largely a result of “the obligations imposed by Turkey’s entry into the Customs Union
with the European Union,” and it also required the country to establish a Competition Board to
regulate the liberalizing and privatizing economy.\textsuperscript{279} Turkey had formally applied to be a
member of European Community on April 14, 1987, with the Community responding two years
later that “it would not be useful to open accession negotiations with Turkey straight away.”\textsuperscript{280}
Rather, it was imperative that Turkey gradually prepare itself to be considered an EU candidate
both in the economic and political realms. Turkey’s entry into the Customs Union in 1995—
which removed tariffs and restrictions on EU imports—was one of these steps,\textsuperscript{281} and strikingly
the Islamist and anti-privatization Refah Party, which gained the largest seat share in parliament

\textsuperscript{278} See Aybar, Ficici, and Kizil (2006) for an in-depth discussion on the positive role of the EU on Turkish
privatization.
\textsuperscript{279} Ercan and Öniş: 116.
\textsuperscript{280} European Commission Report 1998: 5
\textsuperscript{281} Öniş 2011. Also, Arikan (2006) provides a detailed account of Turkish and EU perspectives on the significance
of the Customs Union.
as well as the position of the Prime Minister under Necmettin Erbakan in 1996, agreed to abide by the terms of the treaty. The EU, moreover, strongly encouraged Turkey’s privatization drive and in its Agenda 2000 declaration in 1997 called for greater economic cooperation, particularly in the energy and telecommunications sectors that happened to be the country’s next stage of privatization.

Eventually, in 1999, privatization was surprisingly added to the Turkish Constitution for the first time through a two-thirds majority vote in parliament to modify Article 47—leading to a change in the international climate. The Helsinki European Council’s approval of Turkey as an official EU candidate country in December 1999 provided critical support and external pressure for proceeding with the privatization drive. Moreover, at the same time, the IMF provided Turkey with a 4 billion dollar credit agreement to ensure the country’s commitment to structural reform. Consequently, as can be seen in Figure 1, Turkey’s privatization rate in 2000 was significantly higher than any year since the launch of the program. Privatization collapsed the followed year, however, as a result of the financial crisis. The IMF’s May 15th 2001 program was enacted as a more expansive version of the 1999 agreements. Not only did it reinforce privatization as part of comprehensively planned economic restructuring program, but it also took into consideration the key commitments and changes Turkey needed to make to the economy in order to be considered for EU membership.

Eventually, direct negotiations between the EU and Turkey began in 2005. This year marked both a dramatic rise in foreign direct investment in the country as well as the take-off of privatization. The revenue from privatization sales in 2005 exceeded the combined value of all

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283 Ercan and Öniş: 129; Öniş 2011: 718.
privatization revenues since 1985 (Figure 1). Important companies within the energy sector were sold, including PETKIM, a petrochemical company, and TUPRAS, an oil company. The initial sale of TUPRAS to Efremov Kautschuk GMBH, a company formed by the partnership of Zorly Holding of Turkey and Tatneft of Russia, in 2004 was canceled by the Council of State. It was sold the following year however to the Koç-Shell Group for approximately 4 billion dollars.\textsuperscript{286} The sale of Türk Telecom to Oger Telecom Joint Venture Group in 2005 for 6 billion dollars was another very significant development. Oger Telecom is owned by Saudi Oger Limited—a Saudi partnership with the Rafik Hariri family of Lebanon—as well as the Italian firm Telecom Italia. Both the general privatization and the specific sale of these large enterprises to international firms—albeit in cooperation with domestic firms at times—marked a drastic change in political climate for privatization. The trend of such high privatization sales continued up to 2008 and relatively declined in the years afterward. The economic arena, however, was not the only scene witnessing significant institutional change at this time. Perhaps even more importantly, the political field was changing as well.

**Democratization through Tutelary Infiltration**

Parallel to these extensive privatization efforts in the new century, Turkey would also experience strategic political transformation due to—first and foremost—the impact of the EU. As democratic commitments, the rule of law, and human rights are important criteria for admission to the EU under the Copenhagen criteria besides a functioning market economy, Turkey needed to reform and democratize two of its most important tutelary bodies representative of the military and judicial veto players. These were none other than the National Security Council and the Constitutional Court respectively.

\textsuperscript{286} Ibid.: 20.
The National Security Council

The National Security Council (NSC) was one of the first institutions identified by the EU in need of reform. In the EU’s first annual report on Turkey’s progress towards accession in 1998, the commission finds the civil-military relations in the country as a “cause for concern.”\(^{287}\) It states that the Turkish “National Security Council demonstrates the major role played by the army in political life. The army is not subject to civil control and sometimes even appears to act without the government's knowledge when it carries out certain large-scale repressive military operations.”\(^{288}\) Of course, such a condition would be highly problematic for Turkey’s acceptance into the EU. Proper and democratic civil-military relations are necessary for any serious consideration of accession. The National Security Council would thus have to be abolished or significantly transformed after having been at the pinnacle of state power since 1961. In the face of such threats to its power, General Hüseyin Kıvrıkoğlu, Chief of General Staff of the Turkish armed forces, declared that “if necessary the guardianship role of the military over politics in Turkey would continue one thousand years!”\(^{289}\)

A European Parliament (EP) resolution issued in 2003, however, explicitly called for just such a change. The EP’s declaration, in accordance with the Copenhagen criteria on state institutions, included three separate points (Numbers 7, 8, and 9) on the topic of civil military relations, stating that it:

7. Notes that the army maintains a central position in the Turkish state and society; notes with regret that the army’s excessively important role slows down Turkey's development towards a democratic and pluralist system, and advocates that Turkey must take advantage of its present government, with its strong parliamentary support, to elaborate a new political and constitutional system, which guarantees the principles of a secular system without military supremacy above civil institutions, so that the traditional power of the bureaucracy and the

\(^{288}\) Ibid.: 14.
\(^{289}\) Quoted in Heper 2002: 57.
army (the 'deep State') can resume the forms which are customary in the Member States;

8. Considers that, in the context of state reform, it will be necessary in the long term to abolish the National Security Council in its current form and position in order to align civilian control of the military with the common practice in EU Member States; realises that the desired structural change will be very hard to accept;

9. Proposes that the military representatives should withdraw from civilian bodies such as the high councils on education and the audiovisual media, in order to ensure that these institutions are fully independent; urges the Turkish authorities to establish full Parliamentary control over the military budget as a part of the national budget.\(^{290}\)

The statements above highlight two different methods for dismantling the guardians of the Turkish state. The first is to undertake internal change to the main veto playing institutions—here the National Security Council. The second is role modification as well as limiting the extent and reach of such a body from interfering in other domains of activity, such as education and media.

Institutional “infiltration” would be a key mechanism for transforming the National Security Council from within. According to the 2000 report by the European Commission, debate had begun in Turkish military and political circles on the idea of changing the internal structure of the NSC by increasing the number of its civilian members. Military members, in other words, would be given a minority position within the tutelary body. In 2001, the Turkish parliament adopted a package of 34 amendments to the 1982 Constitution, established after the military coup d’état of 1980, as part of the country’s harmonization plans with the Copenhagen criteria, and the reform of the National Security Council was included within the package. Article 118 on the composition of the body was amended, stipulating that the number of civilian

members be increased to nine from the original five members.\textsuperscript{291} The number of military seats would remain constant at five. Moreover, the new edited version of the law emphasizes the “advisory nature” of the body whereby government should “evaluate” the NSC’s proposals rather than give them “priority consideration.” Paradoxically, however, the power of the NSC was increased in the High Audio-Visual Board (RTÜK) through the gaining of a board seat, while the power of parliament was weakened in the same body.

In August 2002, in a new and significant development further indicative of the infiltration mechanism of change, General Hilmi Özkök—representative of the pro-reform and pro-EU elements in the military—became Chief of General Staff of the Turkish armed forces. Özkök was instrumental in the reform process of the National Security Council, and he impacted the entire military apparatus by “retiring” hardliners and appointing military reformers in key positions.\textsuperscript{292} Arie Oostlander, the European Member of Parliament involved in writing the Commission reports, highly praised the positive role of Özkök in the reform process and interestingly described his role as the “intelligent Supreme Commander.”\textsuperscript{293} Moreover, Özkök launched an ideological campaign within the military in order to contest the hardliners’ ideological position.

A re-interpretation of Atatürkism would be necessary for transforming the guardian nature of the military as it was in the name of Atatürk that the military undertook political interventions. Özkök considered Kemalism as a flexible world view rather than a closed ideological system and called for greater intellectual innovation and foresight within the

\textsuperscript{292} Thomas (2005: 42, 46-49) provides a detailed account of both General Özkok’s role in the reform process as well as the larger dynamics of institutional change in the National Security Council due to the EU accession plan.
\textsuperscript{293} Quoted in Thomas: 42.
military. Working within the dissonant principles embedded within the ideology, he supported a Kemalism of critical thinking that would enable Turkey to catch up to contemporary civilization and attain true liberal democracy. Indeed, it is the ideological bind in which the military finds itself that prevents the institution from using its veto power for blocking reform. Its Kemalist legitimacy is rooted in the state-building project of modernizing and Westernizing (Europeanizing) Turkey. For the military to stand in the way of Turkey’s accession to the EU would be to undermine its normative mission and hence eliminate the grounds for its very existence as a national guardian.

One of the hardline figures purged by Özkök was General Tuncay Kilinc, the Secretary General of the National Security Council. Kilinc was very critical of the changes being made to the tutelary body, and his dismissal came on the heels of the seventh Harmonization package passed by parliament in July 2003 in continuation of the reforms being made to the Turkish political system. The new round of reform, more strikingly, ignored the views and position of the NSC and its Secretary General in pushing for change. The passage of the more expansive harmonization policies also took place under a new parliament. The November 2002 elections represented an electoral turnover as the AKP won 363 seats in the legislature—only 4 seats short of a two-thirds majority. It also marked the first time since 1987 that the government would be ruled by a single dominant party. Nevertheless, the new reforms were not developed in parliament but were rather a product of the negotiations between the Prime Minister and the military, particularly the Chief of General Staff, over a set of tutelary exit criteria.

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295 See Sarigil’s (2010) argument on how the ideological position of the military delegitimized its possible use of the veto for blocking reform despite strong opposition by key military figures to altering the function and composition of the National Security Council.  
296 Kilinc would later be detained and released in 2009 as part of the Ergenekon investigations into an alleged coup attempt.
The 2003 harmonization package included several fundamental changes to the National Security Council.\textsuperscript{297} The position of the Secretary General is no longer exclusively reserved for the military, meaning that a civilian can lead the body. It was however agreed upon in negotiations to extend the military’s control of the position for one more year—with a civilian finally being appointed as the head of the NSC in August 2004.\textsuperscript{298} The position is appointed by the President after the Prime Minister proposes a candidate. Furthermore, the power of the Secretary General was simultaneously diminished in 2003 as its executive and supervisory powers were rescinded. “In particular, the provision empowering the Secretary General of the NSC to follow up, on behalf of the President and the Prime Minister, the implementation of any recommendation made by the NSC has been abrogated. Other provisions authorising unlimited access of the NSC to any civilian agency have also been abrogated.”\textsuperscript{299} These laws were turned into regulation in 2004, stipulating that the Secretary General could neither undertake national security investigations on its own accord nor control the special funds belonging to the Council, which were allocated to the Prime Minister instead. The following provision was also rescinded from extant regulations: “the Ministries, public institutions and organizations and private legal persons shall submit regularly, or when requested, non-classified and classified information and documents needed by the Secretariat General of the NSC.”\textsuperscript{300} The number of NSC staff members was reduced as well.

The 2001 amendments stipulating the advisory and consultative nature of the National Security Council—rather than its guardian one—was made into law in the 2003 harmonization package, and the statement that “the NSC will report to the Council of Ministers the views it has

\begin{footnotes}
\fnt{300} European Commission Report 2004; 22.
\end{footnotes}
reached and its suggestions” was omitted from the Law on the National Security Council. The scheduled meetings of the NSC were also reduced from once a month to once every two months. Moreover, the representative of the tutelary body in the Supervision Board of Cinema, Video and Music was eliminated, thus curtailing one aspect of the guardian’s reach. Its position within the High Audio-Visual Board and the High Education Board (YÖK) remained however until new laws passed in 2004 eliminated its seat share.

In regards to financial control and transparency, the Court of Auditors is now allowed to audit the economic activities of any state property or enterprise belonging to the armed forces given the approval of parliament. “A constitutional amendment adopted in May 2004 deletes the exemption of the ‘state property in possession of the Armed Forces in accordance with the principles of secrecy necessitated by national defence’ from the control of the Court of Auditors. The military’s autonomy over its budget as well as its two extra-budgetary funds would be further diminished in 2004 but would not fall under actual parliamentary supervision until 2011 after the Law on the Courts of Account was passed in December 2010. One of the extra-budgetary funds, the Foundation for Strengthening the Armed Forces, would however still be exempt from audit; the Defense Industry Support Fund would not. It is interesting to note that these financially significant foundations were initially slated to be entirely disbanded by December 31, 2007, but this has yet to occur.

With these significant institutional changes, the balance of power between the civilian government and the military firmly shifted to the side of the civilian institutions for first time in the history of modern Turkey. The EU Commission reports, however, still spoke of the

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continued political power and influence of the military through “informal mechanisms.” For example, while the state of emergency was lifted in Southeastern Kurdish region of Turkey in 2002, the military continued to have autonomy over military and war-making decisions while the parliament had no mandate to make policy on issues of security and defense. The existence of a secret protocol on military operations was of particular concern to the EU. A product of the 1997 military “soft coup” period, the protocol of the Security, Public Order and Assistance Units, called EMASYA, allowed military operations to be carried out without the permission or awareness of civilian authorities. The protocol would not be disbanded despite EU criticisms until 2010.

Moreover, the legal framework of civil-military relations continues to give an expansive scope to the understanding of security, thereby indirectly providing the military with the ideological legitimacy to interfere in politics. Article 35 and Article 85.1 of the Turkish Armed Forces Internal Service Law states that the military must protect the Turkish Republic on the principles of the Constitution including territorial integrity, secularism, and republicanism. Article 2a of the National Security Council Law has an even broader application of the military’s duty to protect the country, the text of which follows:

National Security means the protection of the constitutional order of the State, its nation and integrity, all of its interests in the international sphere including political, social, cultural and economic interests, as well as the protection of its constitutional law against all internal and external threats.

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As evidence for the military’s continued political interference, the General Staff “directly intervened” in the 2007 presidential elections of Abdullah Gul, the first openly pious Muslim president of the country and whose wife wore a headscarf. The military openly expressed its concerns over the weakening of the country’s secular foundations. As others have thus argued, further improvement of civil-military relations depends on increased ideological change within the military. The idea and value of guardianship over all aspects of the Turkish nation are still heavily embedded within the organizational culture of the military institution. While the institutional changes that have dismantled tutelary bodies have basically led Turkey to a democratic political system from a hybrid one, the continued resiliency of a guardianship sense of duty can be problematic for the consolidation of democracy in the country and still leave the door open to the possibility of legitimate military intervention in the future.

The Transformation of the Constitutional Court

After the National Security Council, the Constitutional Court would also be transformed through institutional infiltration. In the latter’s case, however, because of opposition by the Republican People’s Party (CHP) and the failure to gain a two-thirds vote in the parliament to pass the needed Constitutional amendments, the AKP was forced to hold a public referendum on the bills. A referendum is possible with the approval of 60 percent of parliament, which the AKP had. The results of the September 12, 2010 elections moreover demonstrated the polarized state of Turkish society over these changes, but it nevertheless paved the way for the Constitutional revisions, with approximately 58 percent voting in favor and 42 percent opposed.

The new amendments significantly altered the country’s judiciary branch. Importantly, the structure of the Constitutional Court was modified to make it more representative of society

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311 For example, see Demirel 2004 and Sarigil 2011.
and the legal community. The revision of Article 146 together with the Law on the Constitutional Court adopted in March 2011 increased the number of Court members to 17 from the original 11 members. The President chooses ten of them from the candidates nominated by the Council of State, the Court of Cassation, the Military Court of Cassation, the Military Supreme Administrative Court, and the High Education Board, and another four are chosen directly by the President from senior lawyers, administrators, and rapporteur judges of the Constitutional Court. \(^{312}\) The remaining three members are elected by Parliament by a simple majority vote. Two of the judges nevertheless still remain military judges.

The 2010 amendment on Article 159 also increased the seats of the High Council of Judges and Prosecutors from 7 to 22. Moreover, per revised Article 145, military courts could not try civilians except at time of war, and civilian courts could try military personnel. This move represented a gradual continuation of the policies to curtail the military and security court system. For example, military judges were replaced by their civilian counterparts in State Security Courts in 1999, while the State Security Courts system was officially abolished in 2004 as they were transformed into High Penal Courts that were authorized to handle only cases of organized crime and terrorism.

In regards to social and political laws, the 2010 amendments abolished the ban on general strikes, and gave civil servants collective bargaining rights. An amendment to limit the banning of political parties, however, was not placed on the referendum as it did not gain majority support in the parliament. Banning parties, however, would be still more difficult as it now requires a two-thirds vote of the Constitutional Court rather than a three-fifths vote. Parliamentary members of newly banned parties, furthermore, would be able to retain their seats until the expiration of their term.

One of the most important weaknesses in the democratization process of the Turkish state is the inherit violation of freedom of speech and expression enshrined in the Constitution. Article 301, for example, makes it illegal to publically denigrate “Turkishness” or any of the state’s institutions, including the military, the judiciary, and the legislature. Punishment for such a crime would result in six months up to three years of jail time. The law is not a mere formality but is extensively used to silent dissent. According to the European Commission Report, there were 9,000 prisoners due to crimes of speech in Turkey in the year 2001 alone.\(^{313}\) Article 301 was amended, however, in 2008 to make it more difficult to persecute individuals. The permission of the Ministry of Justice would be necessary to file a complaint, the maximum jail time was reduced to two years, and the word “Turkishness” was replaced with “Turkish nation.” The status of free speech, however, has only declined throughout the decade. According to the Reporters Without Borders’ Press Freedom Index, Turkey was ranked 148\(^{\text{th}}\) in the world out of 179 countries.\(^{314}\) In 2002, it was ranked 99\(^{\text{th}}\) however. Figure 18 represents the trend of press freedom for Turkey between 2002 and 2011.

The worsening situation of free speech is interestingly less related to the guardian powers but rather to the authoritarian creep Turkey may be experiencing with the AKP’s growing monopolization of the political scene after the dismantling of its guardian institutions. Democratic consolidation is critical for Turkey to prevent it from reverting to not just a hybrid regime but to an uncompetitive non-electoral authoritarian regime. A new presidential constitution that is currently being discussed in Turkey would be a step in the right direction as it would increase the veto powers of the regime at the standard level—in contrast to the meta level—and create a more effective system of checks-and-balances. Of course, the new

institution of the president must not be made too powerful as it will also risk creating an authoritarian system as has been the case with Russia, to which we will now turn our attention.

**Figure 18. Freedom of Press Ratings in Turkey, 2002 – 2011**

![Graph showing Freedom of Press Ratings in Turkey, 2002–2011](image)

Data from Reporters Without Borders, Press Freedom Index

**Regime Architecture and Privatization in Russia**

Writing on Russia’s early privatization program, Michael McFaul keenly identified, in a footnote, the possible consequences that the strengthened position of the presidency—enshrined in the 1993 Constitution—could pose for the country:

[T]he new constitution has helped to prevent political intervention concerning economic issues as the new constitutional configuration of the Russian state delegates to the Russian parliament a consultative role, rather than a primary responsibility for reforming and managing the economy. In the long run, an antireformist or fascist president could use these new rules for very different ends.
In the short run, however, this political reform has served to further economic reform.\textsuperscript{315} Indeed, one of the main reasons for the expansion of presidential power in Russia—just as it occurred in the case of the Iranian president in 1989 and the Turkish prime minister in 1983—was to strengthen the pro-reform elites who would push for strategic institutional change in the economic sphere. Unlike the Iranian and Turkish guardian regimes, however, there was no countervailing veto force that could sufficiently constrain the Russian president over time and prevent the monopolization of power in the hands of a single faction. Competitive electoral politics under a hybrid political system has consequently given way to the formation of an electorally uncompetitive authoritarian regime in its place.

\textit{The Pre-1993 Political Order}

Prior to the ratification of the new Constitution in 1993, the fractionalized institutional configuration of the Russian regime had commonly produced political deadlocks and ad hoc policy schemes by default. In many ways, Russia's highly contested policymaking dynamic was similar to that of the Iranian and Turkish regimes—reflective of their system's effective mechanism of checks-and-balances. These conditions were naturally suboptimal for producing the strategic institutional change of privatization in Russia as the stakeholders of the old economic system could easily oppose any highly threatening move by the reformists. As McFaul explains, “the hodgepodge of institutions that constituted Russia's first postcommunist state—a hybrid of new institutions like the president's office and old institutions like the Congress of People's Deputies—had virtually no capacity to dismantle the existing set of

\textsuperscript{315}McFaul 1995: 242-243, Footnote 137.
institutional arrangements,” and “Congress emerged as one of the chief obstacles to a revolutionary economic transformation.”

The impact of this institutional set-up clearly revealed itself in the way it altered the “shock therapy” method of privatization that the president planned on executing, an examination of which follows. Russia’s privatization had officially begun in late December 1991 under the presidency of Boris Yeltsin with the adoption of the Law on the Fundamental Provisions of the Privatization Program by the Supreme Soviet. Subsequently thereafter, Yeltsin presented his privatization plans to the legislature in March 1992—launching heated debate and opposition by parliament. The Congress of People’s Deputies was mostly comprised of anti-privatization forces reflective of the Communists, the manager and industrialist lobbyists, and the workers’ unions that actively tried to constrain privatization measures.

The political scene was therefore polarized between pro- and anti-reform factions, the former occupying the executive branch and the latter the legislative one. Yeltsin and his economic team had therefore no choice but to compromise with parliament on the methods and scope of privatization if it were to be implemented at all. Schleifer and Treisman explain that:

To get a privatization program passed and implemented in the thousands of enterprises across the country required an agreement among the stakeholders in each concrete enterprise and among their collective representatives at the national level. The Chubais approach to privatization made concessions to all of these groups to buy their acquiescence and to give them positive incentives to support privatization.

Parliamentary resistance to the plans effectively took shape in three arenas: the partisan composition of the institutions charged with privatization, the rules setting their veto power, as well as the actual programmatic substance of privatization itself. In terms of institutional arrangements, congressional opposition became one of the chief obstacles to a revolutionary economic transformation.”

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316 Ibid.: 238.
317 Ibid.: 240.
318 Schleifer and Treisman 2001: 23.
319 Schleifer and Treisman: 30-31.
composition, in April 1992, Congress forced the president to add three new cabinet members representative of the industrialist forces to its neo-liberal members, headed by Prime Minister Yegor Gaidar who—along with Anatoly Chubais as head of the State Committee on the Management of State Property (GKI)—were the authors of Russia’s privatization program. And several months into the highly uncertain and heavily disruptive shock therapy procedure, in December 1992, Yelstin was surprisingly forced to dismiss Gaidar as Prime Minister due to parliament’s refusal to re-confirm him. Revealingly, Victor Chernomyrdin, the founder and chairman of the state-owned natural gas company Gazprom, took his place. While these changes clearly meant that Yelstin did not have effective control over transforming the country’s planned economy into a market economy, it nevertheless ensured privatization to be a cross-factional, cooperative and bargaining effort that would not be monopolized by any one group.

Ministers were moreover given veto power over the scope of privatization. Large strategic firms, such as those involved in the natural resource, defense, and telecommunication sectors, were excluded from “mass privatization” as a result. Likewise, enterprises involved in education, railroad transportation, health, and space exploration were completely excluded from privatization. Land privatization was blocked entirely as well. Privatization would be mandatory only for small and medium sized firms, particularly those involved with light industry like furniture and food processing. The privatization of these smaller enterprises would, moreover, mostly be given to regional governments in order to gain the acquiescence of local elites to the privatization drive.

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323 Boycko, Schleifer, and Vishny 1993: 149.
Non-strategic large enterprises would be privatized within a separate framework. One of the initial concessions made to placate the concerns of both the public and oppositional factions was to alter the “mass privatization” program from one that would have given a prominent role to mutual funds—as had been envisioned by neo-liberal economists—to a program based on voucher privatization instead. In April 1992, before the privatization plans were to be approved by the Supreme Soviet in June, Yelstin issued a decree stipulating the voucher method, with actual vouchers worth 10,000 rubles each being distributed to Russian citizens at significantly discounted rates (25 rubles) beginning in October of that year. Each individual could choose whether to bid for a specific firm, to invest in a mutual fund, or to sell the voucher on the market. Another presidential decree was issued in May 1993 stipulating that each enterprise undergoing privatization had to sell a minimum 29 percent of its shares to those bidding by vouchers. By the middle of 1994, almost 14,000 firms had held such voucher auctions.

The initial plans handed to parliament also had to be altered in regards to worker and manager purchasing rules. Initially, the plans—which would later be referred to as Option 1—proposed that employees would freely acquire a 25 percent stake in the capital of enterprises without actually getting the right to vote as a shareholder. Another 10 percent share with voting rights could be bought at 30 percent discounted rates, while managers could buy a 5 percent share at full price. Due to parliamentary rejection of this framework, however, Chubais added Option 2 whereby workers and managers could purchase a 51 percent voting share of enterprises at a discounted rate and with the right to use the enterprises own funds to pay for such a

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324 Boycko et al.: 151.
325 Schleifer and Treisman: 23.
Parliament also added another option—Option 3—to the privatization program in which employees could purchase 20 percent share of small and midsize enterprises at full price, a financially profitable choice especially for managers. Eventually with the approval and implementation of this privatization program, nearly 80 percent of employees chose to privatize according to Option 2, thus effectively giving insiders full control of these newly privatized enterprises.

Policymaking in the initial stage of privatization, in summary, was a highly contentious process resulting in an ad hoc, discordant, and certainly unexpected scheme. It was a product of the political context and institutional configuration of the Russian state and represented a cross-factional political compromise and negotiated deal that would allow privatization to move forward in a more piecemeal and less threatening manner despite the fact that it was part of a larger economic “shock therapy” framework. McFaul explicitly states that if Russia were an authoritarian regime—meaning that formal power was effectively centralized in the hands of a single group—that privatization would surely not have incorporated these compromising measures, particularly Option 2 allowing for employees to purchase and gain control of their economic enterprise. The entire dynamics of policymaking would have been different.

The Redrawing of Veto Architecture Post-1993

In a bid to streamline policymaking and quicken institutional reform, Yeltsin moved to create a new constitution in 1993 that would significantly strengthen the position of the president vis-à-vis other state institutions. Of course, political deadlock would ensue over the redrafting of regime institutional configuration—which represented another case of strategic institutional

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327 See Boycko et al. (149-150) and Schleifer and Treisman (31-33) for a more detailed discussion of these options.
328 Boycko et al.: 154.
change. Several draft constitutions were proposed, with Congress preferring a parliamentary system, and Yeltsin wanting a presidential one. Eventually, Yeltsin would dissolve parliament and dismiss the country’s Soviet constitution in September 1993—a decree he would have to uphold through the use of the military. The new presidential constitution would be approved through a national referendum in December 1993.

Veto powers consequently shifted from the parliament to the president. Under the old constitution, parliament had veto power over presidential decisions and could impeach the president if necessary. The president, in contrast, could neither dismiss parliament nor use veto power for parliamentary laws. Under the new constitution, the president is much more powerful. It can both dismiss parliament and veto parliamentary legislation. Parliament can only overturn a presidential veto in the unlikely event that it receives a two-thirds majority in both the upper and lower houses, with bicameralism also being a new addition. The requirements for presidential impeachment are even more stringent, requiring not only a two-thirds majority in the parliament but also the confirmation of the Constitutional Court on a significant legal offence committed by the president.

The Russian president also has the power to appoint the head of government, the prime minister, who then forms the cabinet. In most semi-presidential systems, in contrast, it is the parliament that appoints the government. While the Russian parliament can give a vote of no-confidence on the president’s choice three times, the president has the subsequent option of dissolving parliament, thus effectively disabling parliamentary veto. Moreover, according to Article 90.1, the president has the right to issue decrees that are protected from partisan veto possibilities. Decrees are particularly significant for giving the president impetus for moving

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331 Frye 1997; Shevtsova 1999.
332 Ibid.
into uncharted legal terrain—such as privatization—as decrees that run counter to the constitution or on matter where laws already exist cannot be issued.\footnote{Remington 2000: 506.}

The Russian political system has consequently been referred to as a superpresidential one because of the much greater institutional power and prerogatives vested in the Russian president than in the office of the president in other presidential system. The president is a super veto player. By the end of the 1990s, the president used the veto frequently, more increasingly, less transparently, and in more questionable manners in regards to their constitutionality.\footnote{Chandler 2001.} Around 25 to 30 percent of all legislation was vetoed by President Yelstin at this time.\footnote{Ibid.: 493.} Easter explains that “Russia's postcommunist institutional choice was designed deliberately to insulate the president from the parliament. The president works through the council of ministers, a special security council, and the presidential administration to make policy.”\footnote{Easter: 196.} Politics has consequently revolved around the president’s gateway ability to provide or deny elite “access to power resources from the encroachments of democratization, liberalization, and marketization.”\footnote{Ibid.} As it will be explained in the following section, it is precisely this unbridled “gateway” mechanism that enabled the Russian president to construct a hegemonic center of power around his office and to eventually further weaken other institutional veto players and transform the regime into an authoritarian one.

Nevertheless, and surprisingly, the negative impact of these new powers was not very discernible in the 1990s, and the president faced stiff resistance from various state institutions, such as the State Duma and the Federation Council. In fact, Yelstin was nearly impeached in
1998 when the Duma was close to obtaining a two-thirds majority to begin the proceedings. And following the financial crash of 1998, Yeltsin would be forced to compromise with the parliament by replacing Viktor Chernomyrdin with Yevgeny Primakov, a Communist Party member, as the new Prime Minister. The Duma, moreover, worked to constrain and limit the veto power of the president through various means, even obtaining the intervention of the Constitutional Court twice on its behalf to annul decrees.

The multiple veto institutions of the regime, therefore, still produced a rather de facto dynamic of checks-and-balances. For Sokolowski, the reason lies in the weak position of the government—the prime minister—rather than the overly powerful hand of the president, for if superpresidentialism mattered, then the Russian polity should not have continued to be inflicted with stalemate and should not have produced cross-factional negotiated deals. As Sokolowski argues, the government’s “diminished policymaking capabilities frequently propelled the policy process toward undesirable outcomes: deadlock between the executive and legislative branches over key policy issues or ill-advised ‘survival’ compromises.”

Only after the presidential victory of Vladimir Putin did the policymaking dynamics of the regime significantly change and the system’s veto points truly display their ineffectiveness. It was under Putin that any serious argument could be made about the authoritarian nature of the regime and the unrivaled and unquestioned position of the president in it. It was at this time that electoral competitiveness and uncertainty gave way to the monopolization of the electoral arena in the hands of a single party, United Russia. Policymaking under Putin would naturally

338 Remington 2008: 970.
339 Ibid.
340 Chandler: 503.
341 Sokolowski: 415.
342 Fish 2005; Levitsky and Way 2010.
343 Hale 2006.
be qualitatively different than under Yeltsin in the 1990s—the process had finally become streamlined and efficient, with new legislation meeting little resistance from any veto body or partisan power.344

Matching the broader theoretical expectations set by this dissertation, Gel’man insightfully compares the policymaking style between these two periods of hybrid and authoritarian rule in Russia. He characterizes policymaking in the pre-1999/2000 era as “cartel-like deals,” while he describes policymaking in the post-1990/2000 era as a “winner takes all” model.345 The fractured and self-constraining nature of the polity in the former case produced cross-factional and discordant compromises. For example, as Remington explains, “in the first two convocations, the Council of the Duma comprised the leaders of each faction in a power-sharing arrangement that facilitated cross-faction bargaining.”346 The monolithic and centralized structure of the latter period, in contrast, left no room for such multilateral deal-making. The Iranian political system, as described in detail in the previous chapters, produces similar “cartel-like deals”—as commonly found in Russia throughout the 1990s—through the inclusion of multiple centers of power within the policymaking process. In particular, Iran’s revision of Article 44 and the policy framework over privatization—a case of strategic institutional change—was a time-consuming, contentious, and cross-factional endeavor.

Unlike Iran, however, and importantly for my argument, there was only one major exception to the dynamic of negotiated, cross-factional deals in the post-1993 Yeltsin period: economic privatization.347 Once the president and parliament compromised on the privatization plans in 1992, “every subsequent major regulation of privatization was introduced by

344 Remington 2006.
345 Gel’man 2008: 176.
347 Boycko et al.; Remington 2000; Sokolowski.
presidential decree rather than parliamentary action.” After 1993, the strategic change of privatization—just like the strategic change of the constitution—was a monopolized and unilateral project in the hands of a single institution—the president. And even Sokolowski, after having extensively described the causes of institutional deadlock and political bickering under Yeltsin and calling into question the superpresidential thesis, explicitly states:

Privatization—the one major area in which reforms were swiftly carried out under Yeltsin—was an area not handled by the government at all. Instead, privatization was carried out by the State Property Committee, predominantly under presidential supervision and implemented by presidential decree. Without having to clear the hurdle of the Duma and with the firm, direct support of the president, privatization avoided the institutional stumbling blocks that time and again tripped up government-sponsored legislative reforms.

In contrast to Iran and Turkey where strategic institutional change is a cross-factional and negotiated affair, strategic change in Russia is a unilateral endeavor by the president, which can also be seen—besides privatization—in the manner by which the new constitution itself was single-handedly pushed into play by Yeltsin.

**Building Authoritarianism**

Privatization provided the Russian president with a key strategic asset with which to act as a “gatekeeper” for elite access to power and wealth. Overtime, the endowments of superpresidentialism allowed the president to accrue a support network of elites and to construct an institutionalized center of power around the presidential office. At the same time, on the other side of the coin, the president was also empowered to undermine rival elite power bases by denying them access to state resources and privileged channels. And in a clear turn towards authoritarianism, the president would even move to eliminate such rival groups—or “nascent centers of power”—from the political scene altogether.

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348 Boycko et al.: 5.
349 Sokolowski: 429.
As previously discussed, despite the mass privatizations of 1992-1994, a large amount important and strategic enterprises still remained in the hands of the state. Many of these assets were later privatized by the end of the 1990s, some in the scandalous “loans-for-shares” scheme (1995-1997) enacted through presidential decree. Initially proposed by the rising oligarch Vladimir Potanin, the “loans-for-shares” plan refers to the deal whereby the state auctioned some of its strategic economic enterprises in return for monetary loans from private banks (which it implicitly never planned on repaying). The highly corrupt, uncompetitive, and non-transparent method of the auction basically resulted in the cheap sale of public assets to a small group of individuals who have been referred to as the Russian “oligarchs.” The strategic enterprises involved in this plan mostly belonged to the natural resources sector, both petroleum (e.g. Yukos and Sibneft) and mineral (e.g. Norilsk Nickel) related businesses.

The “loans-for-shares” scheme, more importantly, was designed to consolidate the financial elites’ support for Yeltsin in his upcoming re-election campaign in 1996—indeed, their destinies were tied to one another because of the pacts made between the groups. Chubais explicitly declared in 1996 at the World Economic Forum in Davos, Switzerland: “If Zyuganov [Yeltsin’s Communist rival] wins the Russian presidency in June, he will undo several years of privatization and this will lead to bloodshed and all-out civil war.” And since privatization was centered in the institution of the presidency, the stakes of the elections—and that of the subsequent one—were high. The presidential elections represented a “winner takes all” model rather than a multi-factional institutional arrangement as the victor could single handedly decide on the fate of Russia’s privatization program. The “loans-for-share” plan thus represented an

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353 Quoted in Freeland: 193.
emerging alliance between the faction of the president and the oligarchs. As Freeland explains, “[a]t heart, the loans-for-shares deal was a crude trade of property for political support. In exchange for some of Russia’s most valuable companies, a group of businessman—the oligarchs—threw their political muscle behind the Kremlin.”

Nevertheless, despite his presidential re-election victory, Yeltsin never transformed this elite patronage network into a formal party of power. On one hand, the oligarchs and regional elites didn’t want to undermine their independence and influence by abiding by the institutional restraints of a party. On the other, Yeltsin viewed other elites threateningly and decided upon a divide-and-rule strategy instead. These conditions would, however, change by the end of the century with the electoral threat that emerging centers of power would pose to Yeltsin’s political faction.

Federal governors—who had profited from privatization undertaken at the regional level—established their own political parties to compete in the 1999 presidential elections. For example, Yuri Luzhkov, the mayor of Moscow, launched the Fatherland bloc in December 1998, and Tatarstan’s President Shaimiev founded All Russia. Faced with the threat of these rising groups, the Kremlin became serious in its intentions of building an effective political party for the first time with establishment of Unity. The efforts to centralize political power and weaken regional elites—through the disabling of federal and regional level veto players—were not fully pursued however until the presidency of Vladimir Putin, the victor of the 1999 elections.

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354 Ibid.: 169.
355 Hale 2006; McFaul 2001; Reuter and Remington 2009.
356 Reuter and Remington.
357 Ibid.
358 Reuter and Remington; Hale; Oversloot and Verhaul 2006.
The Dismantling of Regional Veto Players

The chief executives of Russia’s federal states were important institutional veto players in the 1990s. Regional leaders have commonly constrained executive power and have gained concessions from the federal state through brinkmanship, threats, and bargaining strategies. Moreover, not only were regional governors empowered to unilaterally execute privatization at the local level given the decentralization of small-scale privatization agreed to in the 1992 plans, but regional heads also had key access to an important state-level veto player—the Federation Council, or the upper house of the parliament. In fact, regional governors automatically became members of the important body, thus acquiring key access to the capital elite in Moscow and gaining influence in national politics. As a result, the Federation Council has been an important arena for political party construction, and the foundations of Unity—as well as its rivals—were laid in this body.

In terms of institutional power, the Federation Council can veto legislation from the Duma, although a two-thirds majority in the Duma can override the upper house’s veto. Between January 1996 and July 2001, at the height of its power, the Federation Council vetoed over 20 percent of laws passed by the Duma. The Council also has power of presidential impeachment along with the Duma as explained previously. The body also appoints and confirms members to the Constitutional Court and Supreme Court, and it must approve of the president’s initiative to declare a state of emergency and to deploy armed forces abroad.

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359 Söderlund 2005.
361 Söderlund 2006: 50.
The height of the regional leaders’ power both formally and informally was between 1996 and 1999 for several reasons. In 1996, governors had to be popularly elected at the state level rather than appointed by the president—thereby increasing their power and authority vis-à-vis the president due to the democratic legitimacy elections conferred upon them. The regional executives were also supreme in their respective state and basically controlled the regional parliament and the local legislative process. It was at this time that the regional chief executive as well as the head of the regional legislature would be automatically given the two seats allocated per state in the Federation Council. Regional elites had moreover profited extensively through local privatization and the creation of region wide second tier economic groups by this time period. Therefore, the development of party blocs and institutional platforms to advance their interests in 1998 and 1999 demonstrated how such elites could perhaps over time emerge into different centers of power that could vie with one another in the electoral arena over political office. As Hughes states, regional executives have had “prominence and reputation, superior leadership skills, and financial and organizational advantages that give them unmatchable resources which can be mobilized for electoral contests.”

Yet the president’s plan in the new century was to tame these forces and co-opt them within his own faction—to prevent and disable the opportunity for “nascent center of powers” to actually turn into real centers of power and hence become competitive rivals. President Putin thus planned on centralizing the federal state and strengthening the vertical power of the Kremlin

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365 Ibid.: 50.
366 Barnes.
to the Russian periphery.\textsuperscript{368} Beginning in 2000, he gained the power to remove regional governors if they violated federal law—albeit upon court approval.\textsuperscript{369} The president also expelled the regional governors and legislative heads from the Federation Council, thus reducing the regional elites’ direct power and influence in national politics and weakening their veto powers. Instead, the local chief executive and parliament are each required to nominate a representative in their place.\textsuperscript{370} Since this time, the Federation Council has largely been compliant to the president.\textsuperscript{371} Hughes explains that:

The reform deprived the governors of their most important forum for organizing collective action against the centre. Putin created a new State Council as an alternative consultative forum for the regional and republican leaders, but it meets in plenary session only four times a year. While its seven-member presidium meets monthly, its composition and agenda are decided by Putin. These are clearly substantially weaker bodies than the former Federation Council.\textsuperscript{372}

The reforms were not just limited at the provincial level but the very structure of the Kremlin. Putin reorganized the presidential administration by creating seven federal districts across the country with each headed by a presidential appointment known as “governor-generals” after the Tsarist military governors of the local provinces—the new governor-generals were incidentally of military and security background as well.\textsuperscript{373} The number of presidential appointments was thus reduced from 40 to 7.\textsuperscript{374} The management and control of the executive over regional affairs was streamlined and made more efficient as a result.

\textsuperscript{368} For a detailed discussion of Putin’s centralization strategy as part of his larger efforts at state-building, see Brian Taylor 2011.
\textsuperscript{369} Hyde 2001: 732-733.
\textsuperscript{370} Remington 2003: 671-672.
\textsuperscript{371} Ibid.
\textsuperscript{372} Hughes 2001: 59.
\textsuperscript{373} Hughes 2001: 59.
\textsuperscript{374} Söderlund 2006: 109.
Changes in electoral laws were also critical for weakening regional elites and instead for providing them with incentives to join and work with United Russia, the new party of power after the merger of Unity with OVR (Fatherland-All Russia). Reuter and Remington state:

United Russia had already gained a great deal of control over the governors’ own political machines through the reform in 2002 of the system of regional legislative elections. The new system, which required that at least half the seats in regional legislatures be filled through party list-proportional representation, deprived governors of some of their control over regional assembly elections.375

Governors, as a result, have to work within a political party and with party lists—either their own “governor’s party” or United Russia—in order to advance the candidates of their choosing for the regional legislature’s elections. Since the local parliament now must appoint a member to the Federation Council, the executive has even greater incentives to capture the body. Veto players and checks-and-balances, in other words, are further minimized at the local level.

The balance of power would shift even more significantly in 2004 when Putin pushed through a new federal law granting the president the right to nominate all regional chief executives.376 Regional legislatures were given the right to conform or reject the president’ appointment, but if it rejects a candidate twice, the president can dismiss the entire legislature. In effect, the legislature’s confirmation is a mere formality rather than true veto power. Due to the new centralization efforts of the Kremlin, all regional heads became appointed by 2009—thereby disabling the threat of regional veto powers and decreasing the negotiation strength of regional elites to the federal state. It also reduced the independent power bases of the regions to ever form their own rival centers of power to that of the Kremlin or United Russia.

And revealingly, in 2006, Putin opposed the parliament’s plan to appoint the government despite the dominance of United Russia in the legislature, again bolstering the paramount

375 Reuter and Remington: 511.
376 Söderlund 2006: 46.
position of the president in dictating political affairs. Therefore, as Reuter and Remington explain, “the Kremlin has tried to balance its need to tap the power bases of regional executives while at the same time preventing a takeover of the party by a unified coterie of governors.” 377

In other words, all the veto players of the regime have been effectively disabled through the monopolization of veto bodies by United Russia or through institutional change. The only exception is the veto powers of the president which have remained unchanged and even unaccountable to the party of power itself.

In line with his centralization of state institutions, Putin turned to punish and expel elites critical of his rule and to partially re-direct the terms of privatization. Barnes explains that:

> Putin’s most direct impact on the Russian struggle for property was simply to change the assets up for grabs. Shortly after coming to power, he pushed two oligarchs, Vladimir Gusinskii and Boris Berezovskii, out of the country, thereby putting some important industrial property back in play, and both the state and private sectors grabbed it up. 378

Both of these oligarchs were also invested in the media world, owning private television networks and media companies. Gusinskii, for example, owned Independent Television (NTV), and he was forced to repay his debts to Gazprom in the form of company shares. After leaving the country, 16 percent of NTV was given to Gazprom, bringing the company’s ownership share to 46 percent. The Kremlin’s control over the media was thus being advanced and freedom of speech—or critical views of Putin—were being systematically repressed. Other than media assets, however, the oligarchs lost control of Aeroflot and Sibneft, while other financial actors gained control of them.

> Reflective of the president’s gatekeeping role, cooperative elites would be allowed to work and profit, while those who were critical or wanted to oppose the state would be punished.

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377 Reuter and Remington: 501.
378 Barnes: 172.
In a meeting with a group of oligarchs in July of 2000, Putin basically issued a threat to those wanting to act against him: “You stay out of politics and I will not revise the results of privatization.” While there are many examples of elites who have been punished, such as the two oligarchs mentioned above, none would be as significant as the case leveled against Mikhail Khodorkovsky—the wealthiest man in Russia and one of the oligarchs who profited from the “loans-for-shares” scheme in the oil company Yukos. He was arrested in October 2003 and sent to jail for financial corruption, and his assets were divided and sold to different state-owned oil companies. More importantly, however, Khodorkovsky had been critical of Putin and had been funding opposition parties for the Duma elections of December 2003. His arrest has been described as an authoritarian turning point allowing Putin to consolidate his power in the Duma elections and the presidential elections the following year. McFaul’s dismal scenario had come true: superpresidentialism had created the grounds for greater authoritarianism in Russia rather than the liberal democracy it was supposed to create.

Comparative Findings

In order to carry out privatization, Turkey, just like Russia, saw a significant increase in executive power: the prime minister gained exclusive decree power over the privatization program. Unlike Russia, however, the existence of tutelary veto players, particularly the Constitutional Court, actively restrained the prime minister and significantly curtailed the pace and scope of privatization. The executive branch was thus forced to compromise and negotiate over the laws covering privatization as well as the specificities of each major case of privatization. While this inclusive policymaking dynamic persisted for over twenty years in

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Turkey, in Russia it existed for only a single year, 1992, where the different veto players compromised on the initial terms and conditions of privatization.

The institution of the Russian presidency, unlike Turkey or Iran, was therefore uninhibited by any other veto players. While there existed a de facto checks-and-balances in the 1990s due to the composition of state bodies, the president still had both control over economic privatization and was able to use his powers for undertaking an authoritarian transformation of the Russian regime at the turn of the century. Regional veto players and the Federation Council were effectively disabled, and United Russia was able to monopolize the electoral arena and capture the main political institutions of the regime such as the State Duma.

During the 1990s, most analysts looked disdainfully at the inefficient, chaotic, and unstable dynamics of policymaking in Russia. These qualities were many times assumed to be indicators of a weak state. Putin, however, moved to strengthen the state, and with this strengthening and streamlining of policymaking, he only established a political monopoly over the state rather than actually improve state governance. Turkey and Iran, however, as guardian regimes, have always demonstrated this very quality of instability and sense of “statelessness” when in fact they have strong and durable states. They exhibit the condition of “managed instability;” they are adept at prolonging institutional uncertainties, rivalries, and compromises that while producing inefficiency and corruption nevertheless unintentionally safeguard the longevity of hybrid regime rule. Effective veto design prevents politics from becoming a winners take all model. Russia was unable to manage and prolong precisely such instability in the 1990s, thus resulting in the effective monopolization of the political scene and the cessation and squelching of all sites of instability.

\[381\] For the argument that Putin was not successful in improving state governance despite his centralization efforts, see Taylor 2011.
The comparison of Russia to a guardian regime such as Iran is analytically useful for another reason as well. My study complements and contributes to Fish’s work on the causes of authoritarianism in Russia as it further helps to elucidate the causal mechanisms of hybrid regime transformation. Through a large-N quantitative analysis of political systems throughout the world, Fish argues that the causes of Russian authoritarianism are due to an excessively strong executive, oil wealth, and high corruption. The three factors he correctly finds to be significant, however, cannot be fully assessed in their levels of importance and their relative impact on the institutional transformation of the Russian regime. In other words, while these variables may be very important, it has not been shown that they are either necessary or sufficient to create such a systemic change.

Iran provides an analytically useful comparison here because like Russia it has high corruption rates and derives a significant amount of its budget expenses from oil revenues. It furthermore has a very powerful institution with a broad mandate that is in some ways comparable to the Russian president—the Supreme Leader. Unlike Russia, however, Iran has not witnessed a decline in elite competition. In fact, it has seen the exact opposite as competition has only acutely increased throughout the lifespan of the Islamic regime. In other words, it is the veto architecture of the Iranian regime that prevents it from becoming an authoritarian regime. Its veto architecture allows it to overcome the problems of oil rents and corruption. Therefore, while oil and corruption certainly contribute to Russian authoritarianism, they are not necessary or sufficient factors for it to move in that direction. A different Russian institutional configuration could have mitigated the detrimental impact of these factors. The existence of superpresidentialism in Russia, moreover, is not problematic because of the absolute power of the president but rather because of the larger power asymmetries that exist throughout the

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382 Fish 2005.
regime. The Iranian Supreme Leader, in contrast, co-exists with a strong veto environment comprised of different centers of power.

My proposition also holds true for Levitsky and Way’s idea of linkage and leverage. Levitsky and Way argue that the West’s weak linkage and leverage with Russia was crucial for its transformation to authoritarianism. However, Iran, however, has remained competitive in spite of its poor linkage and leverage with the West. While linkage and leverage may be important in promoting democracy, as in Turkey, and while linkage and leverage may be important in cases that do construct authoritarian regimes, such as Russia, my analysis of Iran reveals that poor linkage and leverage with the West is not sufficient for ending competitive elections under a hybrid regime. Russia, therefore, like Iran, could have remained a hybrid regime and held competitive elections despite the level of linkage and leverage it had with the West. Furthermore, as previously discussed, Iran and Turkey also demonstrate the importance of institutional design—checks-and-balances—besides state strength identified by Levitsky and Way. Iran and Turkey have been able to remain competitive as guardian regimes despite having strong states. Their veto architecture effectively resisted the push of the state towards authoritarianism. Turkey today under democracy, however, faces this very dilemma. With its tutelary institutions dismantled, its regime architecture may not be able to prevent the formation of a hegemonic center of power that could lead Turkey down the road to authoritarianism.

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Conclusion

The 2012 Iranian parliamentary elections resulted in the re-election of the theocratic right faction and the speaker Ali Larijani to power—thus serving to further constrain President Ahmadinejad’s political ambitions and yet again demonstrating the multi-factional, hybrid nature of the Islamic Republic. It was only a few years ago—following the 2009 presidential elections—that Ahmadinejad’s political future seemed to have been fully secured by important elements of the theocratic regime. Today, however, not only has Ahmadinejad lost much of his elite and clerical support but—more importantly—has witnessed a significant deterioration in relations and even outright friction with the Supreme Leader. Once a favorite of Khamenei, their falling out has made the president more isolated in the halls of power than ever before.

Guardian politics in Iran is thus never a predictable affair. It is rife with strife and uncertainty—unexpected twists and turns. The institutional architecture of the regime ensures a slow-moving “battle of attrition” playing field, whereby multiple political centers embedded within the regime vie with one another for greater power and control but are nevertheless significantly constrained by the complex and multi-leveled institutional structure of the regime itself. The contours of hybrid design are consequently more easily safeguarded from quick and drastic institutional transformations and reform. Ideologically supported guardians both unintentionally produce and thereafter exploit this condition of “managed instability” to enhance their influence and prolong their very survival.

Moreover, as my analysis of the Iranian privatization program reveals, strategic institutional change in a guardian regime transpires through inclusive, contentious negotiations and cross-factional compromises. Inefficient and discordant policy schemes are direct by-products of this process. While detrimental to the management of the country and a cause of
increased corruption, these deals nevertheless entail a multifaceted bartering mechanism that awards and attracts elite groups—ensuring that they remain loyal to the regime and continue to play by the rules of the game. Despite the dissatisfaction of most if not all Iranian groups with both the country’s status quo conditions as well as the terms of watered-down and altered policy proposals, a broader range of factional interests are still advanced and relatively satisfied. The results may not be the most ideal or expected outcome for any one actor but are still better than prior conditions for a majority if not all major political actors—the hallmarks of a perfect bargain.

The *modus operandi* of Iranian decision-making is therefore characterized by “competitive consensus-building”—however contradictory that may sound. It is a competitive process because different factions truly compete with one another—both electorally and non-electorally—to influence the content of policy. The levers of power and institutional vetos are sharply used against one another to impose the interests of one faction upon the other or at least to acquire a higher degree of interest satisfaction within the final outcome. The 2004 institutional deadlock within the regime’s highest institutions is illustrative of this fact. Each faction actively pushed to constrain the agenda of the other while simultaneously advancing its own plans. The hodge-podge method of creating policy and the discordant content it creates is directly reflective of this competitive bargaining mechanism. This competitive dynamic further alludes to the larger “battle of attrition” rivalry that takes place across the institutions of the regime.

The decision-making process is also consensus-based, however, not because of the way policy is created but rather because the final outcome is agreed upon and approved by all factions. The final result—as seen in the revisions of Article 44—is a cross-factional consensus
even if each of the intermediary steps taken towards the outcome was not necessarily consensus based. No partisan power would dare question the legitimacy or approval of the compromised terms because their interests are still at stake within the negotiated outcome—it is a cartel-like give-and-take model. It would be much worse to be completely excluded from the cartel than to accept a less preferred outcome but still remain within the cartel. Furthermore, as a result of the final consensus attained, the degree of institutionalization and hence preservation of new institutions is indeed high. For example, it would be extremely difficult for the regime to once again revise and alter Article 44. The final policy outcome is most likely here to stay for a very long time irrespective of partisan powers that may oppose it over time.

Institutionalization, therefore, is strengthened and advanced though the integration of multiple centers of power within the process of constructing political order. Institutional durability—and regime longevity for that matter—arises not from the prevention of change itself but rather through the inclusive mechanisms that actually produce slow institutional transformations. Sustainable institution-building and destruction, in this context, are not unilateral and single-handed affairs that can be speedily pushed into action. They are rather the result of cost-intensive and time-consuming multi-factional struggles that include rather than excludes the losers as well as the winners of institutional change.

This dynamic of institutionalization entails causal mechanisms which are very different than those theorized by Huntington on institutionalization and commonly used by scholars in the analysis of regime durability and even democratic consolidation.\textsuperscript{384} According to Huntington, institutionalization increases as the degree of adaptability, complexity, autonomy and coherence

\textsuperscript{384} For example, Diamond (1999) applies Huntington’s (1968) institutionalization framework for democratic consolidation.
of an institution or regime increases together as a group. Yet, on one hand, veto player theory implicitly questions the link between increased adaptability and complexity—as complexity (veto points) increases, adaptability (change) decreases rather than to increase. As institutions become too complex with too many veto players, the ability to advance and create change through formal institutional policies becomes more and more difficult.

On the other hand, my own findings demonstrate that institutionalization is strengthened not as a result of mere institutional continuity—of how an institution successfully replicates itself—but instead how the dynamics of institutional transformation are themselves channeled and managed by the regime. Checks-and-balances are thus not important simply for restraining the political ambitions of an autocrat but because of the mechanisms produced for entailing change. By incorporating multiple stakeholders in a process of “competitive consensus-building,” ad hoc, messy and discordant policy outcomes ensure greater interest satisfaction and cross-factional support for political order. This mechanism explains why—given the short longevity of the hybrid regime type—guardian regimes are much more durable and longer lasting political systems.

Russia, in contrast to Iran, for example, was weakly institutionalized as a hybrid regime. With the adoption of a superpresidential institutional design, strategic institutional change could be undertaken by the president alone, as represented by the changing nature of privatization. Prior to 1993, privatization entailed heavy compromises and political struggles between the parliament and the presidency, anti-privatization and pro-privatization forces. To ensure streamlined economic change, however, the president was unhampered with institutional or

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Adaptability refers to an institution’s ability to change itself to better suit the critical exigencies of the time; complexity is marked by the number, type, separation and function of its hierarchical units; the degree of institutional autonomy measures the independence of institutions from other social groupings; and coherence denotes the degree of consensus over the functions and rules of an institution.
partisan opposition on privatization in the rest of the 1990s and certainly under Putin. A winners take all model produced the very type of institutional change that undermined regime institutionalization and hybrid survival.

Moreover, Russia teaches us the importance of thinking systematically about regime dynamics rather than analyzing politics based on factional dichotomies such as pro- or anti-reform, pro- or anti-Western, or moderate or radical actors. As McFaul had foreboded earlier, the strengthening of the Russian presidency in a bid to empower the pro-reform figure of Yeltsin and streamline economic reform held negative implications for the future trajectory of Russia’s political development. An instrumental analysis on the need for reform trumped the systematic vision needed to assess the importance of regime institutional design and the mechanisms of regime institutionalization. The process of checks-and-balances was considered detrimental for the country as it could impede Russia’s economic transition to a market economy and empower former elite cadres opposed to reform. Unfortunately, check-and-balances rather than speedy economic reform was the “bitter pill” that Russia needed to institutionalize the competitive, multi-polar electoral environment that had emerged in the 1990s. Today, much of those very reforms have been undermined by the construction of authoritarianism under Putin.

These lessons are particularly relevant to the study of Iranian political dynamics as well since many times the lens of the transitions paradigm and the linear, teleological view of democratization paint an unrealistic dichotomous struggle between the elite forces of change and continuity—of softliners and hardliners, reformists and conservatives. What matters instead is the larger mechanisms of transformation structured by the institutional architecture of the regime—providing the multi-layered space in which a diversity of factions cohabitate the state with one another. Policy analyses must take into consideration the importance of factional
inclusion and graduation institutional change in shaping the prospects of greater political accommodation and regime openings in the future, particularly if the strong institutionalization and staying-power of reform is considered to be of any value.

**Guardian Openings: The Lessons from Turkey**

Democratization in Turkey portrays how guardian regimes can be politically transformed from within. With the pull of the EU, Turkey gradually underwent a series of legal and political reforms from the 1990s that still continue to this day. On the issue of tutelary institutions, the military chief of staff and the prime minister negotiated over a series of exit strategies to dismantle guardian rule. Over time, the expansion in the number of seats within these bodies together with institutional infiltration and role modification tilted power away from the military guardians towards elected officials. The civilian government now appoints a majority of the members of the National Security Council, the NSC’s role has been significantly modified to remove its institutional reach in other bodies and to prevent its policy intrusions within the domain of civilian prerogatives. The military’s budget is also slowly coming under greater parliamentary control. In regards to the Constitutional Court, its members have now been expanded, and its membership is becoming more representative of society—with parliament gaining the right to appoint some of its members.

Turkey sheds light on the topic of tutelary institutional drift—how veto players slowly lose their veto power. The process of guardian dismantling reveals that there is a key interaction between drift and revision—that many institutions simply do not remain unchanged until they are completely ignored by other actors (“drift”), but rather that they undergo changes that ensures their survival but also alters their role, function, and/or power. The Turkish military faced “twin pressures” to its guardian authority: 1) popular pressures to gain more control in the
election of officials and the steering of state policies without military intervention, and 2) legitimacy pressures if the military guardian prevented Turkey from joining the EU—thus undermining the guardian’s ideological raison d’être for modernizing the country and joining the West. It was therefore in the interests of the military to compromise and negotiate over its changing role in order to enhance its institutional leverage in the future.

The weakening of monarchical institutions—the example used for institutional drift by Mahoney and Thelen—has also frequently displayed such a dynamic. Monarchies do not simply lose their veto power—unless they are toppled in a revolution of course. Instead, monarchies have time and again given up their power in different degrees by embedding themselves within new institutional configurations—constitutional based systems that resulted in power-sharing agreements between the monarchy and the elite that may over time result in the complete dismantling of the monarch as a tutelary power. The monarch’s assent to change thus secured its survival and retained its political influence either directly or indirectly. In other words, monarchs—or tutelary institutions for that matter—do not simply lose their veto power by being ignored, but they actually give away their power to different degrees and in different forms over time because of their own interests.

The holding of competitive elections—while important—was therefore not the main mechanisms of dismantling Turkey’s guardian military even though some scholars view elections as the main cause of tutelary elimination. Looking at the field of hybrid regimes across different regions of the world, it can be observed that competitive elections and tutelary institutions are not mutually exclusive. In fact, the three hybrid regimes with the highest longevity rates are all guardian regimes. The military in Turkey, religious authorities in Iran, and

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386 Hunter 1997a, 1997b. In her study of the military reserved domain of several Latin American countries, Wendy Hunter argues that electoral pressures provided by competitive elections have been the main cause for the elimination of these institutions.
the monarchy and military in Thailand have existed alongside competitive elections for several decades. Elections may be important for their eventual dismantling, but they cannot explain the persistence of this empirical phenomenon and fully account for the processes of tutelary elimination or survival.

Furthermore, while Turkey displays how Iran may gradually democratize from within—by, for example, the opening of the Guardian Council to greater civilian input or the limitation of the Council’s ability to veto candidates for political office, a few key differences make such an undertaking very challenging and unlikely under the current conditions. The most important factor is the international context. The EU provided the Turkish elite—including military officials—with significant incentives to push through reform measures over time. The positive Western linkage and leverage existing with Turkey moreover guided the country through this transformative process rather smoothly. In addition, the Turkish military was itself part of the Western security architecture through NATO. It therefore felt no imminent military threat to its survival and was thus more secure in receding from formal political intervention.

The international position of Iran is just the opposite to that of Turkey. Not only is there weak linkage and leverage with the West, but, more importantly, the increased isolation, economic sanctions, and threats of war made by the West against Iran only further entrench and buttress its guardian powers. Gradual reform is consequently not seen by its guardians as a way of securing their survival and interests in the future but rather as a step towards their own destruction. Their incentives for partaking in institutional change are, in other words, quite minimal. At the same time, the country’s isolation only strengthens the political and economic power of the most hardline elements of the regime, such as the Revolutionary Guards, and
impedes the development of different social bases of economic power and the strengthening of civil society.

Increasing Western linkage with Iran, particularly with the resumption of US-Iran ties, can modify the guardian logics of survival over time—thereby opening the space for institutional transformation. The mobilization of popular pressure for change, however important, is not sufficient for prompting guardians to revise their power relations with the state and society. Rather, the incentives provided by the West to Iranian guardians would be key. Such a proposal could possibly include Iran’s integration into a regional security framework that would guarantee the survival of the country’s guardian forces as well as a working relation with the US framed within the ideological discourse and “mission” of Iranian guardians so that they could become more politically inactive through a “face-saving” and ideological binding mechanism. At a minimum, however, rapprochement will open the space for greater political accommodation and political pluralism within the current framework of power—thus further safeguarding the hybrid nature of the regime and impeding any serious movement towards authoritarianism.
Appendix A: Classification of Iranian Political Factions

Single Continuum-Based Classifications

Factional classifications that employ a single continuum to demonstrate the relative positions of factions to one another are the most common in the literature. During the first decade of the revolution, this was almost the sole method of classification. Two main spectrums were used to classify factions. The first places factions on an economic continuum from left to right, a method commonly used in the West. Consequently, two main factions were identified: the Left and the Right. Although both factions were comprised of Islamists who believed in the *velayat-e faqih*, they differed on their economic positions, with the left preferring significant state control of the economy and the right preferring a small state with a free market economy.

The second classificatory framework identifies factions based on revolutionary fervor. Rather than grouping factions into Left and Right, this view distinguishes between Radicals and Moderates. The Radicals were basically the Left, but they have been termed radical not just because of the “radical” changes they wanted in the economy but also because they emphasized the export of the Islamic Revolution and were more anti-American in sentiment. The Moderates, in contrast, were more pragmatic on foreign policy issues in addition to being on the right economically.

While the economic continuum is not necessarily problematic since it measures a single issue (economic intervention in the economy), the radical-moderate continuum contains inherent methodological weaknesses. The reason is because the terms “radical” and “moderate” are not comprised of single issues that can be placed on a continuum but are rather a “bundle” of

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387 While many of the works using a single continuum view do not claim so, the one-dimensional logic of their classification is evident in their classificatory scheme.
388 See Kamrava and Yari 2003, p. 513 for a discussion of this categorization. Also see Akhavi 1987.
issues—both economic and political—that can vary in multiple and configurative ways. For example, it may possible to be on the left economically but pragmatic in foreign policy or on the right economically but revolutionary in foreign policy. As a result of this type of classification that places “bundle” concepts unto a single continuum, the possible and real diversity of factions is lost.

As factional differentiation became more pronounced and visible since 1989, the continuum approach began facing greater methodological strain precisely due to this weakness. The left-right economic spectrum basically came to be conflated with a political continuum based on conservative and reformist distinctions. The continuum now spans from those who favor change in the institutions of the regime to those who oppose change. In this case, the Left refers to those wanting reform in the system, while the Right refers to those committed to all of the institutional structures of the regime.\textsuperscript{390} Problematically, however, it is inferred that those in the Left are economically on the left, and those in the Right are economically on the right.

This mistake may be a consequence of the fact that the major faction identified as the Left in the 1980s gradually came to espouse reformist ideas in the 1990s. But such a conflation is not true. In fact, evidence of factional development up to this day demonstrates the mistaken assumption of this model. There are those in the Right (pro-regime institutions) who are on the left economically, and there are those in the Left (anti-regime institutions) who are on the right economically. The left-right continuum, therefore, quickly becomes problematic because it attempts to simultaneously display dimensions other than the traditional economic dimension ranging from the left to the right. As a result, such a continuum fails to capture with depth the factional distinctions that exist in the country.

\textsuperscript{390} Kamrava and Yari 2003, pp. 513-4.
With the influence of the transitions paradigm, the dichotomous classifications of Iranian factions into two groups, the conservatives and reformists, was a continuation of these trends already present in the literature. The reformists were the “left;” the conservatives were the “right.” New groups, however, were constantly added in an ad-hoc fashion that clearly disregarded the logic of the underlying continuum. These included such terms as the neo-conservatives, the fundamentalists, and the pragmatists, only contributing to the confusion. For example, writing for the RAND National Defense Research Institute, Thaler et al. identify four main Iranian factions: the pragmatic conservatives, the traditional conservatives, the principlists and the reformists. No systematic framework for classifying these groups is presented, resulting in a lack of coherence and an inability to present important inter-factional relationships.

A discussion of examples drawn from the literature can demonstrate these weaknesses. Writing in 1992, Siavoshi identifies three Iranian factions on a single spectrum. From left to right, they include the Radicals, the Reformists, and the Conservatives. In this division, Khatami belongs to the Radicals, Rafsanjani belongs to the Reformists, while the clerics on the Guardian Council belong to the Conservative camp. In contrast, Kamrava, writing in 2007, identifies three factions: the Reformists, the Conservatives, and the Radicals. While he does not use explicit continuum language except to state that the conservatives are at the center, it is implicit that the three factions span across a continuum from the left to the right. Here, Khatami is identified as part of the Reformists on the left, Rafsanjani is a Conservative in the center, and Ahmadinejad is a Radical on the right. Figure 2 depicts these continuum-based examples.

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391 For example, see Seifzadeh 2003.
392 Thaler et al 2010.
Not only does a simple comparison of the continua expressed above illustrate the confusion present in the field but also the manner in which the left-right continuum has come to be expressed differently over time. In Kamrava’s continuum, for example, the Reformists and the Radicals he identifies at the far opposite ends of the spectrum are both on the left economically, while the Conservatives in the center are on the right economically. Paradoxically, during the life-span of the Islamic regime, those identified as Radical have gone
from the far-left to the far-right of the spectrum, despite their economic positions always being on the left.

Murtaji’s continuum-based classifications, however, are far less problematic. This is because he places factions on continua constructed only on single issues, such as the economy or foreign policy, thus preventing the problems associated with conflating multiple issue positions into a single point on a continuum. On the other hand, while methodologically correct, he is unable to identify and present a more systematic representation of factions in relation to one another. Instead, he chooses to only focus on major associations and parties and their relative position to one another on only a single-issue continuum. As a result, larger associational and party alliances and factional relationships and dynamics over time are lost in his study.

Multi-Dimensional Classifications

Classifications that stress the multi-dimensionality of factions are much better able to demonstrate the reality of Iranian factional politics and have mostly been undertaken by scholars in Iran. Unfortunately, factions have been identified through a variety of dimensions that have prevented standardization in the study of Iranian politics. For example, Abbas Abdi has identified the traditional right, modern right, left and extremist right, and Mohammad Javad Hojjati Kermani has identified the radical traditionalist, moderate traditionalist, radical modernists and moderate modernists. As illustrated in these examples, common dimensions used for classification include the left-right, moderate-radical, and modern-traditional distinctions.

Behzad Nabavi’s classification of political factions is one of the most widely used in Iran. In Asr-e Ma, a journal belonging to the Mujahedin of the Islamic Revolution (Mujahedin-e

395 Murtaji 1999.
396 A discussion of these works as well as similar classifications can be found in Murtaji, p.8.
Enghelab-e Eslami), an organization affiliated with the reformists, he identifies four main factions: the traditional right, modern right, left and new left.\textsuperscript{397} Siavoshi later switches to a similar framework in 1999 that discusses the traditional left, modern left, traditional right and modern right.\textsuperscript{398} Her category of traditional left is the equivalent of Nabavi’s new left. In other words, the two dimensions used in these cases are the economic left-right as well as the modern-traditional divide. As will be discussed further below, the modern and traditional distinction has its own weaknesses and, more importantly, may not be the most useful for creating clear factional distinctions in the country.

More recently, Hassan Abbasi, one of the main thinkers and strategists of the Revolutionary Guards and Basij, presents a new classification of Iranian factions that attempts to move beyond the traditional-conservative dimension.\textsuperscript{399} He does so, however, by arguing that the time of traditional politics, and the tradition-modernity distinction, has subsided in the Islamic Republic rather than critiquing the weaknesses of the tradition-modernity dichotomy itself. Looking at Figure 3 (translation mine), Abbasi presents the four main Iranian factions in 2005: the traditional right, the traditional left, the modern right (liberal democrats) and the modern left (social democrats).

This depiction is based on the left-right and modern-traditional dimensions. Abbasi’s understanding of traditional left, however, is not equivalent to Siavoshi’s traditional left. For Abbasi, the reformists are separated between the traditional and modern left, with Karroubi exemplifying the former and Khatami the latter. The “Institution (nahad) of the Velayat-e Faqih” is placed at the center of the diagram—neither left nor right, modern nor traditional. Around the position of the leader, however, Abbasi depicts the emergence of a fifth faction: the

\textsuperscript{397} Nabavi, Asr-e Ma 1995.
\textsuperscript{398} Siavoshi 1999; 2002.
\textsuperscript{399} Abbasi. University of Tehran. Speech.
Figure 20. Abbasi's Representation of Iranian Factions in 2005

Diagram 11 - Jan/Feb 2005 - Formation of Principlism and Principlist Currents in the Iranian Political Scene

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Principlists (Usul-gerayan), the elites who claim to abide by the “principles” of Islam. According to this depiction, the Principlists span across both the left and the right as well as the modern and the traditional. What they share in common is complete belief in the divine position of the Supreme Leader and their attempt to shape their political behavior according to this belief.

Subsequently, Abbasi’s classification of Iranian factions in 2006 eliminates the traditional-modern dimension. Figure 4 (translation mine) illustrates Abbasi’s circular presentation of Iranian factional divisions. Again, the focal point of the diagram is the velayat-e faqih. And, instead of four or five Iranian factions, there are now three: the social democrats (modern left), the liberal democrats (modern right) and the principlists, which again span both the left and the right economically. For Abbasi, these three factions fall within two larger categories. The liberal democrats and the social democrats are Humanists (Omanist; Bashar-gera), deriving their theories of government from Western human-centric thought. On the other hand, the principlists are Theoists (Teoist; Khoda-gera), deriving their theories of government from Islamic God-centric thought.

Furthermore, the “Institution of the Velayat-e Faqih” at the center of the diagram is given a functional role by Abbasi. He argues that the velayat-e faqih works according to a volcano model, developing this idea from Khamenei’s speeches on “loss and growth” (rizesh va rooyesh-ha). Like the process of hot lava flowing down a volcano and cooling at its base, politicians close to the leader and in line with the Islamic regime will over time part ways as their revolutionary ideals cool and harden, as personal interests trump revolutionary goals. While such “loss” of elites is normal within the political system, as the theory goes, there is a simultaneous “growth” as the volcano continues to emit more lava, meaning newer, younger

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400 Khamenei first introduces the topic of “loss and growth” in a speech at Friday prayers on Dec. 17, 1999 (1378/09/26).
Figure 21. Abbasi's Representation of Iranian Factions in 2006

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Diagram 13 - Jan/Feb 2006 - Final Categorization of Political Currents in the Iranian Political Scene

Institution of the Velayat-e Faqih

Social Democrats

Principlists

Liberal Democrats

Theoists

Humanists

Left ——— Right

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Futureology Department
revolutionaries will come to the fore again, repeating the cycle. In the context of political factions, the loss is represented by the liberal and social democrats who began as revolutionaries close to Khomeini; the growth is demonstrated by the emerging principlists who represent a younger generation of Iranian revolutionary politicians. The theory represents one attempt to “Islamize” the social sciences, an important topic in this dissertation that will be presented at length in chapter four.

I argue that creating classificatory dimensions based on nebulous concepts such as moderate versus radical or traditional versus modern is problematic. Even implicit in the vertical axis of Abbasi’s classification in Figure 4, the tradition-modernity dimension still remains despite his attempts to remove it. The difficulties such dimensions create are not just because they inherently conflate multiple issues into a single data point as explained at length above. In addition, the very terms themselves are nebulous and relative to a point never objectively defined. For example, what does it really mean to be a “radical”? If it is based on opposition to the status quo, then most factions would be radical because they are critical of the status quo.

A similar problem is evident in the term “traditional.” How does one truly differentiate a “traditional” politician or political group from a “modern” one? Particularly in the case of Iran, a Western perspective may consider all of the factions to be traditional and not modern. Or, on the other hand, they may all be viewed as modern. How can supposedly “traditional” clerics be very much engaged in the modern project of state-building and revolutionary politics? In this light, factional labels such as “radical traditionalists” are highly contradictory and only add to the confusion in the literature. Creating dimensions based on such ambiguous terms is, therefore, not useful for creating clear and concise classificatory schemes. Furthermore, as will be
demonstrated below and in later chapters, the traditional-modernity dimension is not the most empirically useful either.

Building on the work of other scholars, this dissertation identifies the republican-theocracy dimension to provide the important continuum for factional classification besides the standard economic left-right continuum. While all of the factions believe in the constitution and religious government, they emphasize different sources of legitimacy and authority. At the more theocratic end of the spectrum, the religious aspects of the regime are considered to be the most fundamental. Regardless of the constitution of the Islamic Republic, the institution of the *velayat-e faqih* is considered to have its basis in God’s will. As Khomeini stated in 1979, “the *velayat-e faqih* is not something created by the Assembly of Experts. It is something that God has ordained.” The sovereignty of the regime and its laws, therefore, rest in God. On the other hand, at the more republican end of the spectrum, the *vali-ye faqih* and the religious institutions of the state are legitimate insofar as the popular will is supportive of these institutions. Since the constitution is seen as a contingent social contract bound between men, it is the people who provide the sovereignty of the regime and its religious institutions. Greater attention is placed on republican and electoral institutions. The degree to which religion is believed to form the basis of the regime, therefore, is an important dimension that has structured Iranian politics over the past three decades. These two dimensions, as a result, identify four main political factions: the Theocratic Right, the Theocratic Left, the Republican Right, and the Republican Left.

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401 Brumberg 2001; Moslem 2002; Siavoshi 2002.
Appendix B: Illustrations of “Islamic” Social Science Models

Figure 22. Humanism Super Paradigm

Figure 23. Theoism Super Paradigm

Figure 24. Humanism Versus Theoism Currents

Figure 25. Civil Society Model

Figure 26. Hijri Society Model

Appendix C: The General Policies of Article 44 of the Islamic Republic of Iran

(Note: Bolded text signifies additions and alterations undertaken by Ayatollah Khamenei, and normal text represents the original proposal presented to the Supreme Leader by the Expediency Discernment Council of the System in December 2004.)

In view of the provisions enshrined under article 44 and in Article 43, general policies of Article 44 of the Constitution of the Islamic Republic of Iran are intended to achieve the following objectives:

· Accelerated growth of national economy.

· Promotion of broad-based public ownership to achieve greater social justice.

· Enhancing the efficiency of economic enterprises and productivity of human and material resources and technology.

· Enhancing the competitive capability of the national economy.

· Reducing financial and administrative burden on the government encumbered as a result of its controlling role in economic activities.

· Increasing the general level of employment.

· Encouraging people to save earnings and invest and improve household income.

To achieve the aforesaid objectives, the following guiding principles were agreed upon:

A. General policies concerning development of non-state sector and preventing the unnecessary growth of the government.

1. The government shall not be allowed to engage in economic activities that fall outside those envisioned in Article 44. Moreover, it is obliged to relinquish any activity, including continuation and operation of previous activities that are covered under Article 44, and cede them (at least 20 percent annually) to the private and cooperative sectors by the end of the Fourth Five-Year Development Plan. Considering that the government has the overall responsibility to ensure good governance, the continuation and initiation of essential activities by the government that fall outside of the main titles of Article 44 are permitted for a definite period of time, upon the proposal of the Council of Ministers and approval of the Islamic Consultative Assembly. Industries that are affiliated to the military, police, intelligence and security services that have confidential character do not fall under this decree.
2. Investment in and management and ownership of those sectors that fall under Article 44 by the non-state enterprises and public institutions, and the cooperative and private sectors are permissible as described below:

2-1 Large-scale industries, mother industries (including large downstream oil and gas industries) and large mines (except oil and gas).

2-2 Foreign trade activities in the framework of trade and foreign currency policies of the country.

2-3 Banking operations by non-state public enterprises and institutions, publicly-held cooperatives and joint stock companies, provided maximum shareholding of each shareholder is determined by law.

2-4 Insurance

2-5 Power supply, generation and importation of electricity for domestic consumption and export.

2-6 All postal and telecommunication activities, except the main telecommunication grid, assigning of frequencies and main networks of postal exchanges, routing and management of distribution of mails and basic postal services.

2-7 Roads and railways

2-8 Aviation (air transport) and shipping (marine transport).

Optimal share of the State and non-State sectors in the economic activities covered under the preamble of Article 44 will be determined by law by taking into view the sovereignty and independence of the country, social justice and economic development and growth.

B. General policies of the cooperative sector

1. Increasing the share of the cooperative sector in the national economy to 25 percent by the end of the Fifth Five-Year Development Plan.

2. Effective measures by the government to establish cooperatives for the unemployed with a view to generating productive employment.

3. Support by the government to set up and promote cooperatives by offering incentives such as tax concessions, providing concessional credit facilities by all financial institutions, abstaining from receiving any additional levies or other charges in excess of those paid by the private sector.
4. Removal of all barriers and constraints that obstruct the presence of the cooperative sector in all economic arenas, **including banking and insurance**.

5. **Establishment of the Cooperative Development Bank funded by the government for the purpose of enhancing the share of the cooperative sector in the national economy.**

6. **Support by the government to enable cooperatives to gain market access and providing this sector full information on non-discriminatory basis.**

7. Exercise of the right of sovereignty of the government in the framework of policy-making and overseeing the enforcement of the applicable laws and avoiding interference in the administrative and management affairs of the cooperatives.

8. **Development of technical and vocational training and other supportive programs with a view to enhancing efficiency and empowerment of the cooperatives.**

9. Flexibility and diversity in methods of raising capital, distribution of shareholding in the cooperative sector and taking necessary measures that set in motion establishment of new cooperatives in addition to the conventional ones in the form of public joint stock companies with fixed limits of shareholding, the ceiling for which will be determined by law.

10. **Support by the government of the cooperatives, proportionate to the number of members.**

11. **Establishment of nationwide cooperatives to cover the three lowest deciles of the population with a view to poverty alleviation.**

C. **General policies on development of the non-state sector and ceding of State-owned enterprises.**

In view of the imperative of achieving accelerated economic growth and development on the basis of justice and with a view to poverty alleviation in the context of the Twenty-Year Vision of the country, the following general policies shall be adopted:

- Change in the role of government from direct ownership and management of enterprises to policy-making, guidance and overseeing.

- Economic empowerment of the private and cooperative sectors, and enabling them to enhance competitiveness of their products in international markets.

- Preparing Iranian enterprises to apply global trading rules intelligently and in a gradual and target-oriented manner.

- Development of knowledge-based human capital.
· Development and enhancement of national standards and endeavoring to conform our quality assurance systems to the international standards.

· Since the overall orientation of the privatization shall be toward improving efficiency, competitiveness and greater public ownership, upon the proposal of the Expediency Council, Note C of the general policies of Article 44 of the Constitution of the Islamic Republic of Iran are promulgated as follows in accordance with paragraph 1 of Article 110:

Eighty percent of the shares of State-owned enterprises, covered under Article 44, shall be ceded to the private sector, joint stock cooperative companies and non-state publicly-held companies as follows:

1. State-owned enterprises engaged in large mining activity, large-scale and mother industries (including large downstream oil and gas industries), except the National Iranian Oil Company and companies involved in extraction and production of oil and gas.

2. State-owned banks, except the Central Bank of Iran, Bank Melli of Iran, Bank Sepah, Bank of Industry and Mines, Bank of Agriculture, Housing Bank (Bank Maskan), and Export Development Bank.

3. State-owned insurance companies, except Markazi Insurance and Iran Insurance.

4. Airline and shipping companies, except the Civil Aviation Organization and Ports and Shipping Organization.

5. Power supply companies, except the main electricity transmission grid.

6. Postal and telecommunication companies, except the main telecommunication networks, frequency assignment services and the main and basic postal services.

7. Industries affiliated to the armed forces, except defense and security products and services that are deemed essential by the Commander-in-Chief.

Requirements of ceding the shares:

1. Pricing of shares will be done through the mechanism of the stock exchange.

2. Public offering of shares by good promotional campaigns and encouraging people to participate, and at the same time preventing formation of monopolies and misuse of privileged information.

3. To ensure proper rate of return on the shares of the companies to be ceded, all necessary reforms with respect to marketability and pricing of products and the management should be carried out on the basis of the Commercial Code of Iran.
4. The ceding of the shares under this plan shall be done through specialized holding companies and subsidiaries, by detailed and professional analyses.

5. For the purpose of reforming the management and enhancing the productivity of the enterprises to be ceded under this plan with a view to making better use of the management capacity of the country, necessary measures need to be taken to recruit experienced, competent and efficient managers. The sale of up to 5% of the shares of the companies, covered under Note C of Article 44, to the managers and employees is permissible.

6. Considering that Note C of the general policies of Article 44 has been promulgated, and in light of the change in the sovereign duties and functions, the government is required to articulate and put into action its new role in policy-making, guidance and overseeing of the national economy.

7. Allocation of a percentage of the resources to be handed over on new fields that apply advanced technologies is allowed in line and in keeping with sovereign duties.

D. General policies concerning ceding of shares of state-owned enterprises

1. Requirements of ceding

1-1 Empowerment of the private and cooperative sectors to engage in extended and diverse activities and to manage large businesses.

1-2 After the completion of the ceding of shares, the overseeing and support by the relevant authorities will continue with a view to achieving the intended objectives.

1-3 Applying generally accepted and sound methods for the ceding of shares with special emphasis on the stock exchange, strengthening the relevant organization set up for this purpose, instituting transparent flow of information, creating equal opportunities for all to benefit from gradual offering of the shares of large enterprises in the stock market for the purpose of obtaining benchmark price of the shares.

1-4 Those involved in ceding of shares and those in the position of decision-making in the government with respect to the ceding operation must not be able to profit from this activity.

1-5 Observance of the general polices of cooperatives in the ceding operation.

2. Applications of the proceeds from ceding operation:

The proceeds from the ceding of shares of state-owned enterprises shall be deposited in the special Treasury Account and disbursed in the framework of approved plans and budgets in the order explained below:
2-1 Making deprived disadvantaged families self-reliant and strengthening the social security system.

2-2 Allocation of 30% of the proceeds from the ceding operation to nationwide cooperatives with a view to achieving poverty alleviation.

2-3 Creating economic infrastructures by according priority to less developed regions.

2-4 Granting financial facilities (administered funds) to strengthen cooperatives, to modernize and renovate non-state enterprises by giving priority to ceded companies and for the purpose of investments by the non-state sector for the less developed regions.

2-5 Partnership of state-owned enterprises with non-state sectors up to 49% for the economic development of the less developed regions.

2-6 Completion of partially-completed projects of the state-owned enterprises by taking into view Note “a” of the general policies.

E. General policies on application of the right of sovereignty by the government and avoiding creation of monopolies.

1. Continuity in the application of the general right of sovereignty of the government after the commencement of the activities of the non-state sectors as a result of ceding operation through policy-making, enforcement of laws and regulations and overseeing, especially in respect of application of norms of Sharia and the law at non-state banks.

2. Preventing influence and control of aliens over national economy.

3. Preventing creation of monopolies, by the non-state enterprises by putting in place laws and regulations.
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