

The Role of Government in Economic Development A case study of Iran during (2005-2012)

Hamid Saeedi Javadi^{1*}, Mostafa Esmaeilpour Zarmehri

^{1*}Department of Political Science, Mashhad Branch, Islamic Azad University, Mashhad, Iran

²Master of Political Science, Mashhad Branch, Islamic Azad University, Mashhad, Iran

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Abstract

Despite the passage of four decades since the Islamic Revolution of Iran and many efforts to expand the productive and economic capacities of the country, in other words, to achieve economic development, the situation of the country's economy is still in unfavorable conditions. Such a situation has occurred at a time when Turkey, despite its religious, cultural and historical similarities with Iran, has taken effective steps towards economic development in the last decade. Analysis of the performance of governments shows that the quality of their intervention in economic processes is a key element in achieving economic development. The present study using concept components of Developmental state based on Leftwich idea tries to show that due to lack of proper institutional context in social and political atmosphere of Iran, the presence of such government is not possible and consequently economic Development has not been achieved.

Keywords: Economic development, Developmental state, Iran's government, Leftwich

Introduction

Overtime, the state has changed to an organ with lots of responsibilities in order to improve the social life. This approach and the necessity for extensive structure change in less developed societies have increased the effectiveness of third world state in development process in the absence of effective public domain in order to achieve economic development. Therefore, the reason for the absence of development in these societies can be attributed to the absence of especial role

of state in these countries.

Different state has tried to change Iran to a superior economic power of the region based on the format of development programs after revolution and relieving unrest of the 1981s and 1989-year war with Iraq. But these programs have been ineffective in changing Iran's oil-dependent economy to industrial economy. Especially, based on the statistics of international organs, during 9th and 10th governments Iran's economic problems have

*Corresponding Author's Email: hsaedijavadi@gmail.com

increased despite rich natural and human resources. According to the IMF (International Monetary Fund) in 2010, although Iran has got the 25th rank among the world countries by gross domestic product worth 419 billion dollars, but with economic growth of 5.9 is lower than Chad and Kamboj being in 59th rank, with yearly income of 12.722 dollars is lower than Dominica and Bulgaria being in 70th rank and with inflation of 12.4 percent is after Eritrea and Sudan in 11th rank, by having the highest amount of world inflation (Online Economy Site 2012).

The study question is that among 2005-2012, what is the relationship between Iran state's performance and economic development? Based on the research hypothesis, there is a relationship between state's performance and lack of economic development in Iran. In the present research the dependent variable is lack of developmental State and the independent variable is lack of economic development in this country.

Developmental state: According to Max Weber, state is an organ claiming exclusive use of legitimate violence in a given territory (Weber, 2007, p. 145). Accordingly, state is composed of four elements of people, land, government and governance and also is an organized unite which is recognized by UN (Ghavam, 2001, p. 20). The concept of developmental state comes from the experience of Southeast Asian countries in 1990s and refers to the quality of state's interference in economic growth. Based on Adrian Leftwich, developmental state is a type of state that is able to produce sustained movement focused on development, and with the aim of reaching rapid economic development, engages in active interference in economic processes (Leftwich, 2008, p. 18; Movasaghi and Kahe, 2015).

Economic development: In the early 1950s, development was measured based on economic growth rate and industrialization. But in the late twentieth century, the criteria for measuring development meant more qualitative dimensions. Considering every interpretation of development, stable economic growth provides the grounds for realization of development. Therefore, in the present research economic development is phenomenon of economic growth together with the increase of production capacities including physical, human, social capacities and economic development which is known by indexes as gross domestic production, income explanation index, purchasing power parity index (PPP) and etc. (Coleman, Nixon, and Azad 1999, p. 29).

Literature Review

About the state's role in Iran's economic growth process, Nili (2008) in the book "State and Economic Growth in Iran" considering the extensiveness of state's intervention in economy, shows that State in Iran have always had useless intervention in market and they were supplying private goods instead of public goods. Mossalanejad (2005) in Book "The pathology of Economic development in Iran" concluded that undesirable interference of state in economic development process has had a significant role in economic underdevelopment and by continuing this approach, the way to economic development will be blocked.

By considering Leftwich's pattern of developmental state, Movaseghi & Kahe (2015) in their article "Developmental State and Areas of Development in Iran" state that despite rich physical and human resources, two factors of how to spend oil revenue and vast and inefficient presence of state in economics during 9th and 10th state, have been the most

important barriers in achieving economic development. Jamshidiha & Teymouri (2017) in article "The historical trend of the emergence of developmental state in Iran with the emphasis on the period after imposed war" while exploring the evolution of the concept of developmental state, have studied the role of state in the development process in years before and after revolution and have claimed that based on the changes of the global environment and functional diversities, although state lack the most essential feature of developmental state but similar to them, they have sought for a model of state centered development. Azghandi and et al (2014), in an article "Rentier State and developmental state in Islamic republic of Iran in Vision plan for 1400" discussing relative independency of state from society, by studying statistical data about constructive, reformist and principled governments cabinet, regard these rentier state and dependent on the sale of natural resources and believe that any imagination of considering these developmental state is denied. Habibi (2010) in article " Institutional state sociology and industrial development in Iran" by considering the concept of community-based independence in developmental state talk about 3 roles of ability, growth and development for states in economic development process and mentions lack of such roles in after revolution states.

Theoretical Foundations of Research

Leftwich's idea about developmental state tries to explain the reasons for under development of third world countries based on the political economy framework and with institutional approach and also with an emphasis on the political role of state in economic development. Against concepts as Soft State (Myrdal, 1970, p. 229), Weak State (Migdal, 1988, p. 4), Predatory State (Evans, 1995, p.

44) and Neopatrimonialism (Medard, 1982, p. 181) that are named under developmental states due to the lack of necessary capacity for planning and guiding economic development, in the last decades of 20th century, we witness the advent of states (generally Asian) which have got basic differences in cultural, social, economic structures and even government forms, but among all of them there is an ability to manage a steady movement towards development. Such a state is called developmental state which is a result of interaction of internal social forces and political- economic relations with the world system (Leftwich, 2000, pp. 153-154). The most important components of developmental state based on Leftwich's approach can be named as, developmental elite, partial independence of state, Boreoartic power, weak civil society and consolidating the authority of state before internal and external capital inflow (Leftwich, 2000, p. 155).

Economic Performance of Iran's State during 2005-2012

In this section, economic development index is studied between 9th and 10th government in order to question the reason for underdevelopment in this period. In this period, fourth development plan during 2005-2009, and fifth plan in 2012 were implemented while based on twenty-year economic outlook document, main mission of these two plans was knowledge- driven sustainable economic growth in interaction with world economic (law of 4th plan of economic, social and cultural growth, 2005). Although for some people these plans were based on incompatible and conflicting ideals in different economic areas such a competitiveness and social justice, globalization and preserving Iranian Islam-

ic cultural identity (Gholami Nataj and Azimi, 2009, p. 232).

Based on a report, oil revenue of 9th and 10th government has been calculated as 531 billion dollars, whereas total revenue of governments after revolution from sale of oil has been 435.2 billion dollars. Same high income, led budget dependence on oil sales in 2008 to 69% and consequently it showed its destructive effects in later years in the country's economic (Azghandi, Akraminia, and Kiakojouri, 2014, pp. 163-165). As the report of parliament research center from performance of government in implementing 4th plan shows, only 25% of plan aims have been achieved. Based on the 4th plan during 5 years, the government was only able to spend 81.6 billion dollars from oil revenue and 25.2 billion dollars from foreign exchange reserve account on budgetary expenditure, but the government during 3 first years of plan picked up (7 billion dollars from oil income and 20 billion dollars from currency saving account more than above-mentioned purposes, as the used index from oil revenue based on plan was 82 billion dollars but the government spent 301 billion dollars from oil revenue during 5 years. In the plan, yearly economic growth was considered 8 percent, but despite the average price of 80 dollars for every barrel during 4 years, average yearly growth was 5.7 percent. Lack of required foreign investment and extensive investment on civil, military, nuclear and space projects are the main reasons for failure in achieving optimal growth (World economic 2012).

In agricultural section, employment was decreased, in industry just a little of the prediction was achieved, however; in financial service section, banking and real state five times more than the predicted plan and in the field of social public and personal services 3 times more than the predicted plan were

achieved. As the government could only provide 2.5 billion jobs instead of 3.5 billion expected jobs yet mostly in early service efficiency. Average inflation rate index based on the 4th plan should have reached 9.9 percent but it reached 14.2 during 4 first years of plan. In the cost index section of housing of the family basket, the aim of plan was the increase of 23 percent, but even with the implementation of the Mehr housing plan and spending lots of money for building houses for low income families, the government's performance led to 33 percent increase on housing cost in household basket (World economic 2012).

In privatization sector, although the transfer volume was a lot more than the previous government, these transfers were mainly on the form of paying debts of governmental agencies having financial demands from the government, justice shares and other forms. As overall, during 2000s, 25 percent of transfers were paying debts, 40 percent were justice shares and 35 percent were other cases and Inspection Organization of country announced the real privatization to be nearly 5 percent during 2005 to 2010 (Nili, 2015, p. 160).

In the last year of 4th growth program, the executive organ tried to reform one of the biggest economic problems which was improper way of distributing government subsidies. The policy of targeting subsidies with the aim of preventing from comprehensive subsidy payment and targeted payment to low-income families, was applied in a way that the government due to lack of true identification of low-income classes and confusion in decision had to ignore the true purpose of subsidies and just to subsidize cash. This change made a major violation because in the early calculations, it was hypothesized that if the subsidy was allocated

to low- income classes, it would be possible to pay 45 thousand Tomans every month for each person from the income of releasing energy conduits, but when this price included all people; cost and income calculations were disrupted so that the government spent 41000 billion Tomans in 2012 whereas it had only 30.000 billion Tomans income. In other words, only 47 percent of paid subsidy to people was obtained through releasing prices and 22.7 percent was obtained from public budget, 11 percent was obtained from oil revenue, 18.4 percent was obtained from borrowing from the central bank and other resources respectively. The most obvious consequence of this condition was imposing a heavy financial burden on the budget. Furthermore, despite obligations the government could not allocate the produced subsidies to industry in order to implement technology upgrading in these units.

Although based on official's statements by implementing this plan in the first year, oil consumption decreased from 73 million liters to 59 million liters and Gasoline and fuel oil

consumption decreased around 10 to 36 percent and it led to 15 billion dollars saving, but due to the increase of price indexes from 82.31 in 2010 to 175.8 in 2013, and also because the price of oil products remained stable it didn't decrease consumption motives despite primary goals. Nevertheless, the shortest implementing effect of this plan was optimizing inequality condition and changing in great indexes of economy. Research shows that Gini coefficient from 0.04 in 2010 reached 0.36 in 2013 and income ratio of 10 percent rich to 10 percent poor decreased from 4.71 in 2010 to 10.68 in 2013 (Sarzaïm, 2017, pp. 269-276).

Overall, in this period the attempt was to achieve goals like reducing reliance on oil revenue, economic liberation, private sector development, inflation control, unemployment reduction and etc. based on the frameworks of development plans. But due to the improper performance of state, Iran's economy couldn't pass from oil and rent economics to a competitive and developed industrial economy.

Table 1:
Economic performance of Iran's government

The value of Iran's Gross Domestic Product (GDP) per billion dollars							
2011	2010	2009	2008	2007	2006	2005	2004
580.764	486.807	416.397	412.336	349.881	266.298	226.452	190.043
Gross Domestic Product based on Iran's Purchasing Power Parity per billion dollars (P.P.P)							
18008.8	17388.9	16433.3	16326.3	16150.3	14703	13745.9	13070.6
Iran's Inflation							
26.3	10.1	13.6	25.4	17.3	10	13.4	14.8

Source: www.worldbank.org

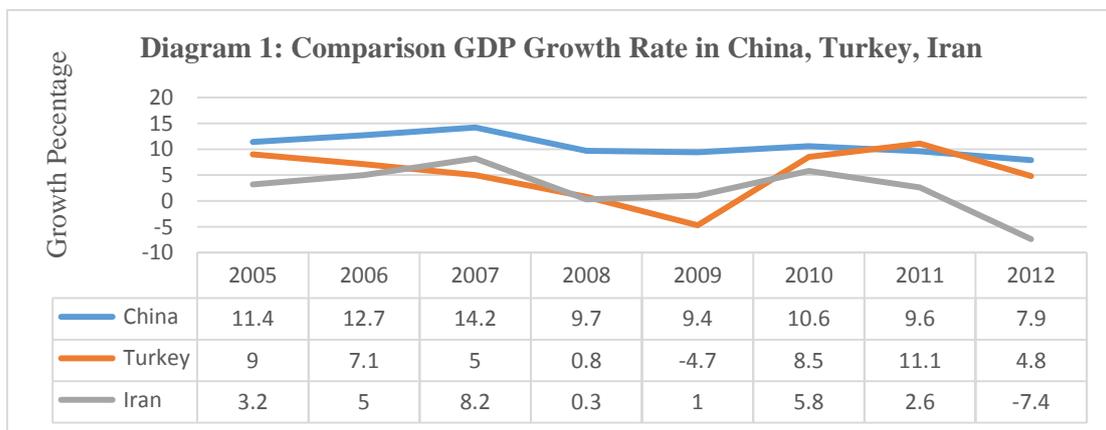


Fig :Source: databank.worldbank.org

In diagram (1) growth rate of domestic gross in 3 countries of China, Turkey and Iran during 2005 to 2012 has been compared. In fact, China has allocated one of the fastest and highest growth rates to itself and is considered one sample of the most successful concept of developmental-oriented government. Also, Turkey due to the vast cultural and historical similarities and also success in economic growth in early decade of 21 century is present in this comparison. As it is shown in the diagrams, unlike Iran, Turkey and China have an optimal growth during 2005 to 2008. Although due to the global crisis, they face a sharp decrease in economy between

2008 to 2009 but again during 2010 to 2012 they could reach proper growth. Although Iran's economy wasn't harmed extensively from global crisis due to the lack of direct presence in international arena, but due to effectiveness of comprehensive sanctions it faced extensive negative growth from 2011. Considering inflation index, although China and Turkey's economy faced a single digit inflation, Iran's economy faced a considerable increase in inflation rate once during 2006 to 2008 due to the increase of monetary base and increase in the volume of liquidity and other time due to the noticeable decrease in value of national currency.



Fig 2 :Source: Databank.worldbank.org

Investigating the Components of Developmental State in Iran

1. Lack of Consensus among Elites

The first and most important feature of developmental state is their presence and consensus among political elites in order to achieve economic development (Leftwich 2006, 252-254). Their approach in response to instability in peripheral environment is authoritarianism and they try to prepare necessary legitimacy for their actions through alliance with capitalist classes and expansion of their social bases (Lim, 1998, p. 230). In Iran, however; in historical area no consensus has been among social forces about areas of development. Occurrence of two big revolutions in one century, is the indicator of a full and deep social gap of Iranian society that emerges in millstones such as constitutional revolution and Islamic revolution of 1979. Tradition-modernity gap is one of the strongest of these gaps, that with the victory of Islamic revolution it changed to a newer gap such as Islamism – secularism and legalism – authoritarianism. And due to the political, and economical structures it made a complicated and vague condition for the state which makes emancipation and consensus on the basic priorities of society impossible (Bashiriyeh, 2008, pp. 13-31). In the meantime, economy was the most important topic for lack of consensus among elites. Whereas, the new system was talking about Islamic economy for which there was no definite explanation. Under the strong influence of leftist ideas and claimant about being defender of the oppressed rights and following the concept of Islamic economy, in the first decade of revolution some organs and institutions were formed whose main strategy was implementing distributed policy based on populist ideology and economic radicalism which is completely opposite of production –

based and developmental approaches. During 1989 to 2005 the strategy of economic development of construct state (liberation, privatization, decrease in government tenure in economy) and political development of reformist state (emphasis on political cooperation, freedom of parties, press and civil society) increased the elite disagreement on all political, economic, social and cultural fields in a way that it led to lack of consensus on major priorities and growth documents such as 5 year plans and 20 year vision document changed to various interpretations and political controversy.

The presence of 9th state cabinet was the reappearance of politics based on social justice. Ahmadinejad could attract the attention of many by the image of simple life, effort, being from the deprived class of society through using religious literature and he could defeat other candidates who were the symbol of governing situation. Social base of Ahmadinejad which was a combination of lower group classes in cities and villages and revolutionaries who were trying to return and resuscitate the values of early years of revolution, along with the government's income increase through the sale of oil in 2005 reaching to 50 billion dollars, was directing the country's economic route to populist policy (Delforouz, 2014, pp. 236-268).

By electing Ahmadinejad, radical changes occurred in the political power structure and the tension among political elites and conflict among reformists and conservatives were pulled to the conflict and controversy among fundamentalists. Since the formation of state cabinet, the signs of this conflict between 7th parliament and state showed itself in the format of distrust vote to suggested ministers, bill of budget plan and continuous changes in the cabinet. By the formation of 8th parliament in March 2007, with two groups of crit-

ical fundamentalists and Ahmadinejad supporters, disagreement increased both inside the parliament and the government. In 2008, interpellation of country's minister on charges of fake university document and lying and also law of targeting subsidies increased the conflict in a way that the president by writing a letter to the speaker of parliament and calling these actions against the rules of constitution omitted the aforementioned plan from budgetary bill of 2009 (Iran 2008).

Holding presidential elections in June 2009, and the unrest after that put the country under security, and political crisis with unprecedented international pressures for at least 2 years. Such atmosphere, not only omitted the reformist flow from country's political structure, but also a lot of fundamentalist forces were in a sharp conflict with the president. The suggested cabinet was the source of main differences which was intensified later in in budget bill of 89 and targeting subsidiary plan. Haddad Adel believed that the relationship between government and parliament is like a single strand of hair due to the disagreements on macro laws and strategic affairs (Tabnak site 2010). Eleven-day absence of president in his work place due to the conflict with the leader of Iran (Mr. Khamenei) about the resign of intelligence minister caused the critics of Ahmadinejad to push intelligence agencies to arrest president's relatives by miscalling Ahmadinejad's group of friends with the leadership of his head officer (Mashaei). In mid-July of 2011, the members of parliament raised 10 questions from president which was unprecedented after revolution. Furthermore, embezzlement case of 3000 billion toman in September of same year had lots of negative impacts on economic fields. After months of conflict and tension among opponents and supporters of government, the elections of 9th parlia-

ment were hold in a way that there was no consensus on different subjects among the elected members of the parliament from even the same party. By arresting the press advisor of president, due to insult about women's hijab in special issue of Iran's government newspaper in March 2011, Ahmadinejad informed about the possibility of renewing supervisory board to implement constitution formed by Khatami (Mashregh News site 2011). Also in 91, cases such as enforcing law of targeting subsidiary, way of government's economic management and decrease in the value of currency due to the economic sanctions along with the various other problems for production units intensified the tension and conflict between government and parliament. In fact, during the 9th and 10th state cabinet, the set of tensions which had occurred among the chief executive, the judiciary, and the legislative demonstrate the lack of consensus on the country's major priorities among the political elites.

2. Relative Independence of State

Another common feature of the developmental states is the relative independence of the elites and their managed organizations from the demands and interests of social, regional and class groups in a way that these demands cannot affect the developmental path of the state. State independence means that although the state can interact, be effective and impressive with its peripheral environment (domestic private sector and foreign investors), it can pursue development policies while still maintaining its distance from their influences (Chan, 2002, p. 195). Working groups demanding expansion of distributive and welfare measures, large landowners with a conservative and anti-reform approach, and investors with a tendency to monopolize and use state rents are the main classes against

developmental goals that in Third World countries are a strong barrier to development-seeking states (Boyd, Benogaljart, and Biniyaz, 2010, p. 103; Castells, 2006, pp. 320-321).

The Iranian state, by its very nature at this time, is essentially incapable of guiding the classes towards development. In general, both before and after the revolution, the Iranian state is a rentier state that receives most of its income from foreign sources in the form of rent and from the sale of natural resources (Azghandi, Akraminia, and Kiakojouri, 2014, pp.160-168). Moreover, in the post-revolutionary years, due to the prevalence of leftist literature and justice-seeking approaches, the state becomes essentially non-capitalist and populist in nature. The benefit of widespread rent income gives the government more autonomy over social classes and, conversely, makes social groups dependent on state income and various rents (Sadiki, 1997, pp. 179-184). But this independence is in line with redistributive goals, and the state plays the role of protector and savior of the classes.

The 9th and 10th state cabinet inherited such a relationship with different social groups and classes. In general, during the eight-year period, the state in its policy of controlling organized labor protests, tried to prevent any actions outside the established framework. On the other hand, due to the ideological nature of anti-capitalism and protectionism for the weak, as well as the support of low-income groups, it is pursuing welfare and redistributive policies in support of oil revenues. The most important of these policies is the approach adopted in labor law. Conditions such as setting minimum wages, working hours, accepting previous employer commitments when changing ownership, dismissing employees, obliging employers to

provide workers with amenities and unemployment insurance are all in a way that it is considered one of the most progressive laws in support of workers. While many believe that one of the major obstacles to economic liberalization and privatization is the restrictions imposed by this law on employers (Behdad and Naamani, 2010, p. 44). In addition to labor law, state in this period tried to have the accompany of working groups through transferring its share in economic units to workers in the form of equity shares and implementing projects such as Mehr Housing with the pursuit of justice discourse and implementing redistributive policies which showed itself in the unrest of 2009, and it was an important reason for the serious absence of this class in the protests.

The state's approach towards landlords and peasants is similar to that of the working groups. After the revolution, many of the remnants of the former regime had been confiscated, as till 1988 5000 hectares of agricultural land were allocated to farmers and 150,000 hectares of waste land were allocated among other eligible people and 6,000 hectares were allocated to government agencies (Delforouz, 2014, p. 299). Thus, large landowners were completely eliminated and a small stratum of weak landowners were formed that were supported by the government though. On the other hand, unlike the East Asian developmental state, which were forced to finance development projects from accumulation of agricultural products due to the lack of rents, they did not feel the need to promote agricultural products and to concentrate on exporting these crops due to oil revenues.

Since the beginning of the revolution, redistributive policies were applied to penetrate in rural areas. During a decade, by continuing this policy, the 9th and 10th state cabinet

tried to gain support of these groups in their electoral and factional competitions. The presence of institutions such as the Jihad of Agriculture and Construction to launch thousands of small-scale projects in the form of water supply, road construction and electricity lines, as well as covering the needy with a support and service plan, were one of the most important indicators of states' presence in rural areas. Based on the reports of Relief Committee, in the end of 2010, 707,549 families with total population of 1499317 people benefited from financial aids, health services, and housing provision in the format of Martyr Rajai of this committee (Delforouz, 2014, p. 301). The state in the framework of rent structure and needless to agricultural surplus achieved its legitimacy not from increasing proper performance but through distribution of resources and increasing welfare level through paying aimless subsidy of billion dollars to essential products and adopting policies which benefited most deprived groups like working groups and farmers. Thus, the presence of agricultural unit in national gross production and non-oil products is insignificant. As the trade balance of agricultural products that were being cultivated in lots of areas with a very traditional form, had a deficit of 1 billion dollars a year (Ghanbari and Barghi, 2008, p. 288).

Considering the relationship between state and capitalist groups, what happens is based on the axis of severe weakening of modern industry of private section, increasing the influence of commercial sectors in economic atmosphere and expanding activities of governmental and quasi-governmental companies.

In the years following the revolution, with the weakening of the modern industrial bourgeoisie, productive capital was transferred to unproductive business. The unproductive sector was able to work with the strong sup-

port of powerful organs like ministries, chambers of commerce and quasi-governmental organizations and foundations without paying any tax instead of investing in key industries such as land and real estate, distributing raw materials and commodities and people's required goods (Madani, 2005, p. 205). Moreover, the stateization of the economy and the presence of state monopoly capitalism were one of the most important factors in non-emergence of industrial and independent bourgeoisie. According to the World Bank report in 2009, state-owned corporations dominate the Iranian economy, and quasi-governmental organizations have extensive industry and commercial activities, with more than 60 percent of Iran's industrial output being provided by state-owned companies (Heshmati Molayi, 2010, p. 249). According to the audit, the number of identified companies dependent on the government is 700 units, while the Court of Accounts estimates the number of such companies to be 2000 (Hasanvand, 2009, pp. 27-31).

Due to the loss of these companies, the privatization process is accelerating in the form of implementation of the general policies of Principle 44, and particularly paragraph C in 2006. But considering 40% of equity shares transferred in the case of justice shares, equity redistribution policies will somehow replace with economic liberalization policies. In 2006 of the total 27000 billion riyals of transferred equity shares, 23 thousand and 579 billion riyals and in 2007, 232 thousand and 500 billion riyals out of 289 thousand and 177 billion riyals were allocated to Iranian households for equitable distribution of wealth and generating state income (Nobakht, 2008, p. 63). Alongside the presence of state-owned companies in the economic arena, foundations are considered to be one of the pillars of economic power in

the post-revolutionary period. In fact, these foundations, such as the Martyrs' Foundation, Imam Khomeini's Relief Committee, and the Foundation for the Oppressed and the Veterans have a redistributive character.

During this period, these institutions also had a very strong presence among the official and unofficial executives of the country. In addition to working in the fields of industrial production, construction, agriculture, trade and services, the Martyr Foundation and the Relief Committee receive a lot of government subsidies each year, although detailed statistics on their activity and capital have not been released during this period yet. But the most important of these is the Foundation of the Oppressed and the Veterans, which, with the support of many Iranian families, aimed at carrying out public works and primary construction in deprived areas such as social justice and a more equitable distribution of wealth. According to a research, the foundation has 800 companies and 700 thousand employees or workers, valued at between \$10 billion to \$12 billion at the beginning of 2000s. With a large volume of real estate, the foundation has a strong presence in 20% of the textile industry, 40% of beverages and two-thirds of glass, plastic and ceramic products, and also invests in foreign investment (Maloney, 2003, pp. 14-18).

These foundations not only are far from state supervision but also in most cases, implement and pursue a program independent of what the state has drafted, and are mainly active in business, construction, credit and banking activities and they do not really play a role in supporting and expanding scientific and industrial research. In sum, what follows the presence of these governmental and quasi-governmental companies, is not following the development-oriented goals but using rent and state support for a

widespread presence in the unproductive section (Delforouz, 2014, p. 331).

3. Ineffective Bureaucracy

There are some organizations in developmental states which lead and direct the process of development. The said organizations are equipped with sufficient power, necessary independence, and the technical-scientific attitude required for the design of developmental policies (Leftwich and Khakbaz, 2003, p. 400). Unlike developmental states, the state of Iran lacks such organization. Bureaucracy in Iran after revolution inherited a set of problems which penetrated in the system during previous regime. The most important problem is the dependence of this system from the political power. The political elites try to control the administrative system. Thus, the most important criterion for advancement in administrative jobs is dependency to the authorities, instead of meritocracy. Thus due to this reason, the administrative system suffers from the absence of effective staff (Sabouri, 2001, pp. 188-189). Furthermore, the increase of oil revenue not only increases administrative corruption but also it increases the volume of administrative system which can impose heavy costs on state budget. Also, because the administrative system depends totally on the political system, after every change in the cabinet, a lot of changes occur in the administrative system. Most changes occur after presidential elections and after victory of the new party, extensive changes occur not based on qualification of appointed people but merely based on dependence and political consistency (Hadi Zonouz, 2008, p. 390).

Presence of the new state cabinet, not only intensifies the problems, but also creates new problems. The elected president refined the country's management system completely by

calling these systems deviated from the principles and norms of revolution in the top executives of system, comprehensive corruption and the creation of a closed group of executives. But the new appointments showed that there's no conformity between what he had stated and what actually happened. First, most of the executive posts were assigned to some parts of sovereignty who had always dominated before; even, the newly-appointed people were from security and military organs. Thus, all these meant that this extensive transposition was done to capture some organizations by that organ. In addition, under the title of assigning posts to younger people some people were appointed to posts for which they had no history or expertise in that field. Some examples are: Mehrdad Bazrpash, as the chairman of SAIPA Co.; Mohammad Ali Abadi, as the minister of oil and then the chairman of Physical Education Organization; Salehabadi, as the secretary-general of Tehran Stock Exchange Organization; Mehrabian, the minister of industries. (Sarzaim, 2017, pp. 87-102). During this period, two important political positions changed and even, dissolved. Whereas since the end of war till the end of 2003, for 14 years only two central bank chairmen worked in the state. In this period from 2003 till 2007 Ibrahim Sheybani, from 2007 till 2008 Tahmaseb Mazaheri, and from 2008 till 2013 Mahmoud Bahmani, were the chairmen of central bank. Mazaheri believes that these changes were because of the resistance of central bank against the non-expert claims of the government (World economic 2012). In this period, State Management and Planning Organization was dissolved because of protesting against spending oil revenues in a non-expert way; but the state called this action decentralization and accelerating the affairs of provinces. Generally, unlike the bu-

reaucratic system of developmental states which is based on meritocracy, effectiveness and independence and which is able to design and guide development-oriented policies in a country, the bureaucratic structure of Iran faces a lot of problems. This system not only lacked the necessary independency to insist on the specified principles and goals but also faced with disorder due to the corruptive personal relations, and non-expert and improper appointments.

4. The Repression of Civil Society

Civil Society is a framework of social relations outside the realm of state including organizations, institutes, associations and constitutions both private and civil (non-private) that struggle economically, socially, and ideologically with each other based on the personal or categorical interests, and the government tries to suppress these struggles through mediation or repression (Bashiriyeh, 2007, p. 329).

In developmental states, achieving the development-oriented goals is the first priority. Therefore, in any case of stimulation and resistance against achieving this goal, an intense reaction is expected. The repression of independent organizations does not harm the development-oriented harmony of these governments and by providing political stability economic security is provided for investors. Of course, in all societies with developmental state the extent of conflict with civil society is not the same and based on the kind and force of civil organizations the process of interaction or repression differs (Leftwich, 2006, p. 258).

The relationship between state and civil society in Iran's contemporary era has been fraught with mutuality and controversy. State in general, both before and after the revolution, sought to be self-reflective of the de-

mands and demands of the masses, with the independence of social institutions, and by eliminating civil society they tried to provide the basic needs of the people. Especially after the revolution, student organizations, the press and the critical media, political parties, industrial-trade unions, as elements of civil society, were either completely abolished or attempted to be controlled by control and influence. In this case, the state communicates with the people without intermediaries and directly and presents itself as their representative of interests. In fact, the celebration of revolutionary occasions and ceremonies such as International Labor Day and International Women's Day was largely organized by the government in the absence of independent civil society organizations seeking demands. On all these occasions, the political system tries to represent itself as a representative of these strata and, on their behalf, emphasizes the need to pursue and realize their rightful demands. This model was used many times during Ahmadinejad period and what is referred to as the "Mass Repressive Political Community" formed the formal framework of interaction between state and civil society. In this case civil society is repressed and instead mass mobilization accomplishes in a large level. This mass movement is the requisite of suppression and expulsion of rival groups from the power bloc. In fact, in order to associate society with the goals of the state, people are controlled by force and intimidation through economic policies and ideological incentives and political groups (Bashiriyeh, 2007, p. 343).

Historically, civil society institutions were active in the early days of the revolution. But with the outbreak of war and security threats and the necessity of general integration under the concept of Islamic ideology, any tenden-

cy opposed to existing policy was eliminated. With the end of the war and the beginning of the process of economic reconstruction, the country was provided with room for the gradual growth of civil society. The search for a space for thought was the basis for the growth of the demands of the reformed state. The emergence of different ideas in religious, political, and economic spheres, and the emphasis on the rule of law and the need for fundamental freedoms, along with the establishment of democratic interpretations of religious doctrines, gave civil institutions a new life (Sabzeyi, 2010, p. 64). The project of political development had created an inflated atmosphere of instability due to the opposition between the pro-opposition forces and the opposition. Due to this intense confrontation late in the period, attacks on civil and independent institutions increased as the judicial system increased, but with Ahmadi-nejad's reinforcements, these conflicts took a security approach and civil institutions that lacked strong social and legal support easily disappeared. So that the number of active NGOs in the country was reduced from about 4000 in 2005 to 54 in 2013 (Fararu site 2015).

Conflict against rallies and protests, such as the One Million Signature campaign to change anti-woman laws in 2006 and suppressing teachers' sit-ins in protest at low salaries in 2007 beside crackdown on political activists, students, guilds and journalists is one of those cases that shows the government's intense opposition to civil society and its determination to destroy it. But the most significant manifestation of the collision between the social forces and the state occurred during the unrests in 2009. In response to the post-election instability and social unrest, widespread security clashes took place and civil society organizations came under un-

precedented pressure. The dissolution of dissident political parties, the widespread arrest of political-press activists, and the general blockade of the political space made the semi-civil society institutions completely inaccessible. Great number of migrations of social and political activists abroad after the unrests of 2009, constructed a complete stagnation in Iranian civil society, along with the state's attempt to create self-reliant social institutions whose budgets, programs and cadres were fully state-controlled.

But the weakness that could help the state, like the model of developmental states, to pursue its policies without any opposition, did not lead to the achievement of the development goals. In fact, due to the political structure of power in Iran, which is most marked by the scattering of power resources, although civil society institutions could not be influential in politics, but the electoral environment, especially the presidential election, allowed the factions within the state to develop conflicting and sometimes opposing views in mobilizing people to support them. This is also reinforced by the welfare demands so it does not allow the state to pursue productive and developmental policies and provides the source of the emergence of a lack of community among political elites.

5. Domestic and Foreign Investment and State Authority

One of the most important factors in generating economic growth and development is providing capital to finance industrial and infrastructure projects. Since lack of funds and remittances in underdeveloped countries cannot provide the necessary capital solely on the basis of domestic resources, countries mainly seek to provide suitable condition for attracting investment resources from foreign countries (Saeedi and Miadi, 2012, p. 182).

Investments are the same in every way, whether they are domestic or foreign. The principles of capital are not subject to any restrictions, such as geographical boundaries or political or economic systems, and it always seeks to find a place where there is little risk and plenty of profit. Therefore, the investor tends to invest mainly in areas and activities that are less risky and easier to profit. For this reason, according to the Leftwich theory, developmental states have the authority and ability to direct domestic and foreign capital to their goals before domestic and foreign capitals become important (Leftwich, 2006, pp. 258-260).

After the victory of the revolution, the average state budget to GDP (Gross domestic product), which reflects the state's interfere in the economy, jumped from 50.26% during the years 1979-1988 to 62.5% in the second development program and to about 70% in the third program and it went beyond 70% in the years leading to 2006 (Behboudi, 2006, pp. 57-58). The existence of such a volume of state intervention in the economy, in addition to the effects of rent, corruption and resource depletion, shows its most significant weakening effect on the private sector.

During the years of 2005-2013, this general trend has been the pattern of economic relations. In these years, comparing the size of the state budget with GDP shows a strong fluctuation in their relationship. As the research shows, the size of the state's economy in disbelief has reached the whole volume of the Iranian economy in 2013. The volume of government-oriented corporations' budget in 2012 was about 366 thousand billion tomans and very close to 424 thousand billion tomans of total liquidity in the country, although many economic experts have considered the private sector's share of GDP to be much higher than what is assumed (Khabar

Online site 2012). In addition, the number of state agencies increased from 363 in 2005 to 691 in 2013, and the number of provincial headquarter organizational units increased from 64552 to 97678 units (Sarzaim, 2017, pp. 285-286).

Based on the above-mentioned cases, rising inflation coupled with holding exchange rates steady, increasing imports, failing to improve the business environment, high investment risk, slow movement in privatization and government's intervention in the economy are some of the major factors of low contribution of the private sector in the outlined investments based on generative and industrial projects during this period (World economic 2012). In the field of foreign investment, although for some reasons such as political instability, war, confiscation of private property, legal uncertainties, and multiple interpretations of constitutional principles in the first decade of the revolution a very unfavorable condition governed the area, but in the post-war years it was tried to provide a favorable ground for attracting foreign investment in the context of economic reforms, the drafting of the Law on Free Zones, the amendment of the Law on Protection of Foreign Capital (Taheri, 2005, pp. 29-30).

This was also the case during the years of 2005-2013. According to the Central Bank reports, although foreign direct investment declines at the beginning of this period from \$3412.6 million in 2005 to \$1709.5 million in 2007, an increase from this year is achieved and it became \$4488.6 million in 2012, however throughout this period the amount of investment is approximately below one percent of GDP, while based on the fourth development plan a raise much more than \$9 billion in total was expected. In general, with the escalation of crisis and insecurity in the Middle East, increasing tension in Iranian-Western relations over the nuclear issue and imposition of international sanctions alongside legal barriers, social, cultural, political and economic conditions governing Iranian society and the state's economy, made major problems for the foreign investment process. As the figures show, the growth process in Iran before foreign national capital became important and influential, began and continued in such a way that foreign investment did not play a significant role in the development processes, and in the absence of the necessary investment in all these years, the government itself designed and implemented the development process.

Table 2:

Amount of Foreign Investment Rate during 2005-2012

2012	2011	2010	2009	2008	2007	2006	2005	year
4.662	4.276	3.648	2.983	1.979	2.017	2.317	2.889	Foreign Investment Rate (UNCTAD)
3.328	4.488	3.773	2.717	1.791	1.709	1.914	3.412	Foreign Investment Rate (Central Bank)

Source: Central Bank and IRNA News Agency. The figures are based on billion dollars

Conclusion

According to Leftwich's view, differences in Iran's economic and political structures with respect to developmental states, and consequently differences in the elite's view of pri-

oritizing national goals, the relationship with social forces, the formation of bureaucracy and civil society, has created a completely different institutional context in the process of economic development.

The emergence of a principled state in 2005 quickly paved the way for conflicts among political elites. Changes in prioritizing state goals and adopting a very different approach to development, coupled with vast changes in senior management levels and neglecting the country's system of theories, eliminated any possibility of consensus among the political elite around common grounds and created a widespread conflict among them. In addition, the rent structure of the Iranian economy and the reliance on oil revenues was a factor that reduced the relationship between state and social forces into a distributive and non-productive one.

The state unlike developmental states tried to organize an unproductive relationship with social forces rather than focusing on the production and accumulation of capital. The presence of very powerful quasi-governmental institutions and foundations around oil rents became even more prominent during this period. The presence of very powerful quasi-governmental organizations based on oil rents became very significant in this period. The consequence of these actions emerged in the end of principled state, and the Iranian economy, more than ever, changed to a state economy based on rent with a none diverse structure in the manufacturing sector, especially high-tech industrial production and with little ability to compete with world markets.

It should be noted that it may not be possible to follow the model of developmental states in terms of both national and foreign considerations, but the general rules of development and transformation can be applied at least by looking at the examples of successful developmentalism. In fact, it may not be possible to overcome the deep theoretical and social gaps such as tradition - modernity or the immediate change in the rent structure

of the Iranian economy in the short term, but the political elite can reach a national consensus on major priorities by understanding the requirements of the regional and international environment. And in the light of such prioritization, instead of adopting populist policies, by using oil revenues they can support the expansion of productive and export-oriented manufacturing industries, and in this path by reforming the inefficient and dependent bureaucracy, they can make a capable and independent organization for planning and pursuing macro goals and pave the way for development process.

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[https://databank.worldbank.org/reports.aspx?source=2&series=NY.GDP.PCAP.PP.CD&country=Iran's Inflation](https://databank.worldbank.org/reports.aspx?source=2&series=NY.GDP.PCAP.PP.CD&country=Iran's%20Inflation)

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