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# THE POLITICAL ECONOMY OF CORRUPTION IN IRAN

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**T**his research seeks to monitor, analyze and interpret the roots and structural dimensions of corruption in Iran as a natural product of the country's dominant social and economic patterns and the authoritarian institutional framework related to it. It also explores how corruption is embodied politically, economically and socially as well as in different phenomena impacting various aspects of Iranian people's lives. Finally, the study looks at quantitative and qualitative indications of corruption in local and global reports as well as through changes to art and literature in Iranian culture.

The research overviews corruption in Iran and categorizes the forms of corruption in a social and objective way, not a moral or abstract one. It also analyzes corruption from the perspective of the political economy quantitatively and qualitatively. This will be mainly done at socioeconomic and sociopolitical levels. The methodology will be based on descriptive theoretical analysis using social and economic theory as well as historic and economic data. The main result is that corruption in Iran is structural. The roots of this corruption lie in the nature of the political and economic system in Iran. Also, corruption's social and economic cost is high. It impedes the progress and prosperity of Iranian society. Therefore, there are limited opportunities for institutional reform in the current framework.

Corruption is a form of social and institutional deviation, some of which is entangled with acceptable ordinary social and institutional practices. Some of its aspects amount to full-fledged crimes. There is nothing strange about the multiple definitions and complicated parameters of corruption.

The practice of corruption which is as old as the history of mankind is often difficult to fully define. This is in addition to the spread of the phenomenon, which is present throughout the world in multiple forms and in varying degrees of significance. There are narrow definitions which describe corruption as an administrative phenomenon which mainly occurs due to officers violating rules and laws at work. There are also broader definitions such as describing corruption as any practice that leads to the downgrading of general efficiency which incurs a social cost. There are many definitions for 'white-collar crime,' which alludes to these aforesaid ambiguities.

In fact, the difference between crime and corruption is related to institutional power, historical developments and social positions as is the case with the difference between the power of the bourgeoisie class and the violence of the proletariat, according to the definition of the Russian sociologist Pitirim Sorokin. The rich with the money they possess and the powerful with the clout they wield have a material and moral power through which they can make undeserved gains that go against the rules of the social structure. This happens without the need to commit crimes explicitly, as the poor and those who have no clout use explicit violence to make similar gains.

This raises a question about the wide-ranging commonalities bringing together manipulation, corruption, and crime as different degrees of the same phenomena. These commonalities become more wide-ranging and complicated if we move on from the symbolic/moral challenges to the social/subjective challenges, especially those of an economic nature, whether merely economic or political. In addition to the regular clear form of corruption, economic corruption may occur when society does not deem it as corruption according to its system of values.

Society may also suffer from political deviations or flagrant corruption in the context of its moral and historical criteria, but society finds itself compelled to accept it as an authoritarian practice which is culturally accepted, especially when the cost of combating it exceeds its social cost. The degrees of this necessity vary socially and institutionally ranging from the sociopolitical which requires a radical political change in order to be overcome; and the socioeconomic which requires a momentous social change in order to be overcome. These necessities vary between different political systems and societies. Sometimes corruption becomes a necessary drug for political systems to survive, even though it is a fatal poison for societies ruled by these regimes. The inevitable result is the collapse that happens in the long-run. This shows the importance of the issue and the necessity to discuss it, especially in third world societies which are plagued with the syndrome of corruption and despotism. It is no wonder that the International Monetary Fund (IMF) Chief described corruption as the first enemy of the people.<sup>(1)</sup>

The economic-political nature of this research will depend on objective/ social determinants. The moral assessments of society have no value at all. Society is also not meant to match the act of the crime with the criminal. Rather, it is meant to analyze corruption itself socially and

to analyze its causes in the Iranian context for the subject of this research. This research asks, to what extent do the Iranian people and society suffer from corruption? What are the roots and causes of corruption? Is it merely a product of temporary deviations which can be tackled within the institutional framework? Or does this corruption spring from structural tendencies entrenched in the core nature of this institutional framework politically, economically and socially?

The research begins with the problem of defining corruption and setting the endorsed definition. Then comes a theoretical review of the sociopolitical analysis of corruption. A general overview of corruption in Iran through credible global indications and previous studies on the Iranian case is provided. Afterwards, there will be an analysis of three patterns of corruption in three consecutive sections. The conclusion will focus on the boundaries and horizons of reforming institutional corruption in Iran.

### **First: Setting the Definition: The Three Aspects of Corruption**

The term corruption is derived from the Latin language indicating bribery or damage<sup>(2)</sup> and these two main aspects are important in understanding the phenomenon of corruption. There are two main trends to comprehend corruption: the embodiment-based *trend* which helps in defining corruption and classifying its forms and means, as well as the *essence-based trend* which defines and determines corruption based on its core essence and general impact. We will see this in the following overview of the definitions of corruption:<sup>(3)</sup>

The definitions of corruption vary according to the manifestation or the perspective. Ulrich von Alemann determines five general definitions of corruption. They include:<sup>(4)</sup>

1- Corruption as a sign of social deterioration: expresses the decadence of nations as they lose their values and individuals lose belief in them. It maintains its presence in times of social upheaval and deterioration.

2- Corruption as a behavioral deviation: it is a widespread individual/symbolic phenomena, a rebellion against social traditions and the rules of the game, with the agent violating the terms of his agreement with the master such as a politician deceiving the public, an official abusing his position in a way that runs counter to his public commitments.

3- Corruption as logic for exchange: it is a purely traditional economic form in which corruption is a process of the traditional exchange of a rare item on the market. This exchange happens between the one who is tasked with it and the one who pursues it.

4- Corruption as measured by perceptions: it deals with all forms of corruption that can be perceived and measured while dividing it into color variations based on its nature and the social response to it. We may find white corruption which is widely socially accepted and grey corruption which is less accepted. But the perpetrators have no sense of guilt when practicing it. There is black corruption condemned by both law and society.

5- Corruption as shadow policies: it is related to political corruption more than any other form. It is related to the policies made behind the scenes away from the public including transactions, irregularities and financial payments which could be legal or illegal, but they mainly lack transparency and legalization with varying degrees between the aforementioned white and black forms of corruption. This runs counter to the values of democracy and the rule of law.

On the other side, Arnold J. Heidenheimer outlined three main, more tangible forms when defining and classifying corruption. They include corruption in public office, where the behavior of the public officer deviates from his official duties to make a certain gain or special interest. Corruption in the market, where a public officer works as an investor in his government position with the aim of making the biggest special gain regardless of public interests. There is also corruption against the public interest. It happens when somebody wielding clout becomes capable of committing certain excessive acts with the aim of getting a reward at the expense of

public interests. Within a similar trilateral definition and classification, Arvind Gin<sup>(5)</sup> observes three types of corruption: grand corruption, where the political elite manipulates the political authority granted to it from the people to outline economic and other policies which favor it and the inner circle related to it at the expense of the public interest. There is bureaucratic corruption, where officials and government officers use their administrative powers in ways to make special gains or to receive commissions and bribes. Finally, we have legislative corruption, which is related to influencing the voting behavior of legislators through bribes and financing to make gains or to serve policies desired by certain lobbies.

In a more abstract and comprehensive definition, Philipp Auhara argues that corruption is one of the forms of immoral behavior or aggression resulting from abusing power to make gains for individuals or groups at the expense of the public interest.<sup>(6)</sup> It is, in brief, a crime against social interest, public trust and the rules of the game.

The previous definitions and introductions are criticized for two reasons: the first is systemic. It is related to focusing on the manifestations and embodiments of corruption other than its core essence. The second criticism is about implementation. Most of these definitions are confined to public corruption in its different forms, including the political, bureaucratic and legislative which do not cover all of its manifestations. This means that all these patterns tend to be of the embodiment-based /symbolic trend in varying degrees.

The essence-based trend takes a broader view, given its objective nature, moving the definition of corruption from the embodiment-based represented through manifestations to the general criteria which transcend manifestations and forms, both old and new. It also transcends the symbolic/moral parameters to the social/objective parameters. Yet it transcends the random categorizations to include all aspects of the phenomenon. Hence, corruption becomes every practice that makes a gain without paying its collateral price. This is true in the narrow economic concept. It is also applied via the broader social and political definitions. This is because the equivalence between value and price is the most important economic rule in terms of production, distribution, and exchange, as well as according to the general criteria of social efficiency, policy and culture.

Hence, corruption is every rent-seeking practice that generates personal, not economic, gain (which means that there is no parallel economic contribution<sup>(7)</sup>) since this practice reflects inefficiency on one hand and a social cost on the other. By internalizing the social-historic dimension, which outlines society's general legal and moral labels, we find ourselves faced with a wide spectrum of corruption, manipulation, and crime in one pattern whose colors vary in degrees and pass down across history at the same time. It shifts from manipulation, with its social nature which society may or may not condemn on a moral basis in varying degrees, falling short of condemning it legally, to corruption, with its institutional nature, its different forms and various degrees of condemnation, ending with crime, with its violent and full-fledged nature, the condemnation of which is certain. This wide-ranging spectrum provides an opportunity to realize the intermediary overlaps among the three concepts. There are forms of manipulation overlapping with corruption and forms of corruption overlapping with crime. Also, this idea allows the awareness of the historical evolution of concepts, which shifts some practices from some degrees to others, for instance, from manipulation to corruption to crime. Slavery had always been based on manipulation and has become a crime in modern times; the merging of a ruler's wealth with state assets, which had always been an acceptable tradition, has become a crime according to today's standards.

Whatever the differences among definitions or variations in essence and core meaning, it is certain that corruption, in its general essence, as a waste of social efficiency in general, has three social aspects:

**1- Structural corruption:** This is corruption on the basis of the social organization of production, which means that the corruption is deeply rooted in the existing socio-economic structure and the pattern of growth governing it, making it a structural corruption which cannot be wiped out within the framework of this structure or pattern. It forms part of the mechanism. It is a form of social waste related to the way the structure and pattern functions. Therefore, from the symbolic, social and legal aspect it is not considered corruption punishable by law and society at its current level of development, but it is closer to the concept of manipulation, even if it is deemed so based on the symbolic criteria of the prevailing global order. It is the objective criteria represented in wasting efficiency, incurring a social cost and underserved squandering which represents full-fledged corruption. However, it is a form of corruption construed as legitimate manipulation within the level of the structure's evolution.

**2- Institutional corruption:** It is corruption at the level of the institutional framework of production. In other words, it is corruption rooted in the institutions that run the existing socioeconomic structure and the prevailing pattern of growth. This includes political institutions, the bureaucracy, and the market. It is a form of corruption socially endorsed and imposed and is even present in the measures introduced into society by this structure. Society and law punish this form of corruption if they have the capacity to do so. It is parallel to what is described in traditional studies on corruption as grand corruption.

**3- Accidental corruption:** It is related to individual random practices. Although its dimensions are broad, elevating it to the level of a phenomenon, it remains an individual practice, not institutional. It is the closest form of corruption to crime in its narrow sense. It is socially unaccepted such as the full-fledged corruption which is clearly and unequivocally punishable by both law and society (unless it is being tolerated for being a minor sin and there is sympathy with the perpetrators). It is ephemeral because it is not part of the essence of the structure and its institutions. It is a byproduct of grand corruption and a direct response to it (the impact of ideals and expectations) as well as an indirect response (the impact of incentives and consequences).

The importance of this differentiation lies in getting to the root of each type or aspect and the scope of each policy in combating it. For example, structural corruption is not combated by law. It requires comprehensive social change. Institutional corruption requires a complete restructuring of society's institutions unlike ephemeral corruption, which could be curbed through boosting efficiency, the rule of law and improving the economic situation. Differentiating between the various aspects of corruption helps in outlining policies to combat it, whether strategic or tactical.

### **Second: A Theoretical Summary: The Political Economy of Corruption**

Although the phenomenon of corruption is complicated, there are four stylized facts about corruption globally. They represent the groundwork for agreement and the analytical perspective employed by most interpretations. They suggest:<sup>(8)</sup>

- 1- The level of perceived corruption is inversely related to the level of economic development.
- 2- Corruption of major firms and the financial sector is more evident in the central states in the global order.
- 3- Sectors and countries with greater centralization experience more corruption than others.
- 4- Corruption aggravates the situation of social variation which in turn leads to more corruption in a dialectical relationship.

Given the agreed conditions of corruption<sup>(9)</sup> including distinguished force, rent and weak economic restraints, we find common sense in the four mentioned facts. Weak economic development is linked to the rise in the share of rents and the weakness of economic restraints. Also, some sectors have special characteristics that facilitate the foregoing. Social variation and

major firms in themselves reflect the variation in distinguishing forces, the rise in the rent-based trend in the economy, as well as the promotion of corruption.

Despite the multiple theoretical lines of political and economic analysis of corruption, it has four main commonalities:

**1- Seeking rent:**<sup>(10)</sup> It is a general form applied to the advanced and developing nations. It revolves around the triggering of rents generated by natural resources or government intervention policies for non-productive rent-seeking practices and disputes over these rents among economic and political actors. This involves legal and illegal practices in which the criteria of corruption are common. They include misusing social position and adding an unnecessary social cost. However, it does not include all the manifestations of corruption, nor does it reach its level in terms of impact<sup>(11)</sup>.

**2- The rentier nation:**<sup>(12)</sup> It is a special rent-based case. It is related to resource-rich countries. It is linked to what is known as the trajectory of resources.<sup>(13)</sup> These resources confer the rent-based approach to the pattern of growth. Based on this approach, the state creates rent-based resources that cause political lagging on one hand and boost the aforesaid rent-seeking practices on the other. Both of them aggravate institutional corruption, especially if the state suffers from institutional weakness which could open the door for such a development.<sup>(14)</sup>

**3- Corporatist state:**<sup>(15)</sup> It is the most common characteristic in the post-colonial peripheral countries, where the institutions based on popular representation are marginalized. They are monopolized by the apparatus of the state. It is a case more complicated than the rent-based state. The legacy of the historical culmination of the state interacts with different varieties of populism, statism, and proletariat, accompanied by a rampant rent-based approach. (Through the interaction of resources with the historical legacy, peripheral subordination and nepotistic bureaucratic generalization of rent-seeking practices<sup>(16)</sup>). This leads to producing a state where political, bureaucratic and market corruption prevails. Corruption itself becomes one of the pillars of the political system and a key element in making it survive.

**4- Open systems and closed systems:**<sup>(17)</sup> This is an introduction which renders legal the distribution of rents in exchange for curbing violence. Countries avoid sliding into vortexes of violence and instability through appeasing the groups capable of stirring violence through distributing rents among them. This forces these nations to adopt a restricted approach to attain resources and power: the distinguishing force and the acquired gains. On the other side, there are open systems where access to resources is not restricted. In other words, the dictatorial, monopolistic and backward countries versus the competitive, democratic and advanced countries. According to this form, corruption is a structural/natural component of closed systems.

### **Third: Indicators of the General State of Corruption in Iran**

Despite the shortcomings in all the indications of measuring corruption, such as a focus on general corruption while ignoring private corruption, there is often an inability in distinguishing between its categories according to the aforesaid conceptual categorizations. However, these classifications can be used as trend indications for the general state of corruption since there is a direct correlation between general and private, as well as structural, institutional and ephemeral corruption, whether because of the connection between the practices of general corruption and the private sector or because of the prevailing economic and social climate. This is because private corruption becomes more accessible where general corruption is rampant, even in the interactive practices between them.

Iran has been ranked 138 out of 180 nations on the Corruption Perceptions Index in

2018, getting 28 points out of 100, which places it in the lowest third of the index, falling to reach the general average of the index which equals 43. Over the years of issuing this index, Iran's ranking ranged between 33 and 23 only.<sup>(18)</sup> This reflects the rise in general corruption in Iran. This is in line with the dismal indicators when it comes to the rule of law and democracy<sup>(19)</sup> in Iran. This is confirmed by Transparency International which reiterated the same finding in its report: "The comparative analysis of the data related to democracy in the world revealed that there is an inverse association between the level of corruption and the spread of democracy." The full-fledged democracies ranked at 75 on the Corruption Perceptions Index. The flawed democracies ranked at 49 on the index. Hybrid systems, which include dictatorial traits, ranked at 35. The dictatorial regimes got the weakest rankings, which did not exceed 30 on the Corruption Perceptions Index.<sup>(20)</sup> According to the aforesaid, we see how Iran's positions on the index declined even below the average attained by dictatorial regimes.

More tangible, corrupt practices saw an increase particularly in the Iranian government's apparatuses and public institutions. In a policy analysis paper,<sup>(21)</sup> Rashid Yaloooh cited examples of corrupt practices in which senior Iranian politicians and officials were involved. He cited the report of the Iranian parliament speaking of 4,500 financial and administrative improprieties committed by government figures and institutions in 2009. These had been committed over a long period. Yadullah Dadger and Rohallah Nezari mention the rise in corruption cases from 8,792 to 256,990 between 1984 and 2010. This means corruption increased 29 times in 26 years. This occurred in sync with Iran's declining rankings on the corruption index from the position of 88 to 173 between 2004 and 2009.<sup>(22)</sup>

In a more comprehensive study by Mayeh al-Shammari and Hussein Awish on the relationship between general governance and economic growth in Iran,<sup>(23)</sup> we find that there is a general weakness in all the sub-indices forming the governance index and a low ranking on all these indexes during the period from 1996 to 2013. All the sub-indices, along with the total index, over this period, were in the negative segment. (The indexes included expression of opinion, accountability, political stability, the efficiency of the government, the quality organization the rule of law and the control of corruption). They posted respectively in 2013: -1.600, -1.269, -0.697, -1.500, -0.983, -0.680 and the general index of governance posted 1.122 in the same year. These indicators reflect the institutional nature of corruption in Iran.

As for the sectors, officials say that more than 60 percent of Iran's foreign trade is conducted with disregard to the government's rules of regulation. The number of illegal ports exceeds 200. The value of smuggled goods per year surpasses \$905 billion.<sup>(24)</sup> This figure is backed up by a statistic from the Black Market Research Organization that corruption revenues in Iran hit \$10.64 billion.<sup>(25)</sup> Estimates suggest that the smuggling percentage reached 13 percent of total foreign trade in the period between 1970 and 2002.<sup>(26)</sup> A report in *The New York Times* said that corruption and nepotism in the Iranian banking sector helped fuel the protests in late 2017 due to the mismanagement of savings belonging to thousands of citizens.

The report also cited criticism by senior Iranian officials within the banking sector, with regard to several loans provided to customers with links to government entities which caused, along with other inefficient practices, financial fragility in the sector.<sup>(27)</sup> A report on Iranian oil revenues, through the social accounts matrix, estimated the total direct and indirect costs of a few scandals and corruption cases, such as the famous Zanghani scandal during Ahmadinejad's presidential term (2005-2013) costing Iran approximately \$542 billion.<sup>(28)</sup>

The direct economic impact of the Zanghani case alone was around \$2.7 billion.<sup>(29)</sup> The Iranian Vice President Eshaq Jahangiri estimates the total volume of Iran's financial corruption at \$170 billion with the amount siphoned off from the National Development Fund, roughly half the Iranian budget.<sup>(30)</sup>

Another sample of the volume and impact of corruption is provided by the Human Rights Documentation Center in Iran which said that the cost of six of the major corruption and embezzlement cases in Iran reached \$17.7 billion between 2011 and 2015. In other words, according to the infographic published by the Human Rights Documentation Center, losses incurred as a result of these cases at the social and humanitarian levels included 150,000 scholarships, 893,000 class rooms, 127,000 hospital beds, and 435,000 new homes.<sup>(31)</sup>

#### **Fourth: Structural Corruption: Socioeconomic Corruption, Which Is a Necessity in the Iranian Rent-Seeking Pattern of Its Economy**

This represents the corruption related to the socioeconomic structure and the pattern of growth. It acquires a structural nature that is hard to overcome without overhauling the structure and pattern as indicated earlier. Looking at the socioeconomic structure and the pattern of growth in Iran, we find it a capitalist, semi-industrial and peripheral pattern. It is dominated by a rent-seeking pattern controlled by oil resources. This makes it hard to establish a democratic state, on the one hand, with the corporatist rent-seeking model becoming a necessity on the other.

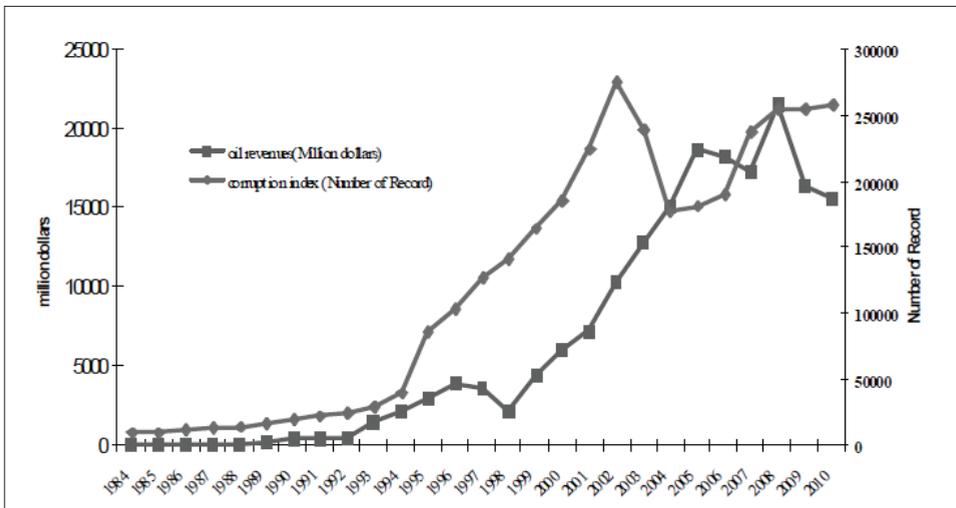
This is illustrated in the sectoral structure of the Iranian economy in 2017, where the proportion of manufacturing to GDP was 12 percent, the extractive industry was 9 percent and agriculture was 10 percent, with 65 percent for services. There is a preponderant structural failure with industry plummeting 44 percent and an increase in agriculture and services from 6 percent, and 51 percent of the GDP respectively in the same year.<sup>(32)</sup> This reflects the dominance of the 'resources trajectory' with oil, manufacturing and extractive resources dominating the economy as a structural pattern, with international sanctions and the economic siege as a political parameter. The besieged extractive industry deteriorated and manufacturing saw no increase. Services saw a premature, and unhealthy surge.

This sectoral structure barely makes the Iranian economy a semi-industrial one, given the level of development in Iran as it is a densely populated country and its population receives a medium-high income and cannot rely on services economically. It also does not forge a development strategy seeking to include the international community in the long-run. This description is confirmed by the Economic Complexity Index (ECI) which measures the degree of diversity in the economy when it comes to sectors and commodities as an indication of its development. We find that Iran is ranked 118 out of 128 countries included in the index globally. It is ranked 15 out of 16 nations covered by the index in the Middle East and North Africa. It has a very low ranking in the region, which made it barely able to stay ahead of Libya. It is only 10 positions from the bottom of the index, posting the value of -1.229 on the index among the underdeveloped nations within the negative portion of the index.<sup>(33)</sup> This not only reflects economic deterioration but also institutional corrosion which amplifies the general state of corruption in the state and economy. This was proved by the study conducted by Dominick Hartman and his colleagues<sup>(34)</sup> on the relationship between economic complexity, institutions, and inequality. It asserted that there is a link between economic complexity and commodity diversity and the containment of institutions and power-sharing. This theory is backed up by the study conducted by Asimoglu and Rourpenson.<sup>(35)</sup> They assert that the economies which gained independence recently, are still in most cases - specialized in a limited number of agricultural and mineral goods, and tend to have an imbalanced distribution

of political power, economic wealth and manpower. This had been the situation in Iran before and after the revolution. It is still relying significantly on oil resources to the extent that there is a connection between the performance of the oil and non-oil sectors, with the latter heavily relying on the former, which makes it a resources-driven pattern of growth.<sup>(36)</sup>

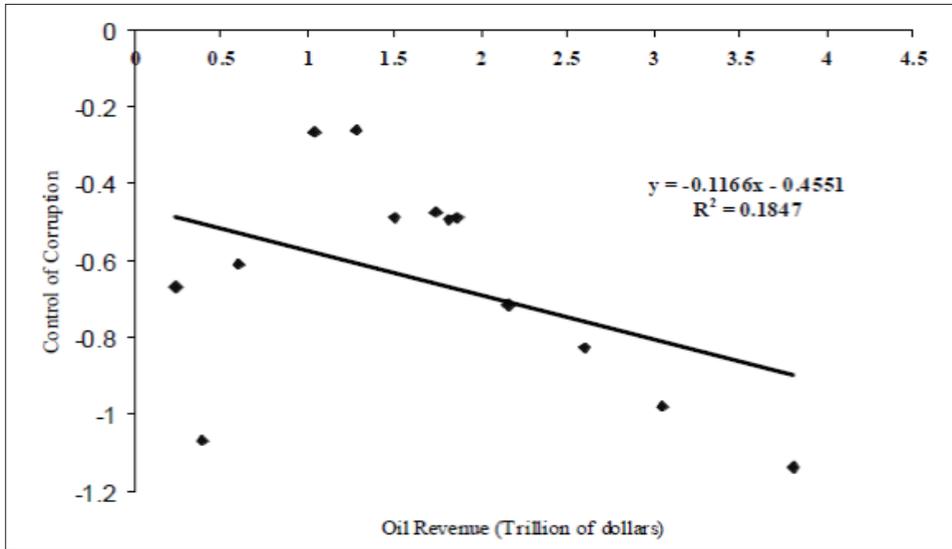
Oil revenues make up a large proportion of Iran's exports, public finances, and its GDP. In 2001/2002, more than two decades after the revolution, it accounted for more than 80 percent of the country's foreign exchange earnings, about 60 percent of government revenues and 34 percent of GDP.<sup>(37)</sup> This situation has improved temporarily and slightly recently but has remained within the same framework.<sup>(38)</sup> This reinforces the rent-based approach in the state and economy and provides more conditions and incentives for corruption from the perspective of distinguished force, institutional weakness and economic rents. This, therefore, leads to aggravating corruption practices, as figure 1 explains.

**Figure 1: Oil Revenues and Corruption Indicators in Iran During the Period Between (1984 and 2010)<sup>(39)</sup>**

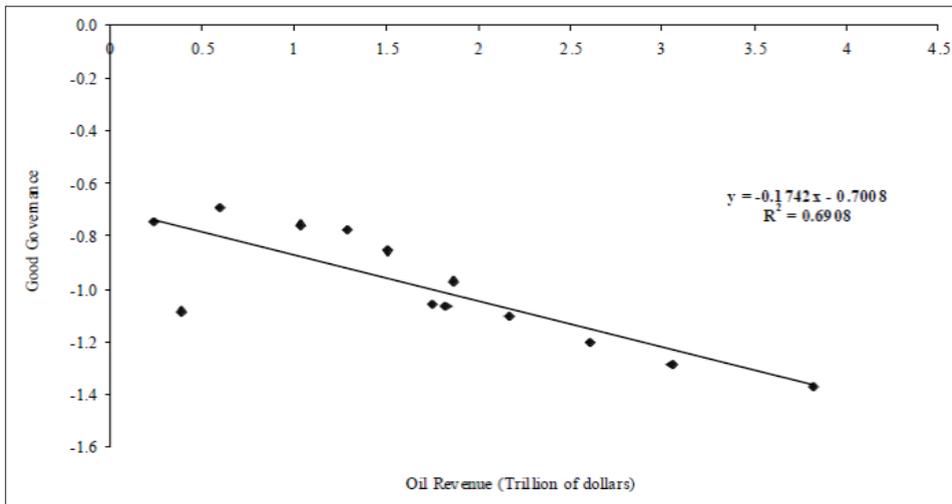


The figure shows the correlation between the rise in oil revenues and the number of corruption cases as a general trend during that period. The first jumped from \$140 million to \$15.582 billion during the period from 1984 and 2010. The second increased to 25,699 from 8,792 cases during the same period. This reflects the positive relationship between the two. This relationship is asserted by the other side of the coin represented in the two opposite relationships, inversely the trend between oil revenues on one hand and the degree of curbing corruption and good governance on the other, as indicated in figures 2 and 3. As the standard study asserts, every one percent increase in oil revenues leads to a 15 percent to 43 percent rise in bribery, embezzlement and graft cases in general. By setting aside the oil component of the GDP, corruption in Iran's economy declines.<sup>(40)</sup> These relationships are corroborated by more wide-ranging studies in terms of time and place, some of which covered 124 nations during the period from 1980 to 2004. They assert the positive relationship between the rise in oil resources and the surge in corruption indicators.<sup>(41)</sup>

**Figure 2: Oil Revenues and Curbing Corruption in Iran During the Period Between 1996 and 2011<sup>(42)</sup>**



**Figure 3: Oil Revenues and Good Governance in Iran During the Period From 1996 to 2011<sup>(43)</sup>**



In general, this industrial weakness and economic degradation in a rent-oriented economy prevent the possibility of institutional development and democratic rule in light of the absence of competitive markets and weak governance indicators in Iran as well as the absence of allocative and distributive efficiency and an imbalance between economic values and prices

(the prevalence of economic income over personal income). This means the spread of different manifestations of corruption, which becomes structural in nature as it depends on economic restructuring and the pattern of growth. This happens at the level of market forces and production relationships which are more well-established and deeper than the levels of institutions and incentives forming the institutional framework, where the matter requires a comprehensive developmental/socioeconomic transformation to overcome such a kind of corruption.

**Fifth: Institutional Corruption: The Political-Administrative Corruption Complementing the Rent-Oriented Pattern in Iran**

This is the corruption connected with the institutional framework of the socioeconomic structure. It consists of three main establishments: the political institutions, bureaucracy and the market. Rather than being viewed as violating the principles of these establishments, this corruption forms part of the working mechanisms of these institutions – even if it ostensibly collides with the socially declared and adopted ethics and laws. This gives it an institutional nature, which makes the rents generated from it practically legitimate and the intellectual waste that results a political cost for the regime to survive. It becomes hard to overcome without bypassing the standing politico-economic system since the cost of confronting it is tantamount to threatening to stir up violence and social and political instability.

In harmony with the deepening of the trajectory of resources at the level of social production, or the aforesaid socioeconomic trajectory of formation, the Iranian state has become increasingly rent-oriented at the institutional level, given the fact that it is the ultimate owner of the rent,<sup>(44)</sup> hence applying the shape of the state under the rent-oriented pattern, which tends in most cases to make the state an oligarchy that scatters the rents of the resources to enhance the interests of certain factions at the expense of an integrated economic policy and long-term social welfare.<sup>(45)</sup> They sacrifice the criteria of good governance and social efficiency as well as weakening political checks and balances to aid the interest of groups making up the ruling oligarchy. These corrupt practices earn a well-established institutionalized status when it comes to their practical legitimacy and being a condition for the stability of the political system. As the private rent-oriented status turns into a general rent-oriented status,<sup>(46)</sup> acquiring neoliberal variables and transforming from radical populism into crony corporatism, as was the case in several Arab countries in the last third of the 20<sup>th</sup> century,<sup>(47)</sup> the Iranian model prevails. Socially, we have two factions: the religious and the military. There are several political magnates. This has made Iran one of the rarest countries in the world to have two armies: the regular army and the Revolutionary Guards, two judicial systems: the regular and revolutionary, and six central legislative institutions.<sup>(48)</sup> However, others believe that the centers of power are of a more personal nature. As a state, it is made up of five magnates and centers of power revolving around several persons and groups. Each of them seizes financial resources, controls military forces and intelligence units, as well as establishes foreign relations and enjoys the support of certain clerics. This makes each of these apparatuses a state within the state.<sup>(49)</sup>

The enormous expansion of the Iranian public sector and the system of major firms in general provides huge possibilities for institutional corruption, given that in this situation there is a structural denigration of the economy and institutional deterioration of the state. It reached 85 percent of the Iranian economy in 2013<sup>(50)</sup> as it provides a big distinguishing force for the bureaucracy and wide-ranging opportunities for the private sector. The unofficial sector's spillover, which reached 19 percent in 2016,<sup>(51)</sup> represents a manifestation and a result, as well as another source of this institutional corruption as it gratifies several practices beyond the disciplined social guidance for the use and distribution of resources. This is in addition to the multiple monopolistic capabilities within the crony-based corporatist system, whether in black corruption deals, which violate laws and norms or the practices of grey and white corruption

which do not necessarily go against laws, but cause intellectual waste in general and exacerbate social costs through monopolistic bureaucratic practices and the rent-oriented system in particular. This is in light of the rent-seeking nation which favors its officials, officers, and its political circles.<sup>(52)</sup>

As this institutional corruption breaches the role of the three main institutions: politics, bureaucracy, and the market, it results in a dictatorship, which is the exact opposite of democracy (as the representative - the ruler - breaches the contract of political representation it signed with the master - the people). Bureaucratic corruption happens through administrative deviation and due to the weakness of legal and governance systems, the full-employment whereas economic corruption occurs through the prevalence of monopolistic situations, seeking rents, tax dodging and the expansion of the unofficial economy. All these practices waste general efficiency and increase social costs directly and indirectly, which we could not further analyze here.<sup>(53)</sup>

### **Sixth: Accidental Corruption: Individual Corruption and Social Crime in Iran**

This type of corruption is not independent in terms of its roots. It is not separated by fences from the two categories in their different forms but is a result of these types of corruption due to self-reinforcement. It is created through direct channels (the impact of values and forecasts that a general state of corruption is cutting across society) and indirect channels (the impact of incentives and the consequences of poverty, injustice, variation, and monopoly).<sup>(54)</sup> The main difference between this category of corruption and the two others is that it could be partially addressed within the applied socioeconomic formula and political system. It is an individual corruption that happens as a response from an individual to ephemeral loopholes and due to dissatisfactory situations, unlike grand corruption with its two aforesaid categories where the regime itself is corrupt.<sup>(55)</sup> This kind of corruption could be addressed within the regime. The part where the cost exceeds the social cost will remain unaddressed in alignment with the general legal status as is the case with the other categories. This is because of the relatively minimal social cost compared to the institutional and structural forms of corruption. This is confirmed by the fact that the spread of petty corruption in rich countries is less than that of poor and underprivileged countries.<sup>(56)</sup>

We called it ephemeral because it is not a direct product of the aforesaid essential circumstances and because it is an ephemeral form of corruption in society. It is a result of the individual's realization of the purpose of corruption in society and an awareness of its possible gains. The spread of corruption leads to<sup>(57)</sup> (1) the difficulty and decreasing odds of individual punishment (2) expanding the market of corruption by increasing the number of those trading in it, making these transactions safe and easy (3) the rise in the reward of seeking legal and illegal rent compared to the reward of entrepreneurship, let alone the impact of the ephemeral institutional weakness. This weakness is caused by transitional situations such as political deterioration, neoliberal transformations and even the general phenomena of semi-industrialization.<sup>(58)</sup> Moreover, this institutional weakness is deeply entrenched due to the inefficiency of institutions, the excessive politicization of the bureaucracy as a result of political corruption in totalitarian third world countries.<sup>(59)</sup> It is clear that Iran combines aspects from the two previous situations in varied proportions.<sup>(60)</sup> This explains Iran's low rankings on the different corruption indexes. This is confirmed by the positive relationship which has been empirically proven between the grand and minor forms of corruption.<sup>(61)</sup>

The global index of crime shows another aspect of ephemeral corruption in society. Despite involving other distortions which have nothing to do with corruption in its specific meaning and traditional manifestations, they are related to corruption in terms of the conditions that created it and the consequences it incurs for general efficiency and social costs through the channels of direct effects, impacts, and expectations, let alone it is an extension of the aforesaid trilogy

(manipulation-corruption-crime). Here we find Iran is ranked 39 out of 118 nations covered by the index in 2019, posting 49.33 points, which falls within the bracket of intermediate crimes, posting a slight improvement compared to the 51.86 points in the same bracket in 2012.<sup>(62)</sup>

The art scene and those engaging with it in Iran paint a picture of the increasing sentiment regarding the rampant corruption in society. A film titled 'Incorrupt Man' shows how corruption has become an everyday lifestyle which is inseparable from political corruption. The director of the film, Mohammad Rasoulof,<sup>(63)</sup> was punished. A film titled 'Stoning A Wealthy Man' tackles the story of the corruption of an unimportant<sup>(64)</sup> cleric. At a more direct level, the term 'dirty money' surfaced in the Iranian artistic and cultural arenas as an allusion to the harmful investment practices and the money laundering activities in the sector.<sup>(65)</sup> The two Iranian actresses Shahrazad Kamalzadeh and Bresto Salehi spoke of the spread of ethical and moral mischief in the filmmaking industry.<sup>(66)</sup>

Also, a poll on the causes and impact of corruption<sup>(67)</sup> which involved 150 Iranian postgraduate students, reflects the sentiment that corruption is rampant and ubiquitous. They attributed the origins of corruption to structural and institutional reasons in most cases, not ethical or psychological. They asserted that poverty and the economic situation in general are its consequences. This demonstrates that there is a belief that corruption is permeating everyday life, where there are the most horrendous cases of ephemeral corruption, seriously impacting social situations.

### **Conclusion: The Scope of Institutional Reform in Iran**

After this brief survey of the socioeconomic framework of corruption in Iran, and after defining the essential meaning of the latter and pinpointing its category, we can determine the objective scope of institutional reform of corruption in Iran. This is in light of the research findings in presenting corruption as an objective phenomenon which includes a component which cannot be wiped out within the prevailing framework socioeconomically and sociopolitically. According to the totalitarian theoretical line, and the historical-constructional perspective, the research indicates the close relationship between the three categories of corruption. In many cases, it is hard to draw a separating line between them from a practical perspective. In practice, any confrontation of any of the three categories requires comprehensive tackling at the three levels/categories in parallel. Drawing a separating line between them, as we see in the following analysis, is nothing more than a theoretical distinguishing of the boundaries between the different policies:

**First: structural corruption:** this refers to the part that cannot be addressed unless the socioeconomic formula is changed or the pattern of governance is altered in the medium-run. It requires a radical socioeconomic change. In the Iranian case, it begins with restructuring the socioeconomic formula towards independent industrialization and a productive economy.

**Second: institutional corruption:** even if it does not require changing the socioeconomic formation entirely, it requires converting some aspects of the pattern of growth towards more productivity, stopping short of radically changing it. The focus is on scaling down the cronyism and corporatism in terms of politics, the bureaucracy and the market, which means liquidating the competition impacting rents by:<sup>(68)</sup> (1) seizing the apparatus of the state by a group at the expense of other groups. It is a despotic approach which also involves a degree of the less costly social corruption. (2) Wiping out the influence of all the powerful competitive groups in order to build an independent and professional state apparatus, in Weber's sense of the term, which is the best scenario. However, it requires a push for a grassroots based bottom-up democratic transition. It seems that the first option is more likely in a framework where there is a complete militarization of the regime, where the security forces and the IRGC are the two most independent and sovereign apparatuses over the rest of the regime's competitive forces.<sup>(69)</sup>

**Third: conditional corruption:** the redeemable part of it depends on administrative and legal reform, not necessarily political reform. However, it requires a strong push<sup>(70)</sup> to change the mentality and psychology of society towards petty corruption practices and convince individuals of the serious will of the regime to face up to it, depending mainly on raising the cost of engaging in corruption in a way that exceeds its benefits. As stated earlier, it is confined to the political structure producing institutional corruption. It cannot go far.

To sum up, everything stems from politics. The possible starting point to curb corruption is the institutions, on top of them comes the political establishment. It opens the door to changing the socioeconomic makeup at the level of organizing. Hence, it curbs the levels of structural corruption. It also provides the objective ground for changing the individual incentives and expectations and then stems the motives of conditional corruption.

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