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Understanding Iran's New Authoritarianism

Mahmoud Ahmadinejad's victory in the June 2005 Iranian presidential elections and his confrontational politics highlight two remarkable aspects of Iran's political development. First, it indicates that Iran is in fact undergoing a gradual process of regime change, not moving toward democratization but rather modifying Iran's brand of authoritarianism. It constitutes the beginning of a marked shift from the existing clerical theocracy toward a more conventional authoritarian regime. Two threats have created the need for more effective authoritarian governance to secure Iran's clerical regime: the internal challenge by the reformist opposition and the external threat of U.S. intervention posed to Iran in the post–September 11 world. This transition will therefore see remnant democratic features erode as the evolving regime concentrates power among a small number of key decisionmaking centers. Similar to other authoritarian regimes, the role of the military-security apparatus will be enhanced, as will the regime's dependence on tools of patronage or repression to assert full control.

Second, in contrast to many ill-fated predictions regarding Iran, the domestic political economy underpinning the regime is surprisingly stable in the medium term. Profound structural problems in Iran's economy will prevent the leadership from implementing the China model—authoritarianism with high economic growth—but Iran's oil-based economy nevertheless provides the regime with sufficient resources to satisfy its supporter base and discourage opposition. If anything, the potential but unlikely international isolation of Iran if Tehran mishandles its apparent quest for nuclear weapons represents a greater threat to regime stability than Iran's economic condition.

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Conservatives Consolidate Their Gains

Starting with Ayatollah Ruhollah Khomeini's death in 1989, Iran underwent a limited, gradual liberalization process culminating in the Khatami presidency (1997–2005) and a reformist-led parliament, the Majlis. During their years in power, reformists used control over budget and legislation to publicly challenge the legitimacy of the theocratic pillars of the Islamic republic, particularly the supreme leader. After years of reformist meddling, however, the conservatives used antidemocratic measures to recapture municipalities in 2003, the Majlis in 2004, and the presidency in 2005. Now, as the conservatives control all branches of government once again, power is increasingly concentrated in the hands of Supreme Leader Ali Khamenei. Khamenei's emergence as the "absolute" supreme leader, as named in the constitution, was not a reflection of his superior juridical or intellectual credentials.[1] Hence, he has relentlessly shored up his leadership by cultivating different supporters and shrewdly playing Iranian politics.

Khamenei's clout was limited during the Rafsanjani presidency, from 1989 to 1997, as there were plenty of actors competing for the heritage bequeathed by the death of Khomeini, the leader of the 1979 Islamic Revolution. For Iran's populace, the 1990s were an era of unfulfilled hopes after the dreadful decade of postrevolutionary chaos and the Iran-Iraq War (1980–1988). By the time of the 1997 presidential elections, this disappointment resulted in a landslide victory for the reformist cleric Muhammad Khatami, compounded by the reformist takeover of the Majlis in the elections three years later. Simultaneously, the loss of executive and legislative positions of power forced conservatives of various factions to coalesce around the supreme leader. This meant that conservatives operated against the Khatami administration primarily through state bodies supervised or appointed by the supreme leader. In practice, conservatives utilized the upper house of parliament (Council of Guardians), the judiciary, and paramilitary forces to stifle reformist opponents. Because of conservative dependence on the office of the supreme leader, Khamenei became the true figurehead of conservative leadership.

Eventually, conservative forces applied the tools provided by Khamenei to engineer electoral successes and regain formal power in the legislative and executive branches. The defeat of reform efforts through constitutional means from 1997 to 2005 not only demoralized reformist politicians but also alienated the broader population from political life. Due to the failure to reform the Islamic republic effectively, Iranian sentiment increasingly has become one of political apathy. Instead of politics, Iranians increasingly focus on economic progress.[2]

The June 2005 presidential elections bore more resemblance to elections in other semicompetitive authoritarian regimes. Although antidemocratic

in nature, the elections did offer an array of choices. The restricted candidacies allowed only one explicitly reformist candidate to run against five conservatives of varying shades, Ahmadinejad being the most conservative and supposedly closest to Khamenei. Virtually nonexistent in polls before the election, his second place in the first round and landslide victory in the second round resulted both from his campaign platform and his political connections. As a former Revolutionary Guard commander and Basij militia instructor, he could rely on the Revolutionary Guards and Basij to engage in serious voter mobilization as well as outright vote rigging.

> Iran is undergoing a gradual regime change, but not toward democratization.

This partially legitimizes calls that Ahmadinejad was artificially installed, but genuine popular support for Ahmadinejad's campaign was extensive. In contrast to other candidates tainted by wealth and corruption, his anti-establishment image appealed to average Iranians struggling with economic difficulties. Moreover, his aim to counter corruption and address Iran's deteriorating income inequality captured voters' primary preoccupations. Yet, from a structural perspective, the most noticeable element in the election campaign is Ahmadinejad's position within the regime. He is the first noncleric to hold the presidency and is both the supreme leader's preferred choice and the candidate with the most influence in Iran's security and paramilitary apparatus. His election is hence indicative of the nature of regime development in Iran, even if Ahmadinejad himself has proven to be a controversial leader. The consolidation of conservative power in the Iranian state is proceeding along conventional authoritarian patterns with an increasing shift of power to the state security services.

The prominent elevation of intelligence and security figures under Ahmadinejad is a product of their increased role during the Khatami years of silencing and intimidating reformist sympathizers. The prime example is Mostafa Pour-Mohammadi, Ahmadinejad's interior minister, who allegedly engineered the serial killings of intellectuals in late 1998 while serving as deputy information minister, before managing a special intelligence department in the office of the supreme leader. Although very active in intimidation, assassination, and other forms of state coercion even before Khatami's election, the security branches became the preferred tool of conservative control in recent years and a pillar of Khamenei's rule. The Iranian state security system has been subservient to more radical elements of the regime, whose spiritual leader is the fundamentalist cleric Ayatollah Mesbah Yazdi. The overlap between fundamentalists and state security became blatantly obvious in the blasphemy case of Hashem Aghajari in November 2002. In

that instance, Yazdi's private supporters announced a death sentence on the Internet, and the official decision released by the judiciary a month later was identical, word for word.[3]

Following the 2005 election, Ahmadinejad filled most of the executive branch with veterans of the state security services. Moreover, even other conservative streams have increasingly been shut out of decisionmaking. This centralization of decisionmaking along with the greater prominence of fundamentalist actors is bound to reduce policymaking compromises. In 2002, Tehran University professor Hossein Seifzadeh wrote, "[T]he domestic politics of fundamentalists are more congruent with totalitarianism, though they are unable to implement its principles within the current political system."[4] Since then, fundamentalists have exercised control over Iran's domestic affairs with feeble limitations: halfhearted parliamentary oversight, muted opposition figures, and a muffled media.

Ahmadinejad and Elite Factionalism

Ironically, a major concern of traditional Iranian conservatives rests in the populist agenda of Ahmadinejad. His persona is key to understanding the emerging political class. He came of age during the 1979 revolution that intended to rectify the injustices and immorality of the shah's regime. Of a modest background himself, Ahmadinejad was immediately enamored with Khomeini's ideals and began a devoted career in service of the revolution, in particular within the state security apparatus as a Revolutionary Guard commander. An unknown figure until recently, Ahmadinejad is representative of a new group of younger ideologues that are gradually taking over within the conservative establishment. The fact that the Revolutionary Guards and Basij supported his candidacy over two older, former Revolutionary Guard commanders testifies to this emerging trend. In addition to Ahmadinejad's military nature, his populist rhetoric offers an appealing ideological variant to the flagging legitimacy of the clerical system.

The defining feature of Ahmadinejad's administration is the intertwining of formal government decisionmaking with the revolutionary military-security complex, in contrast to the conventional armed forces, which lack influence in the Islamic republic. The homogeneity of the new government's membership is striking. At an average age of 49, most of Ahmadinejad's cabinet members are middle-aged, unknown, strongly ideological, second-generation revolutionaries without any political experience. Virtually all have a background in the Revolutionary Guards or other branches of state security. Although mostly nonclerical, even the two clerics in Ahmadinejad's cabinet, Pour-Mohammadi and Ghalam-Hossein Mohseni-Ejeie, come from a career in the intelligence services and are thus equally militarized.[5] Their

theological training and intelligence careers make Pour-Mohammadi and Mohseni-Ejeie unique links between the clerical ranks and the military-security personnel that constitute most of the new government. They will gradually become more influential as they channel clerical legitimacy to an ideologically bankrupt regime that increasingly resembles conventional authoritarianism. As with other selections, Pour-Mohammadi's and Mohseni-Ejeie's controversial appointments suggest the regime feels it can entirely ignore opposition, even from conservative factions.

A new group of younger ideologues are taking over the conservative establishment.

The worldview of these particular elites is dominated by the events of 1979 and implies that Iran's current problems lay in its society's insufficient realization of revolutionary Islamic principles. In contrast, having occupied positions of power since 1979, older, traditional conservatives have recognized the limits to implementing Khomeini's radical ideas. Although Ahmadinejad is considered a loyal supporter of Khamenei, the election demonstrated the extent of disdain among these new revolutionaries for the corrupt elites within the broader conservative enterprise, particularly in the circles around former president Ali Akbar Hashemi Rafsanjani.

Since taking office, the Ahmadinejad administration has instituted rapid personnel change throughout the bureaucracy with little regard for other interest groups. For example, in November 2005, Ahmadinejad replaced 40 senior ambassadors in one fell swoop with associates deemed more ideologically rigid. Simultaneously, he has ensured the placement of fellow militarist ideologues in senior management positions throughout the central government, regional governorships, and state-owned banks. Expectations of political appointments among the Revolutionary Guards were so high that, after complaints and an official meeting, Ahmadinejad appointed additional senior Revolutionary Guards as vice interior minister and governor of Hamedan.[6] Overall, these actions suggest real regime change because the mechanism and channels of elite recruitment are being structurally changed. In other words, it is less the clerical class and its associates, but rather increasingly the militarist class around the Revolutionary Guards, that is supplying the preferred pool of candidates.

Ahmadinejad's personal style of confrontation and the structural nature of these changes have provoked a rising discomfort within the conservative enterprise of the ideological, populist, and militarist agenda. In 2005, traditional conservatives blocked Ahmadinejad's efforts to install an associate to head the oil ministry, the main source of government revenues, three separate times. Out of 290 votes, none of his crony nominees received even

120, the number of seats held by the coalition that is nominally allied with the president, known as the Abadgaran coalition.[7] In the end, the longtime deputy of the oil ministry became oil minister. Control over Iran's most valuable resource would have completed a quasi-revolution and was hence unacceptable to other conservatives.

The outcome of the Rafsanjani-Ahmedinejad feud will be a key determinant of Iran's future.

Other examples of the threat perception within the Iranian leadership are Khamenei's decrees restricting Ahmadinejad's executive powers. A decree on June 25, 2006, created the new Strategic Council on Foreign Relations, composed of former government ministers.[8] Earlier, Khamenei empowered the Expediency Council, headed by none other than Rafsanjani, legally to supervise the new government. Outspoken about the erosion of governance norms in Iran, Rafsanjani is not only concerned about real incompetence in Ahmadinejad's administration but also about the fate of his own political and personal fortune. Reputedly Iran's wealthiest individual, Rafsanjani has built up a web of businesses through the influence of public office.

Oligarchs such as Rafsanjani have the most to fear from populist authoritarians such as Ahmadinejad, who campaigned on a platform to combat corruption and alleviate Iran's rampant income inequality. The oligarchs are the most prominent manifestations of both. Nevertheless, the much publicized drive to reduce corruption may simply become a pretext for purging opponents and competitors of the emerging ruling elite. Moreover, oligarchs such as Rafsanjani are ideal targets because they not only represent a challenge to Ahmedinejad's administration but also possess large-scale assets that could be redistributed for populist purposes. This conflict of interest has prompted tensions between Rafsanjani and Ahmadinejad, and its outcome will be a key determinant of Iran's short-term political path.[9]

Iran's internal political upheaval is occurring at the same time as the critical phase in its development of nuclear energy. Despite Tehran's denial that it is building nuclear weapons and controversial but reasonable economic arguments that it is developing a civilian nuclear energy base to free up more oil for exports and foreign earnings, there are at least three structural reasons to suggest Iran's nuclear program is not limited to civilian use. First, for purely civilian nuclear energy, it makes no economic sense to build a vast nuclear program with multiple research reactors, light- and heavy-water nuclear plants, and an enrichment facility. Second, Iran has a long record of lying about rather unimportant but nevertheless secret activities. Third, Iran's parallel ballistic missile program, involving Shahab-3 and Shahab-4 missiles, is irrational unless they will be armed with weapons of mass destruction.

One should view Iran's quest for nuclear weapons through the prism of elite factionalism and regime development. The successful acquisition of nuclear weapons would accelerate a militarization of Iran's regime. It will provide the Iranian regime with limited immunity against external threats and thus help preserve the regime, especially because domestic opposition is currently immaterial. In fact, if domestic forces do arise to challenge the regime, nuclearization, portrayed as an issue of national pride, would become one of the few powerful tools that could provide regime legitimacy and enable popular mobilization. In the meantime, the management of Iran's nuclear assets help accelerate the shift toward a more conventional authoritarianism. Like the Shahab ballistic missiles and other items of vital national security, the nuclear program is subordinate to the Revolutionary Guards, not to the conventional armed forces. Developing their nuclear program will therefore continue to enhance the very same populist forces in the military-security apparatus trying to assert themselves within the wider regime.[10]

Iran's Political Economy: Oil, Patronage, and Repression

Independently of Ahmedinejad's emergence, the surprising stability of the Iranian political economy is helping to insulate and strengthen the durability of the emerging authoritarian order. The regime appears very stable in the medium term, even if there are major political and socioeconomic challenges. Despite these issues, the regime can amass sufficient resources to maintain its patronage system and tools of repression. Specifically, the relatively high price of oil and the concentration of assets in a web of state and quasi-state control enable the regime to cultivate a loyal support base while preventing the rise of competitive social groups. Only a severe economic downturn, such as a total collapse in oil revenues if prices crash or an international embargo is imposed, could hasten the creation of serious opposition. This would force the regime to ratchet up repression levels, possibly provoking greater opposition and threatening the regime's survival. In order to prevent this scenario, Iran's leaders aim to emulate the China model: authoritarianism with rapid economic growth.

The Limits of the China Model

In China, the Communist Party has effectively maintained political control while engineering remarkable economic progress. Both its impressive economic record and nationalism help legitimize the Chinese Communists. Commonly termed the Asian/China model in Iran, this idea has gained ground among ruling conservatives. Yet, the adoption of the China model

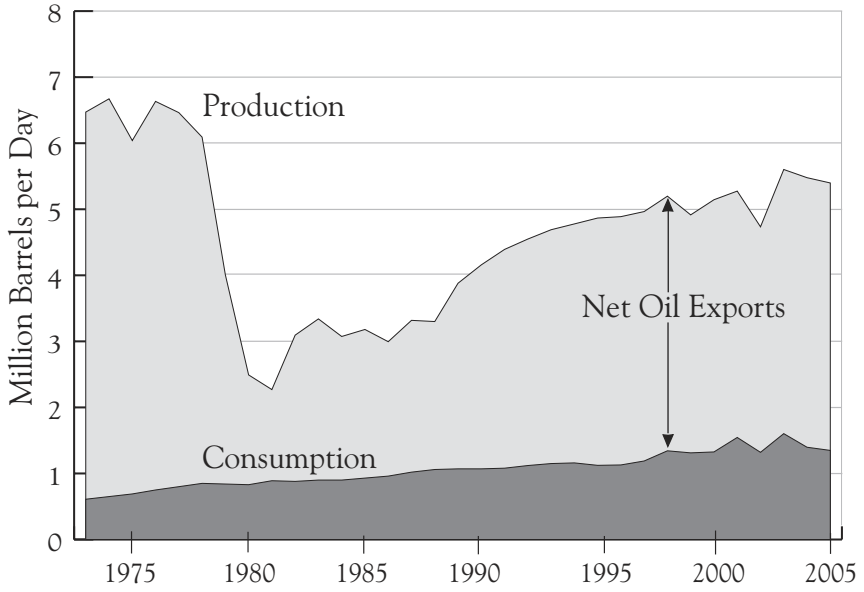
will fail in Iran due to three major obstacles: Iran's macroeconomic challenges, the concentration of economic power in the oil industry, and a lack of political commitment.

First, Iran faces a daunting set of macroeconomic challenges, including economic growth, inflation, unemployment, and income inequality. Iran managed an average of only 4.4 percent annual gross domestic product (GDP) growth for 1994–2004, although growth has surpassed 6 percent on average since 2002.[11] Simultaneously, inflation continues to be high, with average rates remaining higher than 15 percent for the past five years. High inflation hits public sector employees particularly hard because their salaries are annualized and rarely grow at inflationary rates. Even worse, although the high rate of unemployment is officially 11 percent, realistic estimates are closer to 16 percent. Youth unemployment (ages 15–24) is significantly higher than that due to the baby boom encouraged during the war with Iraq—babies who have grown up and are now entering the labor market.[12] This large generation requires the creation of 800,000 new jobs a year just to maintain the current unemployment rate, equivalent to almost 6.5 percent economic growth. A real reduction in unemployment would indeed necessitate Chinese growth rates of more than 8 percent. The alternative, high unemployment especially among youth, would generate widespread discontent. Finally, Iran has seen its middle class shrink and income inequality worsen. Among the UN Human Development Report's 124 countries, Iran is currently ranked 79, below Kenya and above Uganda.[13] By itself, such inequality constrains economic growth because of the systemic misallocation of resources among the country's industries.[14] Combined with these other economic problems, in short, Iran's economy is potentially destabilizing because of its social combustibility and inherent strains on economic progress.

> The successful acquisition of nuclear weapons would accelerate militarization of Iran's regime.

Second, the nature of Iran's hydrocarbon industry actually restrains the country's overall development. Production levels have never recovered to pre-revolutionary times. At barely more than four million barrels per day (bpd), Iran is still producing 30 percent less than in 1979.[15] The government aims to raise this to 5.6 million bpd by 2010 and to 7 million bpd by 2020. These goals are ambitious, considering that without any investment in the oil industry, Iran would lose about 300,000 bpd in production capacity annually. Production levels have stagnated primarily because of a lack of technological expertise in development and exploration. Any substantial rise in production levels will require significant foreign investment and expertise. In late 2004,

Figure: Iran's Oil Production and Consumption 1973–2004



Sources: Joint Economic Committee, *Energy and the Iranian Economy: Hearing before the Joint Economic Committee*, 109th Cong., 2nd sess., 2006, http://www.house.gov/jec/hearings/testimony/109/07-25-06_iran_Simons.pdf (statement of Paul Simons, U.S. Department of State); Joint Economic Committee, *Energy and the Iranian Economy: Hearing before the Joint Economic Committee*, 109th Cong., 2nd sess., 2006, http://www.house.gov/jec/hearings/testimony/109/07-25-06_iran_Schott.pdf (statement of Jeffrey J. Schott).

Iran granted Sinopec the rights to develop Iran's Yadavaran oil field, its first large agreement with a Chinese company. Due to limited technological and financial depth, however, Chinese companies are not a long-term option, and Iran will still need Western oil companies to boost national oil production.

Other endemic problems in Iran's oil industry, namely management and corruption, are directly linked to the Islamic Revolution. In a revolutionary zeal to do away with the remnants of the shah's government, Iran began to duplicate authorities because they could not do away entirely with the organizational infrastructure. This process escalated until today, resulting in two entrenched, mammoth organizations, the Ministry of Oil and the National Iranian Oil Company, as well as an endless number of subsidiaries. To illustrate the extent of duplication, Iran's oil employment numbers tell the story: 54,000 employees worked in Iran's oil industry during the last year of the shah's reign in 1979, compared to 180,000 employees today who, after 25 years of technological progress, produce about one-third less oil (see figure).[16] The cancerous growth of multiple authorities also created rampant corruption. This phenomenon will be difficult to stamp out because the very same corrupt officials, their unprincipled work ethos notwithstand-

ing, are the only Iranian oil specialists with sufficient expertise to reform the country's oil industry.[17]

Overall, Iran's oil wealth has not been used to broaden the economic base, as the country remains overly dependent on its hydrocarbon industry. Instead, oil has led to distorting effects on Iran's political economy. For one, the state-managed oil sector has dominated investment decisions, thus crowding out both the private oil sector as well as other industries. Moreover, heavy state involvement in all sectors has led to rent seeking, or the purchase of government privileges, which in turn has wasted resources and lowered overall investment.[18]

Third, in addition to hard economic realities, the Iranian leadership lacks the actual political skill and will to emulate the Chinese reforms. Iran's leaders have used state bureaucracies primarily as patronage networks instead of technocratic agencies, thereby creating mass inefficiencies in the public sector. Ideologically, Iran's rulers have not fully embraced market economics; and confrontation with the United States continues to cost Iran, by at least one estimate, about 1.1 percent of GDP annually in U.S. sanctions.[19] In particular, Iran's economic potential will be stifled if suspicion of foreign investment and ownership continues to limit development of Iran's major competitive advantage: oil. As mentioned above, reducing systemic corruption in Iran's oil industry would probably result in a significant loss of technical expertise as Iran's corrupt officials do possess valuable know-how.

In Iran, economic reform would probably have to come in the form of liberalization. This would in turn precipitate a challenge to other elites whose conservative credentials have enabled them to build personal fortunes in a highly regulated market. The emerging power centers, such as the Revolutionary Guards, are major industrial players themselves that have profited from a closed statist economy. Confronting these deep-rooted interests would seriously undermine government unity and regime stability. Instead of liberalization, Ahmadinejad's agenda advocates populist redistribution of wealth. Such populism only works smoothly during an oil boom, as only oil revenues are affected by the redistribution and existing privileges are left untouched.

Regime Resources: A Well-Oiled Apparatus

In spite of these overwhelming socioeconomic challenges, actual regime survival is not threatened. The regime can rely on two factors to ensure domestic stability: higher oil prices and a highly developed system of patronage and repression. Oil constitutes the main source of government revenue, representing 80 percent of foreign earnings, about 60 percent of government revenue, and 30 percent of GDP.[20] Hence, oil prices indicate government spending power. Iran sold crude oil for $35 per barrel in 2004 and $51 per

barrel just one year later.[21] In light of recent high oil prices, the regime is well financed to continue to buy social peace through a set of subsidies. These subsidies range from simple consumption subsidies, for example, gasoline still costs about $0.40 per gallon, to more complex transfer payments. Higher oil prices have also helped Iran's balance of payments and have enabled the government to reduce external debt, with the remaining debt being primarily domestic.

Moreover, the oil boom has resulted in massive payments into the Oil Stabilization Fund, created in 2000 both to provide a cushion for future oil price declines and to operate as an investment trust to promote current growth. Iranian budgets since then have not abided by the fund's original rules, and the government has liberally dipped into the fund to prop up current spending. In the long term, these populist expenditures will be regretted if oil prices do collapse. In the meantime, however, with the rise in oil prices, government revenue and spending has been able to exceed initial budgetary estimates. Non-oil exports increased 24 percent in 2005, proving that some of that capital is supporting overall growth as well.[22] The 2006–2007 budget is based on an oil price of $40 per barrel, which roughly equates to an almost 50 percent increase in public spending since last year. Hence, the persistent oil spike has delayed any moment of reckoning by many years.

> The China model will fail in Iran.

The oil revenues underpin a mature system of patronage and repression that solidifies a support base and deters opposition. Loyal regime supporters can justifiably point to quality of life improvements that tend to be lost in the review of Iran's dismal postrevolution macroeconomic performance. The most evident successes are in education and health care. For example, adult literacy rates have increased from 50 percent in 1980 to 78 percent in 2002.[23] The number of physicians per capita more than doubled during the same period.[24] Moreover, the Islamic republic fares much better than the shah's regime in providing public services to rural areas, where one-third of the Iranian population lives. Nowadays, most rural areas have paved roads, are connected to the power grid, and have adequate access to sanitary water. In addition to substantive achievements, the Iranian regime has created a sophisticated web of patronage through state and quasi-state organizations. Given that Iran's formal public sector constitutes about 50 percent of Iran's GDP, public agencies and state-owned enterprises are a critical resource for dispensing jobs and cash to dependable constituencies.

The unique feature of the Islamic republic is the wide array of quasi-state foundations called *bonyads*, which are semi-nongovernmental foundations holding private companies. Following the revolution, the new government

confiscated the assets of wealthy businessmen closely associated with the shah. The confiscated businesses were incorporated into large conglomerate holdings. Although bonyads are technically separate from the state, their management is chosen from the clerical order close to the supreme leader. Because they are intertwined with the regime, the bonyads have effectively displaced any independent industrial class through political pressures and economic favoritism. The bonyads even receive resource transfers from the state on top of their corporate earnings and religious donations, cementing their quasi-state status. The state channels resources to bonyads through a set of financial and legal means, including budgetary payments, interest subsidies, below-market exchange rates, special credits from state banks, tax exemption, immunity from legal restrictions, and monopoly status in various sectors. By some estimates, the total share of bonyads amounts to at least 20 percent of GDP. [25]

In spite of these socioeconomic challenges, actual regime survival is not threatened.

The nominal purpose of these foundations is to provide social services under the auspices of religious guidance. As such, their names reveal the purported target of their social services: Foundation for the Oppressed and Disabled (Bonyad-e Mostazafan va Janbazan), Martyr's Foundation (Bonyad-e Shahid), Housing Foundation (Bonyad-e Maskan), and Imam Khomeini Relief Committee (Komite Emdad-e Emam Khomeini). In reality, the bonyads are the preferred tool of social engineering for the clerical establishment. They accomplish three functions that strengthen the regime: social mobility, social security, and popular mobilization. The mass holdings of companies provide professional opportunities for members of the underclass who otherwise have no avenue for upward social mobility. The large number of recipients of social services is greatly dependent on the foundations. For example, close to three million people annually receive some form of aid through the Imam Khomeini Relief Committee. Because that same community is grateful for these foundations' efforts, the bonyads also operate as direct mobilization tools, indoctrinating and gathering masses for proregime activities.[26]

It is the range of state and quasi-state organizations that empower the state's ability to control Iranian society, while preventing the rise of an autonomous and competitive middle class. Parallel to the economic sector, there are a web of state and quasi-state organizations in the realm of public security and order. In addition to conventional military and police forces, the Islamic Revolution inspired the institutionalization of complementary armed forces and militias. The most well known are the Islamic Revolutionary Guards Corps and its volunteer counterpart, the Basij. In Iran's new au-

thoritarianism, the army continues to be starved of investment and attention while the Revolutionary Guards and the Basij supply the recruiting pools for future leadership and the regime's local representatives. When challenged, the regime can resort to the ubiquitous presence of these armed masses to intimidate or suppress opposition.

In this context, much has been written about Iran's burgeoning youth and its discontent. The more infamous example of Basij activity is their involvement in quelling youth unrest, such as the student protests in July 1999. Even if the regime has recently had to subdue disgruntled youth, demographic trends indicate that the regime might soon not even be required to call on its coercive apparatus. As birth rates began to drop toward the end of the Iran-Iraq War in 1988, demographic pressure has been easing, with the last of the baby boomers due to enter the labor market by the end of this decade. Subsequently, the labor force growth rate will shrink to 1.7 percent, about half of the rate in 2000 and easily supported by current growth.[27] Recent evidence of Iran's economic and social order suggests that the regime does not face an imminent popular challenge and certainly has the means to confront any domestic opponents until this demographic reversal is completed.

Moreover, empirical and theoretical evidence on the durability of comparable authoritarian regimes imply astounding stability for Iran. Oil states, according to a detailed study on oil wealth and regime survival from 1960 to 1999 by Benjamin Smith, maintain remarkably durable regimes both in boom and bust periods.[28] Similarly, Eva Bellin's examination of Middle Eastern authoritarianism finds overwhelming proof that both discretionary patronage and a strong coercive apparatus are vital ingredients for the survival of authoritarianism.[29] In light of the findings above, widespread unhappiness in Iran poses no immediate threat to the regime. Rather, the Iranian public has abandoned opposition in favor of apathy, and the Iranian regime possesses the financial or coercive means to co-opt or repress any domestic challenge at least for the next decade until demographic and their related economic trends turn more favorably for Tehran.

Implications for Iran and the World

The defeat of the reformist movement has drastically reduced internal demands for change. Instead, the regime is primarily concerned with withstanding international pressure. Iran had just been slowly extricating itself from international isolation due to skilled diplomacy on part of the Khatami administration. The crackdown on reformists starting in 2003 coincided with growing international attention on Iran's nuclear program. As mentioned earlier, the achievement of nuclear status is of paramount interest to the regime in Tehran because it provides limited immunity vis-à-vis external

challengers and simultaneously heightens domestic legitimacy. Viewed from Teheran, those benefits outweigh the potential costs of confrontation over the nuclear program.

Although highly improbable, a military strike against Iran would rally the Iranian population as well as the international community firmly in support of the regime. Instead, the United Nations could issue a set of sanctions against Iran. In that case, the effect would depend on the nature of the sanctions. Economically, Iran is fairly immune to sanctions in the short term. Only a limitation on oil sales would have any immediate impact on decisionmaking in Tehran. Current high oil prices are demand driven, however, and it is thus virtually unthinkable that the world would curtail the producer of 5 percent of global oil production. Similarly, at 10.5 percent of GDP, Iran's external debt is very low, so Iran cannot be compelled by debt repayment.[30] Iran needs to integrate into the world economy eventually, but it can endure its isolationist stance for the foreseeable future.

External pressure could only affect Iran's short-term political economy if it sparked elite rivalry.

International pressure could only affect Iran's political economy in the short term if it sparked elite rivalry. This could be in the form of "smart" sanctions: travel bans, asset freezing, or economic sanctions that selectively target members of Iran's leadership and their affiliate corporations (bonyads and subsidiaries). In particular, the financial interests of pragmatic conservatives such as Rafsanjani are more affected by economic sanctions than the hawkish leadership around Ahmadinejad. Another factor provoking factionalism could be developments in the region, especially in Iraq or Lebanon, if Iran's leadership is faced to choose between pragmatism and ideology in strategic decisions. That being said, the current process of consolidating Iran's new authoritarianism is aimed precisely to reduce such factional infighting.

Iran's new authoritarianism is producing a new leadership elite, constituting a form of regime change in terms of personnel at least. These changes may not yet be structural enough to warrant claims of a change in regime type. Nevertheless, Iran is gradually undermining its unique clerical theocracy with a shift toward conventional authoritarian models. Lacking any political or economic urgency for reform, this internal regime change is likely to address its most serious structural weakness: factionalism. The constitutionality of the Islamic republic inherently produces competing power centers that demand authority based on constitutional ambiguity. Iran's new authoritarianism is gradually tackling the danger of elite rivalry by streamlining Iran's political hierarchy. The immediate winners are the office of the

supreme leader and the state security apparatus, especially the Revolutionary Guards and the Basij. In this respect, Iran will increasingly resemble other Middle Eastern authoritarian regimes.

In the long term, however, there are two major challenges to the regime. First, regardless of the harmonious relationship between the supreme leader and the security apparatus today, there is no long-term guarantee of mutual loyalty. At some point, the militarization of Iran's government may directly pose a threat to Khamenei's leadership and thus provoke an internal power struggle. Second, in terms of political economy, Iran is caught in a "structural trap" in which the political system prevents the proper allocation of economic resources.[31] The fundamental retardation of Iran's economic development cannot be forever compensated by buoyed oil prices.

> Iran's new authoritarianism is aimed precisely to reduce such factional infighting.

At some point, Iran will have to pursue a path of economic liberalization and develop a more accountable and productive mechanism for spending its oil revenues. This development in turn will undermine the elite's power bases and open space for new social forces. Furthermore, Iran's economy as a whole, especially its hydrocarbon industry, requires large levels of foreign investment. Iran's oil and gas sectors alone need more than $160 billion through 2030, multiples of Iran's current level of foreign investment.[32] Today's oil fortune may be acting like a drug on Iran's rulers, but no high lasts forever.

In the meantime, Iran's regime can enjoy political stability and increased legitimacy, courtesy of high oil prices. Oil revenues grease the wheels of the economy, finance an elaborate system of patronage, and further strengthen the machinery of repression. In Iran's case, the oil boom will facilitate the transformation of the theocratic republic into a more conventional Middle Eastern authoritarian regime. Moreover, the timing of the oil boom has been especially fortuitous, consolidating the regime until the demographic reversal begins around 2010, when lower post-1988 birth rates will slowly diminish the socioeconomic urgency of reform. The Iranian regime is changing, but not for the better.

Notes

1. Ali Ansari, "Continuous Regime Change From Within," *The Washington Quarterly* 26, no. 4 (Autumn 2003): 59.
2. "Will Iran's Presidential Election Make a Difference?" *Economist*, June 11, 2005, p. 43.

3. Hossein Bastani, "Naghsh-eh ostad dar ehdam-eh mortedan," *Rooz*, November 15, 2005, http://roozonline.com/02article/011721.shtml.
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