



Islamic revolution and Anfal

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Abstract

The Islamic revolution is nothing but Islamic revivalism or the establishment of an Islamic state based on Sharia. In this paper, I focus on the Islamic revolution in Iran that has been exceptionally considered as a ‘social revolution’ targeting an overhaul of the economic institutions. Can the economic model of Islamic revivalism be reduced to one of the principal dichotomous models of state socialism or free market economy as suggested by many economists? It will be shown that *Anfal* or the Imam’s exclusive property over all public properties known as *res nullius* has been the major invention of the Islamic revivalism in Iran. This provides an independent Islamic model that has been left unnoticed by specialists in Islamic economics that can be characterized as a specific economic system, namely Islamic political capitalism. This system is not reducible to state socialism or competitive free markets. This paper fills the gap and demonstrates that *Anfal* institutionalizes a confiscatory regime enhancing a rent-seeking society hindering private property rights and competitive free markets.

Keywords Anfal · Islamic political capitalism · Islamic revivalism · Islamic revolutions · Shiite Islam

JEL Classification H10 · H11 · H13 · H20 · H27 · H29 · K11 · K19 · L32 · L33 · N45 · N55 · P14 · P26 · P48 · P51 · P52 · Z12

1 Introduction

The term ‘Islamic revolution’ cannot be separated from Islamic revivalism. Maududi coined and popularized ‘Islamic revolution’ in the 1940s and his movement known as the Jama’at-i-Islami¹ of Pakistan can be regarded as the vanguard of the Islamic Revolution (Nasr, 1994). However, what Maududi understood of the ‘Islamic revolution’ was radically

¹ Jama’at-i-Islami (Community of Islam) is an Islamic movement founded in 1941 in British India and was a political party till 1947 following partition of India by the Islamic author, theorist and political philosopher, Seyyed Abul Ala Maududi.

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different from what has happened under General Zia ul-Haq's Islamization in Pakistan and even more strikingly under Khomeini and the Islamic Republic of Iran in 1979 (Nasr, 1996).

As Nasr (1996, p. 70) clearly showed, Mawdudi was for a "step by step" Islamic revolutionary process and was opposed to sudden change, violent or unconstitutional actions. He advocated rather a cultural change of spirits and minds inculcating Islamic values. But what did he mean by Islamic revolution?

Mawdudi spoke of Islam as a 'revolutionary ideology and revolutionary practice' in the sense that it targeted the destruction of the "social order of the world totally and rebuilding it from the scratch" (Lerman, 1981, p. 500). The goal of this destruction was the establishment of an Islamic state. An Islamic state is a Muslim state, but a Muslim state may not be an Islamic state unless and until the Constitution of the state is based on the Koran and Sharia. Thus, the Islamic revolution was nothing but Islamic revivalism or the establishment of an Islamic state based on Sharia.

It was with the Islamic revolution in Iran that Islamic revivalism became 'revolutionary' if revolution is defined as "radical transformation of the constitution of a society" (Negri, 2008, p. 254). Shiite Islam pioneered this new understanding of the Islamic revolution as a rapid change of political regime by violent means and unconstitutional actions. The term "Islamic revolution" was then commonly used to describe the new waves of Sunni and Shiite political movements aiming at Islamic revivalism.

The focus of this paper is to explore the institutional impact of the seizure of power by the Shiite clergy on the economic system. This question is particularly important for Islamic economics in general since although the idea of an Islamic overhaul of the economy can easily be traced back to the 1940s, the only attempt at restructuring the whole *public finance* according to an Islamic economic model was made in Iran in the aftermath of the 1979 Revolution.

While political and legal scholars, sociologists, historians, and economists grasped the importance and novelty of *Velayat faqih* (the Jurisconsult of the Vicegerent)² as the central feature of the Shiite political system, they totally dismissed the most prominent feature of its economic model, namely *Anfal* (Vahabi, 2023) that will be introduced in this paper. They all tried to reduce Islamic economics to one of the principal dichotomous models of state socialism or free market capitalism denying any original model for Shiite Islam (Abrahimian, 1993, 2009; Behdad, 1989, 1994, 1995, 2006; Rahnama, 1995; Rahnama & Behdad, 1995; Nomani & Behdad, 2006; Pryor, 2009; Behdad & Nomani, 2012; Maloney, 2015; Kuran, 2018).

In fact, the transposition of modern economics to Islamic revivalism has led to a reinterpretation of the whole economic history of Islam since the Prophet Muhammad until now in terms of state socialism and market capitalism. According to Behdad (2006, p. 2), "the contrasting interpretations of Islam represent two distinct visions of Islamic ideology corresponding to two specific historical circumstances of Islam. The first vision is that of

² It is a Persian expression for the guardianship of an Islamist jurist (Faqih or jurisconsult) who is vicegerent exercising delegated power on behalf of the Prophet and his righteous successors, namely the Imam. It pertains to a political system that underpins the way the Shi'i theologians govern Iran since the 1979 Revolution. In this system, all political and religious authority belongs to the Shi'i clergy and particularly to the Supreme Jurisconsult who makes all the state's key decisions. The Supreme Leader as the representative of the Imam provides guardianship (*Velayat*) over the nation and secures the top-down Islamization of the sovereignty. Articles 5, 57, and 110 of the Constitution of the Islamic Republic of Iran describe the scope of authority and various functions of the jurisconsult of the vicegerent.

Islam the rebellious, the idol smasher. It is Islam of the *mustaz'afin* (oppressed) and the banner of the mobilized masses. The second is the vision of order in an Islamic state, a class society. It is the Pax Islamicus that lasted for several centuries in a vast empire.”

Accordingly, the populism and egalitarianism of the original Islam of the Prophet and Abu Dahrr³ generate the revolutionary thunder of Islamic revivalism that comes within the scope of Islamic socialism or a statist-populist model. On the contrary, Islamic order, reflected in the laws and the historical traditions that ruled over the rigidly stratified Muslim societies of the past brings together a diversified alliance of the propertied and privileged classes that reflect the predicaments of transition from Islamic populism to Pax Islamicus (or Islamic order).

For Behdad, Pax Islamicus that developed during the Umayyads and Abbasids dynasties is in tune with contemporary free market capitalism. In his analytical framework, the Islamic revivalism of Maududi or that of Taliban represents ‘Islamic capitalism’ whereas the first decade of the Islamic Republic of Iran (1979–1989) stands for ‘Islamic socialism’ or ‘statist-populist’ model: “As Jama’at-i Islami in Pakistan and Taliban in Afghanistan have shown, some Muslim revivalists see Islamization of the economy as promoting free market capitalism.” (Behdad, 2006, p. 1). Consequently, Islamization of the economy can be either state socialism or free market capitalism. This interpretation denies the possibility of a third Islamic economic model different from both state socialism and free market capitalism, that I have coined Islamic political capitalism (Vahabi, 2023). The present paper questions this interpretation.

In this paper, I will argue that the extension of modern concepts of political and social revolutions to Islamic revivalism leads to distorting the true retrograde nature of those traditional Islamic institutions that support privileged economic position of Shi’i clergies and particularly its representative, namely the Supreme jurisconsult in monopolizing all ownerless public goods *or res nullius*. This is called *Anfal* that enhances a confiscatory regime promoting Islamic political capitalism or rent-seeking through political channels of *Anfal*. Velayat faqih and *Anfal* creates a specific economic system that undermines private property rights and impedes the functioning of competitive market economy.

Section 2 explores *Anfal* as the missing link in understanding the Islamic economic model. In this section, I will elaborate on *Anfal* in theory and its significance in the Iranian economy in practice. Section 3 explores the impact of *Anfal* on political capitalism leading to a specific economic system, namely Islamic political capitalism. The commonalities and divergence of this system from free market economies on the one hand and state socialism on the other will be identified in this section. Section 4 examines the emergence of Islamic political capitalism by periodizing the progression of *Anfal* in three phases since 1979. The third phase ushers in the Islamization of the Iranian economy which is not reducible to free market capitalism or state socialism but the total domination of *Anfal* over the whole economy leading to Islamic political capitalism. This model builds upon the fusion and concentration of sovereignty and property in the hands of the supreme jurisconsult. It will be argued that such a model feeds on the predation of public resources including the oil rent, the institutionalization of a confiscatory regime, and the development of a rent-seeking society. A short conclusion will follow.

³ Abu Dahrr was the fourth or fifth person converting to Islam and was a member of Muhajrun (emigrants) who accompanied the Prophet in his emigration from Mecca to Medina. Abu Dharr is remembered for his strict piety and also his opposition to Muawiyah.

2 *Anfal* the missing link of an Islamic economic model

This section will review the meaning of *Anfal* in Islam, its importance in Shi'i jurisprudence, and its place in the Constitution of the Islamic Republic of Iran (IRI). Finally, we sketch its weight in the whole economy.

2.1 *Anfal* in Islam and in Shi'i jurisprudence

From an etymological viewpoint, the term *Anfal* was used in the first verse of the eight Surah's of Koran *Al-Anfal* composing 75 verses. It refers to the spoils of the first battle of the new Muslim faith at Badr.⁴ The word also alludes to what is given as an extra sum over what is required. The message is clear: the reward of undertaking holy war (*jihad*) for God is permanently saved with God. Other than this prize, the spoils of war picked up from the Unbelievers are an extra offer for such individuals; before the Day of Judgment, the Almighty awards these to the war participants.

The victory of Muslims in the Badr battle was followed by a quarrel between the old and young warriors over dividing the spoils of war. The prophet resolved the dispute by God's revelation in *al-Anfal*. The first verse declared that the spoils of war belonged to God and the apostle. However, a later revelation in verse 41 abrogated the previous one and announced that only one-fifth (*Khoms*) of the spoils belonged to God, his apostle, and the apostle's relatives.

The Sunni and Shi'i theologians advocated contradictory interpretations of *Anfal*, the former narrowed down its scope and relegated all the apostle's belongings to the Islamic State, while the latter extended *Anfal*'s scope that had to be exclusively owned by the apostle and his successors, namely the Imam and the supreme jurisconsult representing the Imam in his absence.⁵

Anfal is one of the underlying principles of Islamic public finance in addition to (1) *Kharaj* or Islamic tax on conquered lands; (2) *Moqasemat* or tributes paid by peasants; (3) *Khoms* or a tax on one-fifth of all Muslims' wealth to be devoted to special causes; (4) *Zakat* or a predictable fixed mild tax system; (5) alms; (6) fines notably *Jizyah* or a special tax imposed on a certain erring faction from among the people of the Book (non-Muslim groups such as Jews, Christians, and the followers of Zarathustra). Historically speaking, in Sunni Islam, *Kharaj* constituted the bulk of Islamic public finance, whereas Shi'i Islam considered *Anfal* as the main source of public finance since the Safavid dynasty in Iran in the sixteenth century.

What is *Anfal* as a component of Islamic public finance? Shi'i theologians have provided detailed examples of *Anfal* without necessarily giving clear criteria to identify them. The detailed list might contain fifteen items as below (see Noori, 1990; Mesbahi Moghaddam et al., 2011; Mahamed, 2012; Babookani et al., 2018).

⁴ Badr happened in 624 A.D. in what is modern-day Saudi Arabia's province of Hejaz. It was the first defensive clash between the Meccans and the Muslim people of Medina after they fled from persecution in Mecca. This Surah is part of Madani Surahs (Surah Madaniyah) or Madani chapters of the Koran that were revealed at Medina after Muhammad's *hijra* from Mecca. These Surahs often elaborate on moral principles, legislation, warfare, and principles for establishing the Muslim community (McAuliffe, 2006, p. 111).

⁵ See Vahabi (2023, chapter 5) for the details regarding the Koranic and historical references to *Anfal* and the controversial issues between Sunnite and Shiite interpretations of *Anfal*.

(1) Barren lands. (2) All lands that have no owner. (3) Forests. (4) Reed beds. (5) Seas, lagoons, and lakes. (6) Rivers. (7) Sea bores. (8) Mines both ‘apparent’ and ‘latent’. In Islamic jurisprudence, the former pertains to the mines that can be exploited without much exploration with unqualified labor, for example, salt mines. The latter are those mines that need industrial exploration and the use of qualified labor such as petroleum. (9) The summit of mountains, but also some faqih add the slope of a mountain and what is in it. (10) Riverbed and valleys. (11) Land belonging originally to non-believers that are abandoned by them and surrendered to Muslims both when non-believers do not reside there anymore or even when they still reside there. (12) All spoils of war that Muslims acquire in a war that has not been authorized by the Imam. However, if the war has the Imam’s permission, only one-fifth of the booties would belong to the Imam and the rest can be kept by warriors. (13) All the confiscated properties of the tyrants or usurping kings whether they are immovable assets (known as *Qataya* in Islamic Jurisprudence) such as gardens and palaces or movable (coined as *Safaia* in Islamic jurisprudence) such as precious objects. (14) All spoils of war taken by Muslims in the war against non-believers should be handed to the Imam to be divided among them. Before the division, the Imam can appropriate part of the booties in order to spend it for the sake of Islam or Muslims. This levy over the spoils by the Imam for public interests is part of *Anfal* (in Islamic jurisprudence, it is named *Safval-mal*). (15) The inheritance without any heir.

This long list indicates that according to the Shi’i jurisprudence, all ‘ownerless’ natural resources (*res nullius*) on soil, underground and space are part of *Anfal* and belong to the Imam. In economics, natural resources constitute public wealth, but the specific feature of Shi’i economics is that ‘public wealth’ is part of *Anfal* and as such it belongs to the Imam. There is, however, a bone of contention among the Shi’i faqih over the ownership of mines. Three approaches can be distinguished on this issue.

- (1) Some faqih consider all mines belong to *Anfal* regardless of whether they are located on the Imam’s lands or on lands owned by private persons (Kulayni, 1988, vol. 1, p. 538). Al-Mufid (1989, p. 278) and Tusi (1955, p. 419) also advocate that mines are absolutely the property of the Imam.
- (2) Some faqih support that the mines do not belong to *Anfal*. Al-Hilli (al-Muhaqqiq) (1988) maintains that there are strong doubts regarding the ownership of mines by the Imam. The rules of Sharia are more conducive to the idea that all people should equally share them. As reported by Babookani et al. (2018, p. 413), Allamah Al-Hilli (1250–1325) and al-Amili (1505–1558) also defended the idea that mines are not part of *Anfal*, and they should be equally shared by all people.
- (3) A third position suggests a distinction between apparent and latent mines. The former belongs to all Muslims while the latter is part of *Anfal*. This position is a combination of the preceding positions advocated by Ahmad Ibn Muhammad Ardabili (1500–1585) (Babookani et al., *ibid.*, p. 413).

These examples clearly show that *Anfal* extends over all public resources that are ‘ownerless’ (*res nullius*). All ‘ownerless’ natural resources and valuable objects belong exclusively to the Imam. However, Al-Hilli (al-Muhaqqiq) does not consider the inheritance of an heirless person as part of *Anfal* since that can belong to all Muslims and not the Imam. In other words, that inheritance should go to the Muslims’ Public Treasury and not the Imam’s House. In fact, while the bulk of natural resources or public wealth belongs to *Anfal*, they are not ‘public property’ since in Shi’i Islam the latter pertains to properties

that should be shared equally among Muslims whereas *Anfal* exclusively belongs to the Imam. Accordingly, the dispossession of the people from their public wealth is intrinsically assumed in the concept of *Anfal*. *Anfal institutionalise a confiscatory regime of public resources by the supreme jurisconsult* similar to what has been assumed to be possessed by imperial powers in colonies.

2.2 *Anfal* in the Constitution of the Islamic Republic of Iran

Article 45 of the Constitution of the Islamic Republic of Iran explicitly stipulates *Anfal*: “*Anfal* and public wealth, such as barren lands or abandoned land, mineral deposits, seas, lakes, rivers and other public waterways, mountains, valleys, forests, marshland, natural forests, unenclosed pastureland, legacies without heirs, property of undetermined ownership, and public property recovered from usurpers, shall be at the disposal of the Islamic government to act in accordance with the public interest. Law will specify detailed procedures for the utilization of each of the foregoing items.”⁶ Interestingly, the term *Anfal* does not appear in the official English translation of Article 45. Instead, we read: “Public wealth and property”⁷ as if *Anfal* is synonym of ‘public property.’ It indicates the lack of knowledge on *Anfal* at national and international level to the point that it could be totally dismissed in English translation. This was also in line with Khomeini’s strategy to normalize or rationalize *Anfal* as any public property represented by the state.

Khomeini’s (2000) original contribution to the literature on *Anfal* was rather political than theological. He was the architect of *normalizing* and *rationalizing* *Anfal* in terms of exercising modern sovereign power. He endeavored to make it a normal practice that could be attributed to any state. Knowing that *Anfal is the dispossession of public properties from the people* and monopolizing it by the Imam, Khomeini tried to soften the emphasis on *Anfal* as the *exclusive property of the Imam*. Instead, he concealed the unrestricted discretionary power of the Imam under the feigned appearance of a statist discourse as if the Imam’s authority under the Islamic Republic was on par with that of any other modern head of the state. This was a political strategy to appropriate the bulk of natural resources (*res nullius*) for the Imam without provoking the people’s sensitivity against the newly despotic power of the supreme leader. Imagine for a second that the Imam would have announced to the people who had just overthrown Shah’s autocratic regime that ‘mineral deposits’ (oil and gas) as well as the mountains such as Damavand, or the sea such as Caspian, etc. belonged to the Imam and not the people. What a shock that could have been on that revolutionary people. Indeed, even the Shah had never claimed to be the sole owner of all natural resources or *res nullius*.

Khomeini (2000, p. 27) claimed that *Anfal*’s verdict was basically derived from a ‘rational’ assumption and not from a religious belief: “It is true that barren lands and all ownerless properties including land, sea, and sky (atmosphere) are under the authority of the head of government in all states regardless of their specific type of government, and other states cannot invade them. Moreover, the inhabitants of the same country cannot take them without the permission of the ruler. Islam has not brought anything new in this field

⁶ This is the author’s translation. For an alternative official translation see PURL: <https://www.legal-tools.org/doc/4205c7/> retrieved on September 10, 2021.

⁷ See *Iran (Islamic Republic of)’s Constitution of 1979 with Amendments through 1989*, constituteproject.org, retrieved on June 28, 2021.

contrary to what rational reasoning implies.” In this passage, Khomeini speaks of *Anfal* as a statesman and not a theologian. According to him, *Anfal* includes all ‘ownerless’ properties or *res nullius* embracing all three dimensions of the state space in the modern sense of the term, namely territorial, sea, and sky (atmosphere). But this whole line of reasoning is sophistry.

Anfal cannot be justified on a purely rational basis, or as a necessary consequence of exercising the sovereign power. Since all modern states are based on the principle of the *people’s sovereignty*, the people and not the state are the owner of public property; the state acts only on behalf of the people in supervising and managing public property. In Shi’i Islam, there is also a line of demarcation between public property and *Anfal*. While “the owner of public property is the whole Islamic umma” (Mesbahi Moghaddam et al., 2011, p. 201), *Anfal* belongs only to the Imam and not the people. However, the Imam’s property is not a personal but a statutory one.

To put it differently, the Imam’s children and his kin are not the heirs of *Anfal*, but *Anfal* as the institutional property of the Imam should be transferred to the next Imam. The Imam can spend *Anfal* as he sees fit and is not bound to spend them for all Muslims, since the people are not the owner of *Anfal*. This is based upon Shi’i’s jurisprudence and cannot be derived from the rational assumption regarding the exercise of sovereign power. If *Anfal* belonged to all people and not the Imam, it would have been dissolved in public property in general. But in that case, why should it be mentioned in the Constitution at all?

This ‘rationalized’ version of *Anfal* conflated it with public property in general and brought both of them under the ‘property of Islamic government’. Accordingly, they extended the scope of *Anfal* to include not only the Imam’s property but also properties belonging to all Muslims (‘umma’ in Islamic terminology). *In this way, the scope of people’s dispossession from public wealth and properties extended in proportion to the increase in the supreme leader’s discretionary power over all resources.* Moreover, conflating *Anfal* and public property in general could shun disputes among the Shi’i faqihs on what should be included or excluded from *Anfal*.

2.3 *Anfal* in practice

Anfal has not been merely Islamic revivalism in theory. In practice, *Anfal* sectors have progressively dominated all economic sectors by establishing a confiscatory regime possessing all the public properties seized from the Shah and all big industrialists and financiers, as well as all the so-called ‘illegitimate’ property owners. *Anfal* permeated the whole social security, banking sectors, infrastructure, oil extraction, and exploitation of all natural resources. I will discuss the progression of *Anfal* in the next section, but to give a rough estimate of the weight of *Anfal* in the Iranian economy since 1979, I will underline 4 major conglomerates related to *Anfal* and its allies.

Bonyad Mostazafan (Foundation for the downtrodden) was created a month after the 1979 Revolution through the confiscation of Pahlavi’s foundation, and the properties of 53 industrialists and financiers following Khomeini’s injunction labelling them as ‘spoils of war’. The term employed by Khomeini had a clear religious connotation, he was categorizing them as part of *Anfal* belonging to the Imam. Accordingly, they were *not nationalized* but “kept and controlled separately from state properties under the Guardianship of the Jurist” (Saeidi, 2004, p. 484). *Bonyad*, as part of *Anfal*, is not controlled by the state, the parliament or any other authority except the Supreme Leader (jurisconsult) who is

considered the owner of *Anfal*. This established a parallel system of public finance: one belonging to all Muslims (the state's Public Treasury) and the other owned by the Supreme Leader (Beit al-Imam or the House of Imam).

The second major *Anfal*'s holding, namely *Setad* (The Execution of Imam Khomeini's Order-EIKO), was created after the eight-year war with Iraq in 1989 to possess or control the confiscated properties of the persecuted religious minorities such as Bahai's or other 'illicit' wealth as stipulated in Article 49 of the Constitution acquired through 'non-Islamic' means as well as abandoned properties during the war.

Khatam al-Anbiya Construction Headquarters (the economic organization of the Islamic Revolutionary Guard Corps-IRGC) is the third major holding. This institution was built after the end of the war during the presidency of Hashemi Rafsanjani to secure the economic and financial independence of the IRGC. Although IRGC is not part of *Anfal*, it comes under the scope of Islamic economic institutions under the exclusive purview of the Imam. The collusion between *Anfal* and the IRGC enhanced the expansion of the Supreme Leader's grip over economic and political power.

Finally, *Astan Quods Razavi*, the most important Waqf endowment based at Mashhad (a holy city in the East of Iran) in which the Imam Reza shrine, the eighth Imam of the Shi'i Twelvers, is situated. While Waqf existed before *Anfal*, it became part of the Islamic sovereign economic institutions exclusively controlled by the Supreme Leader since the 1979 Revolution.

According to *Tabnak*, a site close to the IRGC, more than 60% of the Iranian economy belongs to these four aforementioned Islamic economic institutions (see *Tabnak*'s report on 24 September 2019, <https://www.tabnak.ir/fa/news/925637> retrieved on 10 July 2023).

Thus, *Anfal* penetrates all economic activity and has a strong replicatory effect. It extends and increases its share detrimental to the shares of the formal state and the private sector. This self-reproducing tendency is particularly accentuated by *Anfal*'s political aspect. From a political viewpoint, *Anfal* is a source of authoritative resources. It reproduces the Imam's domineering position in politics and economics. Hoarding assets may be inefficient economically but efficient politically. Adopting the Coasean bargaining mechanism (Coase, 1960), the Imam will not necessarily allocate property rights to the most profitable options since assets considered as authoritative resources are primarily allocated where they can result in politically efficient deals with allies or sanctioning potential contenders. The giant holdings of *Anfal* such as *Bonyad Mostazafan* (Foundation for the down-trodden) have linkages with economic, military, and ideological institutions such as Islamic banks, the Sepah, and Imam Khomeini's Publications. A coalitional dynamic explains the rule-making processes that govern institutional change.

3 *Anfal* and Islamic political capitalism

What are the most distinct elements of *Anfal* from an economic viewpoint? What are major differences of *Anfal* economic system from a free market economy on the one hand, and a state socialist system, on the other? Are there any commonalities between *Anfal* system and other modern economic systems?

Borrowing Weber's distinction (Weber, 1905/1985, 1922/1978) between 'market capitalism' and 'political capitalism', I describe the specific economic system under *Anfal*, a variant of political capitalism.

Since 1905 until his later works in 1922, Weber distinguished ‘political capitalism’ from ‘market capitalism’. The former was coined by Weber to depict the economic and political system in ancient Rome and China during wartimes. He also called it ‘politically oriented capitalism’. Weber opposed political capitalism to market or modern capitalism of the nineteenth century.

What was common between the old and the modern types of capitalism? According to Weber, they could be defined by reference to qualitatively different forms of profit-making. He distinguished six forms of profit-making, three of them (number 3–5) were attributed to political capitalism. “3. It may be orientation to opportunities for predatory profit from political organizations or persons connected with politics. This includes the financing of wars or revolutions and the financing of party leaders by loans and supplies. 4. It may be orientation to the profit opportunities in continuous business activity which arise by virtue of domination by force or of a position of power guaranteed by the political authority. There are two main sub-types: colonial profits, either through the operation of plantations with compulsory deliveries or compulsory labor or through monopolistic and compulsory trade, and fiscal profits, through the farming of taxes and of offices, whether at home or in colonies. 5. It may be orientation to profit opportunities in unusual transactions with political booties.” (Weber, 1922/1978, p. 164). In summary, they were *all non-market predatory ways of profit-making* or ‘booty capitalism’. In the past, they existed during the war times, and declined where large areas such as China and later Roman Empire have been pacified.

The Weberian concept of ‘political capitalism’ was also used in public choice literature by Vahabi (2004, 2015) and Holcombe (2015, 2018). The former applied it to predation of public assets (Vahabi, 2016) and booty capitalism during post-cold war period and the latter mobilized it to describe the American economy since the Reagan administration. Holcombe sought the origins of political capitalism in the American political and economic systems during the Progressive Era dating from 1900 to 1916 (Kolko, 1963, 1965). Nonpublic choice economists also borrowed the concept of political capitalism. For example, Riley and Brenner (2022) employed the concept to characterize the American economy during the last twenty years.

Milanovic (2019) also explored political capitalism in eleven Asian and African countries with a colonial and feudal background, namely China, Vietnam, Malaysia, Laos, Singapore, Algeria, Tanzania, Angola, Botswana, Rwanda, and Zimbabwe. Among them, China is by far the most important country, and it is regarded as the prototype of the system of political capitalism.

A critical survey of the literature on varieties of political capitalism has been provided in Vahabi (2023, chapter 4). In line with Vahabi (2023) and Holcombe (2015, 2018), the following general characteristics might be suggested for political capitalism.

- (1) Broadly speaking, political capitalism can be characterized as non-market predatory mechanisms of profit-making in monetary terms. The profit is extracted from *distribution* sphere through *appropriative* activities in different modes of production wherever market, money relationships and financing exist.
- (2) The institutional prerequisite of political capitalism is the conflation of sovereignty and property.
- (3) Political capitalism requires a collusion of state and private sectors on the basis of rent-seeking activity. Political capitalism is inconceivable without a predatory state in which the state bureaucracy is a booty for the political class.

- (4) Political capitalism enhances a strong tendency towards bureaucratization within market relationships.
- (5) From a sociological viewpoint, political capitalism promotes the interests of a small group of elites against the interests of majority of the people.

There exist two main channels for the emergence of political capitalism. One starts from capturing sovereign power to control business and property relationships and the other starts from business controlling the state. These two channels are opposite. Recent political capitalism in the US as described by Kolko and Holcombe follows the latter channel. Holcombe's concept of political capitalism is concurrent with Luigi Zingales (2015, 2017) on a political theory of the firm and the increasing importance of 'revolving doors'⁸ in the recent American business. He also argues that the interaction of concentrated corporate power and politics is a threat to the functioning of the free-market economy as well as to democracy. A major issue is to gauge to what extent can the power of firms in the marketplace be transformed into political power. Another problem is to measure to what extent the political power gained by firms will be used to hinder competition and maintain their incumbent monopoly power?

The ascent of political capitalism in developing and emergent countries particularly those marked by the Natural Resource Curse (NRC) pursues an opposite pattern. It is by capturing sovereign power that business and property are controlled and monopolized by those who control sovereign powers. *Anfal* provides a specific variety of political capitalism in this context. What are the specific economic features of political capitalism deriving from *Anfal*?

- (1) *Institutionalization of a confiscatory regime: Anfal* is based on indeterminate property rights and constant insecurity of private properties since the property rights are allocated by the Supreme jurisconsult to its allies on political basis. Any property that is considered as a potential menace against the power of Imam can be confiscated. This impedes the development of impersonal competitive free markets.
- (2) *Dispossession of public assets by the supreme jurisconsult: Anfal* is the restrictive property of Imam over all public assets that are ownerless (*res nullius*) including petroleum, and natural resources such as mountains, rivers, etc. The extension of *Anfal* results in transferring state properties to *Anfal* sectors, increasing deficits of the formal state sector and preying on all its resources by *Anfal* sectors and its allies notably the economic holdings of the Islamic Revolutionary Guard Corps. The final outcome is the generalization of parallel institutions hindering the normal functioning of the state sector. For example, there exist two parallel 'public' treasuries, one belonging to the formal state and the other to Imam. Similarly, there are two central banking systems, one related to *Anfal* and the other to the official Iranian Central Bank. This parallel

⁸ Revolving doors is the outcome of the intricate mechanism of the so-called 'unethical' but yet legal behavior: "In the last decade, the 'revolving door' phenomenon—defined as such when the heads of state agencies, after completing their bureaucratic terms, enter the very sector they have regulated—has intensified, and has been widely documented as having negative effects on the economy." (Brezis & Cariolle, 2019, p. 595). The authors document its presence in many sectors including the pharmaceutical, telecommunication, and defense. Zingales (2015) underlines its significance particularly in the finance sector. According to an OECD report (2009), the revolving door has been one of the major causes of the 2008 crisis. Vukovic (2021) demonstrates the 'political bailouts' by exploring the relationship between political connections and corporate bailouts during 2008–2009.

system reflects the crisis of formal state and the dominance of a hidden or latent state that behave in an anti-establishment way provoking small and big coup d'état. Parallel institutions are the backbone of an exceptional state.

- (3) *Fusion of sovereignty and property*: *Anfal* is the extension of *Velayat faqih* through which Imam achieves the monopoly of both sovereignty and property. There are not market prices that allocate resources such as urban land or corporate assets. The degree of closure to brutal force of sovereign power determines the probability of capturing such resources. A governing caste of Shiite clergies, Islamic military elite, and influential bazaaris constitute the oligarchic privileged groups supporting the supreme jurisconsult.
- (4) *Primacy of political criterion over economic efficiency*: *Anfal* extends the discretionary personal power of the supreme jurisconsult on every economic resource who allocates property rights to individuals and institutions proportional to their importance in reproducing authoritative assets. This implies allocation of resources according to political criterion and not Coaseian economic efficiency.
- (5) *Predation versus production*: Predation and production might be complementary or contradictory. *Anfal* promotes an Islamic oligarchic and not centralized predation of public resources that is contradictory to economic growth. It develops deaccumulation, capital flight, and secular stagnation that can be coined as patrimonial development. The term 'patrimonial' refers to inherited property or assets (that may be 'abandoned' or 'confiscated' from a legal viewpoint) rather than new added value or income (Vahabi, 2023, pp. 338–342). Natural resources are also part of patrimonial assets. This is a type of accumulation in which the increase in capital is based on the re-evaluation of the market value of the already existing assets of corporations rather than new added value. Similarly, the growth of GDP is not generated by better economic performance, higher productivity, or efficiency of new investments (Vahabi, 2023, chapter 8).

Many reports on the balance sheets of corporations in Iran have highlighted this point: "We know that a large share, probably 80%, of the capital increase in companies' balance sheets derive from a re-evaluation of their fixed assets and not from the new cash investment. Considering the level of productivity and efficiency, it can be said that not only the GDP has not increased because of an improvement in economic performance, but also experienced personnel of industries have lost their motivation to contribute to such an improvement. Rent-seeking behavior is spread everywhere." (Rahman Zadeh Heravi, 2018, p. 64).

Comparing Islamic political capitalism with free market economies and state socialism, I will build upon Kornai's (1992) three fundamental institutions, namely political and ideological power structure, preponderant property relationships, and dominant coordination mechanism. Table 1 recapitulates the major differences between Shi'i political capitalism with both state socialism and liberal market capitalism.

Anfal has resulted in an Islamic economic revolution establishing a specific economic system that can be characterized as Islamic political capitalism. What was the process through which this revolution happened?

Table 1 A comparative study of Shi'i political capitalism with state socialist system and liberal market capitalism

Fundamental institutions	State socialism	Islamic political capitalism	Liberal market capitalism
Political/ideological power structure	Undivided power of the Communist party	<i>Velayat faqih</i> (Jurisprudence of the Vicegerent)	Liberal political pluralism based on electoral system
Preponderant form of property relationships	State property	<i>Anfal</i> (the Imam's property over <i>res nullius</i>)	Private property
Dominant form of coordination mechanism	Authoritative (bureaucratic) coordination	Parallel institutions in the presence of market and state crises	Market coordination

4 *Anfal's* progression and the 'Islamic economic revolution'

Anfal's progression in practice can be periodized in three phases: (1) *Anfal* in the Khomeini era (1979–1989); (2) *Anfal* and the transition period from the first supreme jurisconsult (Khomeini) to the second, namely Khamenei (1989–2005); (3) *Anfal* under Khamenei (2005–now). The emergence of Islamic political capitalism is the outcome of this process.

The enactment of *Anfal* during Khomeini Guardianship in Article 45 was based on a revisionist interpretation according to which there was no need to distinguish 'state property' from *Anfal* (the Imam's property). This was known as the 'unity thesis' advocating the unity of the Umma and the Imam's property (Montazeri, 1987, vol. 1, p. 93). Based upon the unity thesis, the Constitution, which was adopted on December 3, 1979, conflated the 'state' and the so-called 'non-state public properties.' A distinction was only introduced on July 1, 2006 when the new Supreme jurisprudent, Khamenei, decreed the 'General policies pertaining to Article 44 of the constitution of the Islamic Republic of Iran'.⁹ The goal was to 'privatize' all the industries cited in Article 44 of the Constitution by the end of the fourth Five-Year Development Plan (2011–2015). Khamenei's decree promulgated the sale of 80% of all state-owned enterprises enshrined in the Constitution and their transfer to "private, cooperative and non-government public sectors".

According to an Iranian parliamentary commission on privatization, the total value of the whole state assets amounted to 1500 thousand billion Iranian Rials (approximately 150 billion dollars)¹⁰ (Mousavi Nik, 2009, p. 2). Hashemi Rafsanjani (2007), the ex-Iranian president and the head of the Expediency Discernment Council, has called the privatization program "an economic revolution."

Many Iranian economists, political scientists and sociologists considered privatization as a clear sign of *liberalization* of the Iranian economy in the postwar period (Abazari & Zakeri, 2019; Behdad, 2006; Ehsani, 2013; Valadbaygi, 2021). Interestingly, none of them related the decree of July 2006 to *Anfal*. From *Anfal's* viewpoint, the main objective of the decree was not a revision of Article 44 but Article 45. In fact, the new Supreme Leader's decree ushered in a third phase of *Anfal* marking the termination of the 'unity thesis' advocated by Khomeini and Montazeri in the first phase of *Anfal*. Under Khamenei, this statist interpretation of Article 45 was replaced by an allegedly 'liberal'¹¹ interpretation in which *Anfal* has been reintroduced as part of the 'privatization' process.

In fact, evidence suggests that the privatization program dissimulated the appropriation of state properties by the Imam and other non-state sovereign institutions such as the Islamic Revolutionary Guard Corps (IRGC or the *Sepah*). Khamenei's decree was nothing but the institutionalization of the separation of *Anfal* from the state sector, and the transfer of state assets to *Anfal*.

In this sense, the privatization program was an "Islamic economic revolution" establishing Islamic political capitalism. This revolution was for *Islamization* rather than the *liberalization* of the Iranian economy. The final outcome of the privatization program was the extension of *Anfal* which was opposed to the sanctity of the private property since *Anfal* is based on the fusion of sovereignty and property.

⁹ See Iran Data Portal, <https://irandataportal.syr.edu/the-general-policies-pertaining-to-principle-44-of-the-constitution-of-the-islamic-republic-of-iran>

¹⁰ There are other estimations about the total value of assets. According to Mohsen Rezai (July 5, 2006), the total amount has been 1000 thousand billion Rials.

¹¹ Some Iranian economists, political scientists and sociologists prefer the term 'neoliberal'.

The economic revolution was organized under the two terms of Ahmadinejad's presidency, particularly during the period 2005–2011. He was heftily supported by the Supreme jurisprudent, *Sepah* and *Basij* (the para-military forces of the Supreme Leader) because he acted as an instrument of them to appropriate state assets. Khamenei's support for the presidency of Ahmadinejad against his contenders namely, Hashemi Rafsanjani and Mousavi,¹² was for implementing the Islamic economic revolution. This revolution was neither for the extension of the 'private' nor 'state' sectors but for his own specific property rights as the Imam. The immense increase of the oil revenue in the first term of Ahmadinejad's presidency (2005–2009) which amounted to 700 billion dollars was channelled to beef up *Anfal* and the *Sepah*.

In the interregnum between *Anfal* in Khomeini's era (1979–1989) and its unprecedented extension in Khamenei's time (2005 until now), the economic holdings belonging to *Anfal* (like *Bonyad Mostazafan* and *Setad*) and the *Sepah* (*Khatam al-Anbiya*) took roots and enlarged their fields of activities by actively participating in the post-war economic reconstruction and the exploitation of oil and gas fields (for a detailed analysis of all these giant holdings see Vahabi, 2023, chapters 6, 7, and 8).

It has been claimed that the first Supreme Leader (Khomeini) was a 'statist-populist' whereas the second Supreme Leader (Khamenei) is a 'liberal'. However, this impression is totally fallacious. Khomeini and Khamenei were both ardent advocates of *Anfal* which had nothing to do with either 'statism' or 'liberalism', but they adopted different political strategies to enhance Islamic economics. In the first phase of *Anfal*, Khomeini's political strategy consisted of dissimulating the nascent *Anfal* under the popular label of Islamic charity or the dominant discourse of the time, namely 'statist-populist' policy¹³ seducing the radical, and leftist opposition. In 2006, Khamenei did not need to cling to this statist discourse, since the state had cumulated colossal debts and commercial state banks were almost bankrupt. The 'privatization' program was partially presented as debt cancellations and a solution to curb the state's debts by selling off the insolvable state enterprises to other non-state sectors. In this new context, *Anfal* was now conflated with the private sector.

All the economic and political analysts of the so-called 'privatization' program, with no exception, have arrived at a very similar conclusion: the big winner of 'privatization' was *not the private sector* but rather the 'non-state public sector' (see among many others, Harris, 2013, 2017; Maloney, 2015; Nili & Associates, 2015). Eminent political figures representing different political factions of the IRI also echoed this point. For example, Hashemi Rafsanjani (2008) criticized Ahmadinejad's government for not applying Article 44 to attract Iranian private assets to invest in Iran instead of Dubai. Ali Akbar Nateq Nouri (2008), a top conservative cleric who run against Khatami in the presidential elections

¹² Mir-Hossein Mousavi served as the seventy-ninth and last Prime Minister of Iran from 1981 to 1989. He was known as an advocate of a statist program during the Khomeini's era and then became one of the two so-called 'Reformist' candidates along with Mehdi Karoubi against the administration of incumbent President of Iran Mahmoud Ahmadinejad for the 2009 presidential election. According to official results, he did not win the election, and following alleged vote-rigging and manipulation, his campaign sparked a long protest that eventually turned into a national and international movement against Ahmadinejad's government and the Supreme jurisprudent Ali Khamenei. Mousavi chose green as his campaign color, and his opposition 'reformist' movement was known as the Green Movement. Although he insisted on his loyalty to the constitution of the Islamic Republic of Iran, he, his wife and Mehdi Karoubi were detained at their residence and are currently under house arrest.

¹³ This term was often used by many radical and leftist economists who had a strong sympathy for the 'popular anti-imperialist' and so-called 'equalitarian' tendencies of the IRI during 1979–1989.

of 1997 also contended that assets were transferred from “an open to a shadow government” (Dareini, August 31, 2008, *Worldnews*). In the same vein, the Research Centre of the Islamic Legislative Assembly called the privatization process as “The transition from state to parastate economy” (Mousavi Nik, 2009).

Although ‘non-state public sector’ is an ambiguous expression begging for further scrutiny, it is true that the giant conglomerates belonging to *Anfal*, the Sepah, the Basij, and other religious and military foundations were the principal beneficiaries of the so-called ‘privatization’ decree. Several reports from two official authorities corroborated the fact that privatization was not about increasing the share of the private sector in the economy. The first one was the ‘Special Parliamentary Commission to Overview the Implementation of Article 44’ which released four reports on privatization outcomes during 2006–2010 in late 2010. According to its reports, only 13.5% of the state properties were transferred to the private sector.¹⁴ The second authority was the ‘Judiciary’s Inspection Organization’ which also released a report on the same issue in 2012 and announced that the private sector only owned 5% of the total state properties (Nili & Associates, 2015, p. 538).

Despite the contradictory figures, both authorities converged on one point: the share of the private sector in the privatization process was totally marginal. The so-called ‘privatization’ was conducted in three ways: (1) debt cancellations; (2) mass or coupon privatization; (3) other methods.

(1) *Debt cancellations*: the first method has been the IRI’s invention in the sense that the state reimbursed part of its debts to its creditors through direct transfer of government assets instead of ‘cash’ payment. 12.5% of property transfer was implemented through this type of divestment. The ‘non-state public sector’ was the major beneficiary of this method of privatization due to its bargaining power in its relationship with the state sector.

(2) *Mass or ‘coupon’ privatization through ‘Justice shares’*: this method was introduced as a means to promote ‘social justice’ through privatization. During the first two years of Ahmadinejad’s presidency, 6 million people, including pensioners, state employees and the registered low-income deciles of the population, received the equivalent of \$2.5 billion in stock in various public corporations under the rubric of ‘Justice shares.’ However, since there were no reliable statistics regarding low-income deciles, Ahmadinejad’s administration employed “politically connected distributive institutions, such as the conservative Imam Khomeini Relief Foundation, the Basij militia and pensioners, as its database for doling out stocks and dividends. Recipients have been handed stocks worth an average of 20 million rials (\$220), hardly a remedy for severe poverty.” (Ehsani, 2009, p. 32).

The shares were distributed to people free of charge, but their property was left undefined and undetermined for ten years, meaning that people could not know the shares belonged to what specific enterprise and they could not sell them during this period. This was a separation of ‘property’ from ‘management’ (Nili & Associates, 2015, pp. 536–37). While the state was no more the owner, it remained the manager of distributed assets. The ‘Justice share’ constituted 68.5% of the transfer over the period 2004–2009 (Mousavi Nik, 2009, p. 4). It was a ‘transitional’ mechanism keeping the state’s management without state property. In this sense, Justice share resulted in a ‘parastatal’ or semi-state sector that should be distinguished from the ‘non-state public sector’ embracing *BMJ*, *Setad*, *Khatam*, etc. ‘Parastatal’ enterprises are those “enterprises that are

¹⁴ “The private sector is defined as a sector composed of all companies and associations in which 80 percent of their shares belong directly or indirectly through legal persons to natural persons.” (Najafi Khah, 2016, p. 123).

managed by the state while more than 50% of their assets do not belong to the state.” (Mousavi Nik, 2009, p. 14). According to this definition, divestment through Justice share promoted the parastatal sector. Contrary to the parastatal sector, the non-state public sector is not managed by the state.

(3) *Other methods* pertained to all other ways of property transfer that had not been included in debt cancellations and Justice share. Since the first two methods transferred the property to the ‘parastatal’ and ‘non-state public’ sectors, the potential true privatization could only exist among this last category. Other methods embraced 19% of transfers during 2005–2009. However, as indicated previously, the share of true privatization was officially estimated between 5 and 13.5%. This last category consisted of transferring shares through the stock exchange. In fact, the privatization decree explicitly stipulated stock exchange as the mechanism of property transfer compared to other mechanisms notably bidding and direct negotiations.

Three types of shares were used: preferential, gradual, and in block. The preferential shares were used for insider privatization also known as ‘management-employee buyouts’ (MEBO). Gradual shares were given to dispersed external buyers. Block shares were used to transfer the SOEs properties to concentrated buyers.

Three characteristic features distinguished this last category of privatization. First, the sale through block shares or to concentrated buyers was preponderant. Second, the majority of the shares were transferred to a few big holdings. Third, the principal buyers were parastatal organizations and non-state public corporations, among them were the Social Security Investment Company (SHASTA) and the Iranian Mehr Investment Company (affiliated to credit and financial Mehr corporation, the ex-Basij cooperative bank). They acquired 46% of the block shares (Mousavi Nik, 2009, p. 12). Hence, even SOEs sold through the stock exchange did not go entirely to the private sector. SOEs valued at 36,979 billion rials (3,7 billion US dollars) were divested through block shares to the ‘non-state public sector’.

Although the privatization campaign was officially launched in July 2006 by the Supreme Leader, it was informally started since the second term of Khatami’s presidency in 2001. Nili and associates (2015) provide figures for all types of privatizations during the period extending from 2001 to 2011. Table 2 illustrates the final outcome of different privatization methods and its beneficiaries during this period.

Table 2 clearly demonstrates that what is known as ‘privatization’ was the transfer of state property to parastatal and non-state public sectors. The share of Justice share shrank to 40% in 2011 as Ahmadinejad had initially announced while the shares of debt cancellations and other methods increased. Consequently, the principal beneficiary of ‘privatization’ was the ‘non-state public sector’ or *Anfal* and its associate. This sector swallowed the bulk of the state sector property and dispossessed people from their public assets.

While *Anfal* progressed in the name of ‘statism’ in its early stage, it arrived at its maturity and preponderant position in the political economy of the IRI through the so-called ‘privatization’ process. *Khamenei’s decree was about further Islamization rather than liberalization of the Iranian economy*. It culminated in an economic Islamic revolution in the third phase of *Anfal* which can be coined as the Shiite Islamic capitalism different from state socialism and free market capitalism. In this model, the lion’s share of rent-seeking belongs to the Supreme jurisconsult and his allies notably the IRGC.

Table 2 Different types of privatizations and its beneficiaries

Type of privatization	Period 2005–2009 (percentage)	Period 2001–2011 (percentage)	Beneficiaries
Debt cancellations	12.5	25	Non-state public sector
Justice share	68.5	40	Parastatal sector
Other methods	19	35	Non-state public sector and private sector (5–13.5)

Source: Vahabi (2023, p. 273)

5 Conclusions

In this paper, I suggested that Islamic revolutions are rather Islamic revivalism aiming at establishing an Islamic state based on Koran, Sharia or Sunnah. What was the outcome of the Islamic revivalism in the economic sphere? Was it reducible to either state socialism or free market economy as suggested by Behdad (2006) and Kuran (2018)?

The emergence of ‘Imam’s property’ or *Anfal* embracing all resources and assets known as *res nullius* has been the major invention of the Islamic revolution in Iran that has been left unnoticed by specialists in Islamic economics. This paper filled the gap by focusing on *Anfal* as the main underlying tenet of public finance under the Shiite Islam.

Our study demonstrated that Islamic revivalism has led to a third model, namely Islamic political capitalism hindering both the advance of state socialism and free market capitalism. *Velayat Faqih* and *Anfal* are complementary institutions that conflate and concentrate sovereignty and property in the hands of supreme jurisconsult. These fundamental institutions impede constitutional revolution, citizen’s sovereignty and the security of private property rights.

Anfal institutionalizes a confiscatory regime that subordinates property to the discretionary power of the supreme jurisconsult. This specific economic system, namely Islamic political capitalism enhances rent-seeking activities from top to bottom by dispossessing people from all ‘ownerless’ public properties and transferring them to the restrictive property of the Imam. The supreme leader has created a network of oligarchic beneficiaries for rent-seeking through his institutional Islamic and military allies owning more than 60% of assets in the Iranian economy.

Declarations

Competing interests None.

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