

The role of political institutions in Iran’s economic development from the fall of Reza Shah to 1979

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| Article Info | Abstract |
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| <p>Original Article</p> <p>Main Object: Interdisciplinary Scope: Iran</p> <p>Received: 28 January 2026 Revised: 15 February 2026 Accepted: 17 February 2026 Published online: 22 February 2026</p> <p>Keywords: constitutional revolution, economic development, Pahlavi I, political institutions.</p> | <p>Despite experiencing periods of economic growth, Iran’s development trajectory in the contemporary era, particularly between 1941 and 1978, remained incomplete and discontinuous. This study addresses a gap in the development literature by focusing on the role of political institutions in shaping this outcome. While much of the existing scholarship emphasizes economic, geographical, and socio-cultural factors, the configuration and interaction of political institutions have received less systematic attention. By integrating classical development theories with new institutionalism, the study proposes an analytical framework termed the “Non-Harmonic Imbalanced Polygon”. The research adopts a configurational comparative approach grounded in set-theoretic logic and employs fuzzy-set Qualitative Comparative Analysis (FsQCA) to examine the role of political institutions in Iran’s economic development during 1941–1978. The explanatory power of causal combinations is assessed using consistency and coverage measures. The results indicate that the simultaneous presence of six conditions -elite genre incompatibility, weak elite adherence to formal rules, limited separation of powers, imbalance of power between state and society, low state capacity, and the dominance of relationalism over rule-based governance- constitutes the dominant configuration underlying incomplete economic development. High levels of consistency (1) and coverage (0.9) demonstrate the explanatory strength of this causal combination and underscore the nonlinear and conjunctural nature of development processes. Among these conditions, elite genre incompatibility and weak adherence to rules emerge as necessary conditions. Iran’s incomplete economic development during this period resulted from the interaction of multiple institutional-political factors rather than a single determinant. The proposed framework provides a useful analytical model for examining developing countries with similar institutional characteristics and highlights the importance of institutional configurations in shaping development trajectories.</p> |

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Extended Abstract

1. Introduction

The present study focuses on the process of development in Iran. Iran's development trajectory has not followed a progressive and continuous path; rather, it has been marked by significant fluctuations. In certain historical periods, the country experienced economic growth and improvements in economic indicators, while in other periods adverse economic conditions prevailed. As a result, Iran's development process has lacked the necessary stability and continuity, and its episodic growth has ultimately failed to place the country among developed nations.

Numerous scholars have examined Iran's development from various perspectives; however, comprehensive analyses that investigate economic development through the performance of political institutions and the degree of their adherence to institutional norms remain limited. Within this framework, the fall of Reza Shah and the accession of Mohammad Reza Shah can be considered one of the most significant historical events and critical turning points in the process of political institution-building in Iran. From this period onward, important transformations occurred in Iran's political history that laid the foundations of a new institutional order. Accordingly, this study seeks to address two main questions:

- How can Iran's development process during the period 1941–1979 be explained from the perspective of new institutionalism?
- What impact did political institutions and their structures have on Iran's development trajectory during the period 1941–1979?

2. Materials and Methods

This research adopts an applied approach and employs a qualitative comparative methodology, drawing on historical–institutional analysis in combination with fuzzy-set qualitative comparative analysis (FsQCA). Based on institutionalist theories, a conceptual framework was developed, followed by the construction of six-value fuzzy sets. Subsequently, historical documents, primary sources, and political memoirs were examined to assess the status of institutional variables across the selected time periods.

3. Findings and Discussion

The findings indicate that Iran's economic development process between 1941 and 1979 was strongly influenced by the quality of political institutions and the pattern of interactions among elites. Analysis of six institutional variables—namely, genre incompatibility among elites, the level of elite legalism, separation of powers, the balance of power between state and society, relationalism in the country's administrative and managerial system, and state capacity—reveals that in most of the periods under review, the dominant

institutional order was authoritarian, personalistic, and lacking institutional coherence.

During the period 1941–1953, the collapse of Reza Shah's centralized authority and the occupation of Iran led to the emergence of a pluralistic yet unstable structure in which personal rivalries, mutual distrust, and elite exclusion hindered elite consensus and the continuity of development-oriented policies. Weak adherence to the rule of law, political interference in the judiciary, ineffective separation of powers, and an imbalanced distribution of power in favor of the state, together with the dominance of relationalism in the administrative system, resulted in political instability and economic fragility, pushing economic development off the national agenda.

In the period 1953–1963, following the consolidation of Mohammad Reza Shah's authority after the August 19 coup, power became increasingly centralized and elite relations were organized around personal loyalty and foreign support. Although economic growth and infrastructural development were observed during this period, the weakening of judicial independence, the ceremonial nature of elections and parliament, the repression of civil society, and the persistence of administrative relationalism prevented economic growth from evolving into sustained and inclusive development.

From 1963 to 1973, the institutional landscape appears relatively distinct. The more prominent role of technocrats, increased bureaucratic capacity, and economic institution-building contributed to a relative reduction in certain institutional distortions and an improvement in economic growth indicators. Nevertheless, decision-making remained dependent on the Shah's will, the professional autonomy of the bureaucracy was constrained, and social inequalities persisted. Consequently, economic achievements failed to become institutionalized and proved to be temporary.

In the final period, 1973–1979, the absolute concentration of power, the establishment of a single-party system, the elimination of political competition, and the intensification of relationalism within the administrative system further weakened the institutional order. Although Iran experienced high levels of macroeconomic growth, rising inequality, weak social justice, limited political participation, and declining political legitimacy rendered economic development incomplete and fragile, paving the way for social discontent and political crisis.

Overall, the descriptive and comparative findings demonstrate that even in periods characterized by increased state capacity and economic growth, deficiencies in the quality of political institutions, genre incompatibility among elites, and weak elite legalism prevented the realization of sustained economic development.

4. Conclusion

The results of the inferential analysis using fuzzy-set qualitative comparative analysis (FsQCA) indicate that “incomplete economic development” in Iran is the outcome of a specific institutional configuration rather than the effect of a single factor. According to the complex and intermediate solutions, the simultaneous combination of genre incompatibility among elites, low levels of elite legalism, weak separation of powers, imbalance between state and society, relationalism in the administrative and managerial system, and weak state capacity constitutes a sufficient condition for the occurrence of incomplete economic development. This configuration, with perfect consistency and high coverage, explains most of the historical periods examined.

The parsimonious solution shows that two variables— genre incompatibility among elites and low levels of elite legalism— are present in all cases of incomplete economic development and function as institutional preconditions of the development process. However, these two factors alone are insufficient to explain incomplete development and lead to such outcomes only in combination with other institutional deficiencies.

Ultimately, drawing on the new institutionalist approach, this study concludes that sustained economic development in Iran requires simultaneous reform of institutional structures through elite genre compatibility, enhanced elite legalism, strengthened separation of powers, a balanced relationship between state and society, a transition from relationalism to rule-based governance in the administrative and managerial system, and increased state capacity— conditions that were structurally unrealized during the periods under review, thereby perpetuating incomplete economic development.

Conflict of interest

The authors declared no conflicts of interest.

Authors' contributions

All authors contributed to the original idea, study design. Extracted from the dissertation "The Role of Political Institutions in Iran's Economic Development from the Constitutional"/ Supervisor: Faez Dinparast, Advisors: Abolfazl Delavari and Jafar Khairkahan/ Allameh Tabataba'i University/ Ph.D.

Ethical considerations

The authors have completely considered ethical issues, including informed consent, plagiarism, data fabrication, misconduct, and/or falsification, double publication and/or redundancy, submission, etc. This article was not authored by artificial intelligence. In order to strengthen the language of the article, especially the short and

extended English abstract, ChatGPT artificial intelligence version GPT-4 has been used only to the extent of linguistic editing, smoothing, and correcting sentence structure. It is emphasized that all theoretical discussions, research method design, data analysis, and conclusion of results are entirely the result of the authors' scientific work and no analytical or conceptual use of artificial intelligence has been made.

Data availability

The dataset generated and analyzed during the current study is available from the corresponding author on reasonable request.

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