

**SPECIAL ISSUE ARTICLE**

# **Trend Analysis of State Capacity and Comparison of the Performance of Iranian States from 1989 to 2024**

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## **Extended Abstract**

### **Introduction**

The failure of the minimalist state idea, which had been under consideration since the early 1970s and whose inefficacy, particularly for developing countries, had become more evident than ever by the early 1980s, led theorists to once again turn their attention to the idea of an effective state. A prime example of this process was the publication of the book by Evans, Rueschemeyer, and Skocpol (1985) entitled *Bringing the State Back In*. Another example is the transformation of the "good governance" idea into a major paradigm for development within the United Nations, which emphasizes enhancing the capability of states to facilitate the development process.

Alongside the design and development of governance measurement indicators, another path has also evolved which, instead of measuring governance, where the state is defined as part of the governance process, places its primary focus on the capacity of the state as the executive branch. The outcome of such a process has been the formation of the concept of "state capacity," which focuses solely on the capability and efficiency of the state and is defined as the ability of the state to achieve its objectives

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(Vaccaro & Panaro, 2024; Sinha, 2023; Acemoglu & Robinson, 2019). State capacity encompasses the power of the state, as the state requires it to penetrate society and implement political and logistical decisions across its territory. Accordingly, the question has been raised as to what functions a capable state should have the capacity to perform; and the response has been that this concept has a significant impact on development processes, and numerous variables are influenced by it: economic growth (Liao & Waters, 2023; McPherson-Smith, 2021); provision of public goods (Ndawana & Nganje, 2023; Deng, 2020; Dimitrova et al, 2020); democratization (Ünver & Ertan, 2023; Xie et al, 2021); counterterrorism (Kirisici, 2020; Larue & Danzell, 2020); political system stability (Vaccaro & Panaro, 2024; Sullivan, 2024; Shengchen & Yue, 2024); and biological crises (Ganga & Schenk, 2024; Sinha, 2023; de la Cruz et al, 2022; Serikbayeva et al, 2020).

Based on the explanations provided, the study of state capacity in Iran is essential because, in addition to the dependence of development processes on state capacity, Iran's historical experience shows that the state has always faced structural challenges such as dependence on oil revenues, weakness in the tax system, institutional fragility, and so on (Rahmanizadeh Dehkordi, 2022; Hasanvand et al., 2022; Sayyadi et al., 2018; MirTorabi, 2017; Momeni & Alizadeh, 2013). Given these conditions, a systematic analysis of state capacity can help clarify the strengths and weaknesses of Iran's governance structure. Accordingly, two objectives have been designed for the present study: in the first step, a theoretical examination of the concept of state capacity and the introduction of its measurement indicators; and in the second step, the measurement of state capacity in Iran. Following the theoretical review and the introduction of the conceptual model in question, the trend of state capacity in Iran will be examined to address two questions: What has been the trend of state capacity in Iran? Which Iranian states have performed better in terms of state capacity? Given the exploratory nature of the study, the article is not hypothesis-testing, and the research findings will be organized with respect to addressing the two questions posed.

### **Literature Review**

A review of the research published in Iranian databases (Noormags, IranDoc, etc.) indicates that a limited number of studies on state capacity in Iran have been published, none of which are similar to the present study in terms of theory, research methodology, or the time period examined, and this very fact also demonstrates the necessity and significance of the research. Nevertheless, a brief account of the existing research is provided below.

Mohammadifar and Kazemi (2023), in their article entitled "Identifying the Criteria for Evaluating the Capacity of Fragile States in Development Planning and Poverty Reduction," set as their objective the criteria mentioned in the title of their research and concluded in their summary that if fragile states place development capacity planning and their political will

and determination to advance the development process and poverty reduction on their agenda, they can have their way toward becoming a sustainable state.

Alini (2022), in his article entitled "Evaluating the Performance of the Management and Planning Organization Based on the Concept of State Capacity," compared the capacity of states based on the performance of the Management and Planning Organization and concluded that the Reformist state had the best performance.

Mahmoudzadeh (2021), in an article entitled "Rental Incomes and Their Impact on State Capacity in Emerging Markets and Developing Economies," concluded that rental incomes, as one of the sources of public revenue for states, are an influential variable on state capacity in emerging markets and developing economies, and for success, the infrastructure and favorable governance institutions must have been established in them prior to accessing natural resource rents.

Attar and Kamalizadeh (2018), in their article entitled "Efficiency as State Capacity; A Political Approach to the Concept of Efficiency," attempted to derive indicators for measuring and evaluating state efficiency and, in their conclusion, introduced six indicators (legitimate monopoly on the use of force, extractive capacity, shaping national identity, regulatory capacity, maintaining internal cohesion, and redistributive capacity) which are considered to cover the totality of conventional state functions or authorities.

Hosseini et al. (2011), in an article entitled "Measuring Governance Capacity: Concepts, Model, and Measurement Method," examined indicators for measuring state capacity through a comparative method and collectively proposed seven indicators for measuring state capacity.

In contrast to the scant attention paid to the concept of state capacity in research published in Iran, this concept holds great significance in English-language sources, and in the period from 2020 to 2025 alone, over four thousand studies containing the keyword "state capacity" have been published, which also indicates the importance of this concept in international research. Nevertheless, in this body of work, no research has been published specifically on state capacity in Iran. It should be noted that the most important English-language research has been utilized in the introduction and theoretical sections.

Accordingly, the present study differs from previous research on state capacity in Iran in several respects. The most important distinction is the utilization of the modern theoretical framework of Hanson and Sigman (2021) for the comprehensive measurement of state capacity across its three dimensions: extractive, coercive, and administrative. In addition, the examination of a long-term time period (1989–2024), which encompasses five distinct political periods, and the use of a quantitative methodology based on international data and advanced statistical techniques (time series

and mean comparisons), have made possible a systematic comparative analysis among states and the provision of an analysis of the trend of state capacity.

### **Methodology**

The present study is quantitative in nature. As elaborated in detail in the extended abstract, to answer the research questions, two techniques have been employed: time series analysis and comparison of means. The time series technique was used to examine the trend of state capacity in Iran over the period 1989–2024 (Wu & Bi, 2023; Carrion & Gadea, 2024; Silva et al., 2023), while the comparison of means technique (specifically the comparison of means of independent groups) was used to compare the performance of the five Iranian states within this period. The data were extracted from the World Bank, the Observatory of Economic Complexity, and the International Monetary Fund.

### **Construction of Dimensions**

In the first step, based on the theoretical framework of Hanson and Sigman (2021) and through a review of the literature related to state capacity and governance indicators, over 75 primary variables were identified, covering various dimensions of state capability in economic, institutional, administrative, and other areas. At this stage, in order to increase precision in constructing the intended dimensions and given that the selected variables had different scales (billion dollars, percentage, etc.), the raw data of the variables were first standardized so that their examination and comparison on a unified scale would be possible. Then, in order to ensure internal correlation and conceptual adequacy of the variables, in the second step, Cronbach's alpha test was used to examine the reliability and internal consistency of the variables. Variables with a Cronbach's alpha value below 0.7 or those that showed a weak factor loading were removed from the set. After repeating this step to achieve maximum reliability, 51 variables with adequate reliability remained. In the third step, exploratory factor analysis was used to identify the latent structure among the variables and to aggregate them into convergent conceptual dimensions. Prior to conducting the analysis, the adequacy of the sample was evaluated through the aforementioned tests (KMO and Bartlett), with the values of both tests indicating the suitability of the data for factor analysis (KMO = 0.891; Bartlett = 0.0009). The results of the exploratory factor analysis using the extraction method and Varimax rotation indicated that the variables were concentrated around three main factors, which were fully consistent with the theoretical foundations of the study. Each of these three factors was defined based on factor loadings greater than 0.5, and together they explained over 74% of the total variance of the variables. It is worth noting that at this stage, based on the results of the factor analysis test, 21 variables across the three

dimensions that had factor loadings above the threshold for confirmation were removed to enhance the measurement and analytical power of the dimensions, and ultimately 30 variables remained within the three dimensions.

In the fourth step, to determine the weight of each variable within its respective factor, the factor coefficients extracted from the confirmatory factor analysis were used, the results of which are presented in the conceptual definition table for each of the dimensions. Thus, each of the dimensions has been constructed based on the factor loadings of their respective variables. In the fifth step, to measure the overall trend of state capacity, the three indicators—extractive, coercive, and administrative—were aggregated using the weighted average calculated for them, and the composite index of state capacity was constructed.

**Keywords:** Iran, State capacity, Extractive capacity, Coercive capacity, Administrative capacity.

## Introduction

The failure of the minimalist state idea, which had been under consideration since the early 1970s and whose inefficacy, particularly for developing countries, had become more evident than ever by the early 1980s, led theorists to once again turn their attention to the idea of an effective state. A prime example of this process was the publication of the book by Evans, Rueschemeyer, and Skocpol (1985) entitled "Bringing the State Back In". Another example is the transformation of the "good governance" idea into a major paradigm for development within the United Nations, which emphasizes enhancing the capability of states to facilitate the development process.

Alongside the design and development of governance measurement indicators, another path has also evolved which, instead of measuring governance, where the state is defined as part of the governance process, places its primary focus on the capacity of the state as the executive branch. The outcome of such a process has been the formation of the concept of "state capacity" which focuses solely on the capability and efficiency of the state and is defined as the ability of the state to achieve its objectives (Vaccaro & Panaro, 2024; Sinha, 2023; Acemoglu & Robinson, 2019). State capacity encompasses the power of the state, as the state requires it to penetrate society and implement political and logistical decisions across its territory. Accordingly, the question has been raised as to what functions a capable state should have the capacity to perform; and the response has been that this concept has a significant impact on development processes, and numerous variables are influenced by it: economic growth (Liao & Waters, 2023; McPherson-Smith, 2021); provision of public goods (Ndawana & Nganje, 2023; Deng, 2020; Dimitrova et al, 2020); democratization (Ünver & Ertan, 2023; Xie et al, 2021); counterterrorism (Kirisci, 2020; Larue & Danzell, 2020); political system stability (Vaccaro & Panaro, 2024; Sullivan, 2024; Shengchen & Yue, 2024); and biological crises (Ganga & Schenk, 2024; Sinha, 2023; de la Cruz et al, 2022; Serikbayeva et al, 2020).

Based on the explanations provided, the study of state capacity in Iran is essential because, in addition to the dependence of development processes on state capacity, Iran's historical experience shows that the state has always faced structural challenges such as dependence on oil revenues, weakness in the tax system, institutional fragility, and so on (Hasanvand et al., 2022; MirTorabi, 2017; Momeni & Alizadeh, 2013). Given these conditions, a systematic analysis of state capacity can help clarify the strengths and weaknesses of Iran's governance structure. Accordingly, two objectives have been designed for the present study: in

the first step, a theoretical examination of the concept of state capacity and the introduction of its measurement indicators; and in the second step, the measurement of state capacity in Iran. Following the theoretical review and the introduction of the conceptual model in question, the trend of state capacity in Iran will be examined to address two questions: What has been the trend of state capacity in Iran? Which Iranian states have performed better in terms of state capacity? Given the exploratory nature of the study, the article is not hypothesis-testing, and the research findings will be organized with respect to addressing the two questions posed.

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Accordingly, the present study differs from previous research on state capacity in Iran in several respects. The most important distinction is the utilization of the modern theoretical framework of Hanson and Sigman (2021) for the comprehensive measurement of state capacity across its three dimensions: extractive, coercive, and administrative. In addition, the examination of a long-term time period (1989–2024), which encompasses five distinct political periods, and the use of a quantitative methodology based on international data and advanced statistical techniques (time series and mean comparisons), have made possible a systematic comparative analysis among states and the provision of an analysis of the trend of state capacity.

## **Methodology**

The present study falls within the category of quantitative research, and in order to answer the research questions, two techniques have been employed: time series analysis and comparison of means.

To examine the trend of state capacity in Iran over the period 1989–2024, the time series technique has been used. Time series are of great importance in political science and policymaking, as they establish a link between the past and the future and, by utilizing patterns and sequences of past events, provide a picture of the longitudinal trends of the issues under investigation. This process involves continuous or discrete quantitative data that pertain to specific moments in time, the distribution of which is

examined in statistical studies (Wu and Bi, 2023:320). Time series analysis uses quantitative data to explain past events (Carrion and Gadea, 2024:1254). In other words, a time series is a set of data ordered according to the time of occurrence. The purpose of time series analysis is to examine and analyze a process or phenomenon that has resulted from the observation of a variable over time (Silva et al, 2023:895).

Time series measure changes in a set of events over time, thereby enabling a systematic examination of events (Wu and Bi, 2023:321). A time series set can exhibit four states:

- Trend or long-term tendency: the evolution of the subject under study over a long period with a constant upward or downward trajectory.
- Cyclical variations: the repetition of upward or downward movements of the subject under study around trend levels.
- Seasonal variations: changes that occur in short periodic intervals and in fact represent the periodic behavior of the variable, which repeats with similar intensity in the same season.
- Irregular variations: scattered movements in a time series that do not follow a regular pattern. These fluctuations are influenced by unusual events such as strikes, accidents, etc. (Carrion and Gadea, 2024; Silva et al, 2023).

To determine the best performance among the states over the period in question, which includes five states, the comparison of means technique has been used. Given that comparing state capacity is one of the main objectives and quantitative data have also been employed, the comparison of means has also been used to further elaborate the information. The test used is the comparison of means of independent groups. The mean is not considered a suitable statistic for comparison due to its susceptibility to outlier data, and the difference of several variables in their means also lacks generalizability and comparability. For this reason, the difference of means test is used to compare the status of two or more variables. In this test, the difference among variables is generalizable and comparable only when they exhibit similarity within their own group and distinction from other groups.

The data used in this study have been extracted from the World Bank, the Observatory of Economic Complexity, and the International Monetary Fund, and based on the available information regarding the required variables, the period 1989–2024 has been selected as the study timeframe.

### **Construction of Dimensions**

In the first step, based on the theoretical framework of Hanson and Sigman (2021) and through a review of the literature related to state capacity and governance indicators, over 75 primary variables were identified, covering various dimensions of state capability in economic, institutional, administrative, and other areas. At this stage, in order to increase precision in constructing the intended dimensions and given that the selected variables had different scales (billion dollars, percentage, etc.), the raw data of the variables were first standardized so that their examination and comparison on a unified scale would be possible. Then, in order to ensure internal correlation and conceptual adequacy of the variables, in the second step, Cronbach's alpha test was used to examine the reliability and internal consistency of the variables. Variables with a Cronbach's alpha value below 0.7 or those that showed a weak factor loading were removed from the set. After repeating this step to achieve maximum reliability, 51 variables with adequate reliability remained. In the third step, exploratory factor analysis was used to identify the latent structure among the variables and to aggregate them into convergent conceptual dimensions. Prior to conducting the analysis, the adequacy of the sample was evaluated through the aforementioned tests (KMO and Bartlett), with the values of both tests indicating the suitability of the data for factor analysis (KMO = 0.891; Bartlett = 0.0009). The results of the exploratory factor analysis using the extraction method and Varimax rotation indicated that the variables were concentrated around three main factors, which were fully consistent with the theoretical foundations of the study. Each of these three factors was defined based on factor loadings greater than 0.5, and together they explained over 74% of the total variance of the variables. It is worth noting that at this stage, based on the results of the factor analysis test, 21 variables across the three dimensions that had factor loadings above the threshold for confirmation were removed to enhance the measurement and analytical power of the dimensions, and ultimately 30 variables remained within the three dimensions.

In the fourth step, to determine the weight of each variable within its respective factor, the factor coefficients extracted from the confirmatory factor analysis were used, the results of which are presented in the conceptual definition table for each of the dimensions. Thus, each of the dimensions has been constructed based on the factor loadings of their respective variables. In the fifth step, to measure the overall trend of state capacity, the three indicators, extractive, coercive, and administrative,

were aggregated using the weighted average calculated for them, and the composite index of state capacity was constructed.

### **Theoretical Foundations**

The theory of state capacity is one of the key approaches in political science and political sociology that examines the ability of the state to organize, administer, and exercise legitimate power over its territory and the population under its sovereignty. The theory of state capacity demonstrates that state effectiveness depends not only on possessing the tools of coercion but also requires strong administrative, fiscal, and executive institutions (Ganga & Schenk, 2024; Vaccaro, 2022). It should also be noted that the use of the term "state capacity" in the literature of political science and related disciplines varies considerably, and numerous concepts, either explicitly or implicitly, seek to measure it: fragility, effectiveness, efficiency, quality, legitimacy, autonomy, and so on. State capabilities include material resources and the internal organizational competencies of the state; for example, some have defined it as the resources that serve as the media through which power is exercised (Vaccaro & Panaro, 2024; Ünver & Ertan, 2023; Zhou, 2022); while others have directed attention to the organizational and bureaucratic competency of state institutions (Collington, 2025; Klüser, 2022; Xie et al, 2021).

In line with selecting an appropriate theoretical framework for this study, several frameworks for measuring state capacity were examined. These include models based on good governance indicators (such as the World Bank indicators), models focusing on state fragility, and more classical Weberian frameworks. Although each of these frameworks has its positive aspects, the Hanson and Sigman (2021) framework has been chosen as the theoretical framework for this study for the following reasons:

- Conceptual comprehensiveness and coherence: This framework defines state capacity not as a unidimensional concept, but rather in the form of three interconnected and fundamental dimensions ("extractive", "coercive" and "administrative") which together provide a complete picture of state capability.
- Quantitative operationalizability: The Hanson and Sigman model is specifically designed for quantitative and comparative research and proposes a clear set of measurable indicators for each dimension that are fully compatible with available international data.

- Novelty and academic credibility: This framework is among the most recent and most cited models in the new literature on state capacity, having been validated in reputable international journals.
- Relevance to the research questions: The three dimensions of this model directly enable both the historical trend of state capacity (the first question) and the comparison of the performance of different states (the second question) to be analyzed with greater precision and detail.

Accordingly, it appears that the Hanson and Sigman framework, compared to the available alternatives, possesses greater suitability and adequacy for addressing the objectives and questions of this study.

Hanson and Sigman (2021), by reviewing various definitions put forward, have defined state capacity as the ability of the state to perform the core functions that are generally considered essential for modern states: protection against external threats, maintenance of internal order, administration and provision of the basic infrastructure necessary to sustain economic activity, and revenue extraction. They have also focused on two conditions for introducing indicators for measuring state capacity: 1) they must be essential for fulfilling the functions of contemporary states, and 2) they must be reasonably distinguishable from one another.

By emphasizing these two conditions, they have introduced three dimensions for measuring state capacity: extractive capacity, coercive capacity, and administrative capacity. These three dimensions correspond to what Skocpol identifies as providing the "general infrastructure of state capacities": abundant resources, administrative-military control over a territory, and loyal and skilled officials. The extractive, coercive, and administrative aspects of state capacity are fundamental for modern states (Hanson & Sigman, 2021:1498). The conceptual definition and measurement variables for each of the three dimensions are elaborated in the following sections.

### **State Extractive Capacity Index**

Increasing revenue is not only a vital function of the state to support all of its activities, but it also encompasses a specific set of capabilities that are fundamental to the broader powers of the state. Specifically, states must be able to access their population, collect and maintain information, have reliable agents to manage revenue, and possess enforcement capabilities to ensure public expenditures, as there is a direct relationship between a state's revenue and the possibility of expanding its power (Hanson & Sigman, 2021:1501). To measure this indicator based on the explanations provided, variables have been selected which are presented in Table 1:

**Table 1 - Variables for Measuring State Extractive Capacity**

| <b>Variables</b>                               | <b>Definition</b>                                                                                                                                                                                                                   | <b>CFA</b> |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| Export value                                   | The total final value of goods exported in a given year.                                                                                                                                                                            | 0.764      |
| GDP per capita                                 | The amount of gross domestic product per person in a country's population. This rate indicates how much production or income per person amounts to and is indicative of the average economic condition across the total population. | 0.735      |
| Investment absorption capacity                 | Comprised of two parts: foreign and domestic investment in a given year.                                                                                                                                                            | 0.835      |
| Ratio of general government revenue to GDP     | The revenues of ministries and state institutions, dividends of state-owned companies, revenue from monopolies and ownership, and other revenues that are included under public revenue in the national budget law.                 | 0.856      |
| Ratio of current account balance to GDP        | The state's revenues and expenditures outside the budget, including trade balance, net primary income or factor income, and net unilateral transfers.                                                                               | 0.633      |
| Gross national income growth (annual %)        | The annual growth in the value of all final goods and services produced at current prices in a country. Gross national income is the sum of gross domestic product and all income obtained through foreign sources.                 | 0.734      |
| Ratio of gross fixed capital formation to GDP  | The cost of capital purchases by government service producers and private non-profit service producers serving households, minus net sales of second-hand capital goods.                                                            | 0.624      |
| Comprehensive domestic wealth per capita index | A comprehensive index of domestic wealth, including net foreign financial assets and the sum of produced capital, non-renewable and renewable natural capital, and human capital.                                                   | 0.716      |
| Foreign assets per capita                      | Nominal foreign financial assets, including equity portfolios, foreign direct investment, debt assets, financial derivatives, and foreign exchange reserves (excluding gold).                                                       | 0.543      |
| Taxes on international trade                   | The amount of state revenue from taxes on trade and transit of goods.                                                                                                                                                               | 0.712      |
| Tax-to-GDP ratio                               | The ratio of taxes collected by the state to gross domestic product.                                                                                                                                                                | 0.619      |

### State Coercive Capacity Index

Like extractive capacity, coercive capacity plays a central role in the definition of the state, particularly in the Weberian tradition, which defines the state as an organization that holds the monopoly on the legitimate use of force within its territory. Coercive capacity is directly related to the state's ability to maintain its borders, protect against external threats, maintain internal order, and so on. To perform other functions, including revenue collection, a state must have the necessary force to deter threats across its territory, or at least possess the ability to persuade others to carry this out. While coercion is not the only way to maintain order and elicit obedience from the populace, it represents a key aspect of states' ability to survive and implement policies. Coercive capacity encompasses the institutionalization of coercive instruments, which requires competent personnel and functional expertise within state organizations. The keys to effective revenue extraction are measurement, monitoring, and enforcement capabilities, which in modern states often require bureaucratic revenue collection backed by a coercive apparatus (Hanson & Sigman, 2021:1504). To measure this indicator based on the explanations provided, variables have been selected which are presented in Table 2:

**Table 2 - Variables for Measuring State Coercive Capacity**

| Variables                      | Definition                                                                                                                                                                                                                                                                 | CFA   |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| Political stability            | The existence of a calm and reliable political and social environment, continuity in laws, administration, and policies, as well as the absence of conditions such as war, rebellion, coup, chaos and disorder, and generally threats to the political system and society. | 0.856 |
| Military expenditure           | The ratio of military expenditures in a given year to GDP and general government expenditures.                                                                                                                                                                             | 0.723 |
| State authority over territory | The capability of the state to effectively control its territory.                                                                                                                                                                                                          | 0.516 |
| Control of violence            | The capability of the state to refrain from and prevent the use of political violence to achieve objectives.                                                                                                                                                               | 0.689 |
| Military force                 | The ratio of military forces to the total population and labor force.                                                                                                                                                                                                      | 0.913 |
| Sovereign capacity             | The capability of the state to enforce the law without exception.                                                                                                                                                                                                          | 0.501 |
| Conflict management            | The capability of the state to identify socio-political conflicts and prevent their                                                                                                                                                                                        | 0.675 |

| Variables                    | Definition                                                                                                      | CFA   |
|------------------------------|-----------------------------------------------------------------------------------------------------------------|-------|
|                              | occurrence.                                                                                                     |       |
| Monopoly on the use of force | The capability of the state to monopolize the right to use or authorize the use of physical and military force. | 0.782 |
| Command capacity             | The capability of the state to prioritize and implement security and military matters.                          | 0.523 |

### State Administrative Capacity Index

Administrative capacity is a comprehensive dimension that relates to the organizational capabilities of the state in terms of policy development, public service delivery, and regulation of business activities. Effective policy management is a function of capable state agents, technical competence, data collection and recording, monitoring and coordination mechanisms, and effective reach across the state's territory and social groups. Specifically, Weber emphasized the importance of professional bureaucracies that legitimize state authority, manage complex affairs, and ensure efficiency, but non-Weberian forms of bureaucratic organization can also be effective (Hanson & Sigman, 2021:1507). To measure this indicator based on the explanations provided, variables have been selected which are presented in Table 3:

**Table 3 - Variables for Measuring State Administrative Capacity**

| Variables                                 | Definition                                                                                                                                                                                                                                      | CFA   |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| State transparency and predictability     | The state's condition in providing transparent services along with predictability of actions, which leads to successful policymaking.                                                                                                           | 0.874 |
| State fairness and administrative justice | The state's condition in impartially delivering services to citizens and observing justice in administrative affairs.                                                                                                                           | 0.756 |
| Inclusive capacity                        | The state's condition in providing welfare services to all citizens without specific and exclusionary criteria.                                                                                                                                 | 0.632 |
| Universalism                              | The state's condition in providing all goods needed by citizens without restriction.                                                                                                                                                            | 0.689 |
| Effectiveness                             | The state's ability to deliver high-quality public services, the quality of civil services and their degree of independence from political pressures, the quality of policy formulation and implementation, and the state's commitment to them. | 0.813 |
| Implementation capacity                   | The state's capability to enforce laws, policies, and budget allocation without                                                                                                                                                                 | 0.735 |

| Variables             | Definition                                                                                                                                     | CFA   |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-------|
|                       | influence from vested interest groups.                                                                                                         |       |
| Functional legitimacy | The state's capability to deliver adequate performance (ensuring economic growth, poverty reduction, corruption reduction, etc.).              | 0.699 |
| State quality         | The state's condition in terms of rule of law and the quality of the administrative bureaucracy.                                               | 0.646 |
| Adaptive capacity     | The state's capability in making social resources accessible to all citizens and the ability to create newer and more sustainable adaptations. | 0.923 |
| Compliance capacity   | The state's capability in effectively utilizing facilities and acting to extend policies to all citizens.                                      | 0.582 |

Accordingly, the conceptual model of the present study has been designed based on the theoretical framework of Hanson and Sigman, which considers state capacity as a composite index consisting of the three dimensions of extractive, coercive, and administrative capacity. In this model, each dimension is measured through a set of quantitative indicators, and ultimately the composite index of state capacity is calculated. This model, by taking into account the overlap and interaction among the three dimensions, enables a comprehensive and multidimensional analysis of state capacity in Iran. It is expected that the enhancement of each of these dimensions will lead to an improvement in the overall capacity of the state, and that the relationship among these dimensions will be synergistic; in such a way that a high level of extractive and coercive capacity paves the way for the development of administrative capacity, and vice versa.

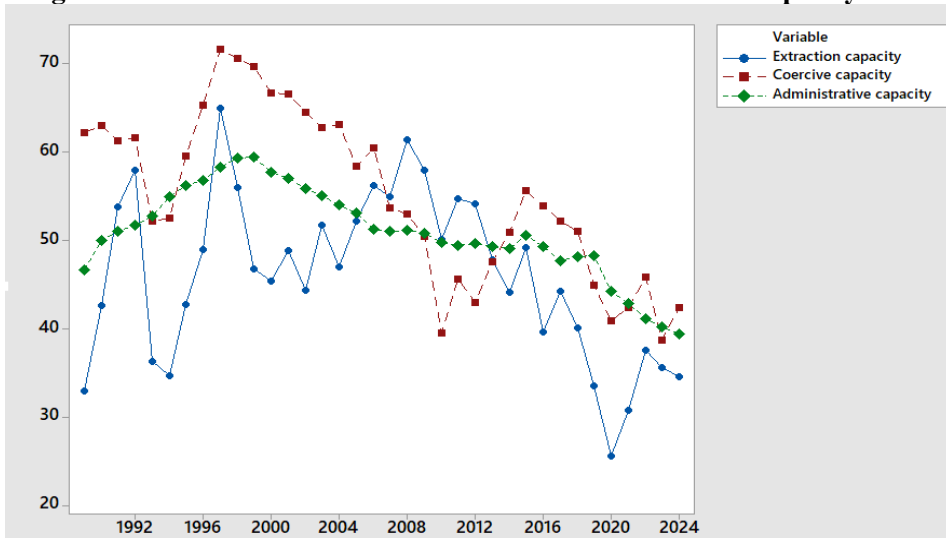
## Findings

Based on the questions raised, the research findings have been divided into two parts:

### The Trend of State Capacity in Iran

In order to examine the trend of state capacity in Iran, first the trend of the threefold indicators of state capacity will be examined, and then the composite index of state capacity will be analyzed over the time series 1989–2024.

The Trend of the Threefold Indicator of State Capacity in Iran.

**Figure 1 - Trend of the Threefold Dimensions of the State Capacity Index**

The extractive capacity of the state in Iran has exhibited a cyclical trend over the examined time series, such that after a period of improvement in the index up to 1992, it experienced a relatively sharp decline in 1994, returning to the base year level (1989). Thereafter, with another upward trend, it reached its best condition in the time series in 1997. The numerous fluctuations up to 2008 never reached the 1997 level, and from 2009 onward, a completely downward trend began, such that after following a declining trajectory in the second half of the time series, it reached in 2024 a condition similar to that of 1987. In other words, the beginning and the end of the time series exhibit similar conditions, which indicates the unfavorable trend of this indicator in Iran.

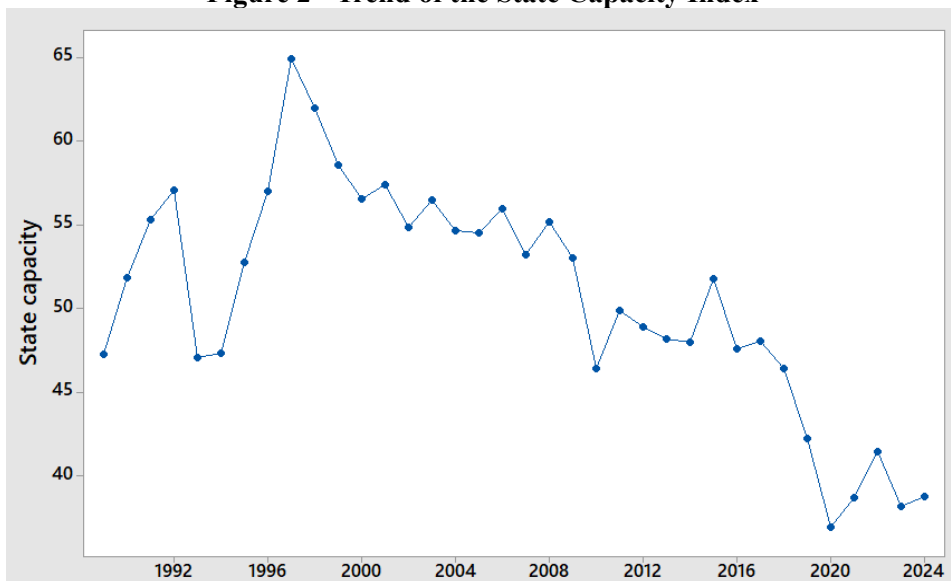
The coercive capacity of the state in Iran has also followed a cyclical yet declining trend; the stability of the indicator during the years 1989 to 1992 was met with a relatively sharp decline in 1993 and 1994. From 1995, an upward trend began and reached its best condition in the time series in 1998; however, thereafter, a continuous downward trend persisted until 2012, and the improvement in 2015 did not reach the level of 1997 or 1989. In the final part of the time series, a downward trend resumed, and at the end of the time series, it reached a condition far lower than at the beginning of the period, which confirms the declining trend in the coercive indicator in Iran.

The administrative capacity of the state in Iran is divided into two parts: ascending and descending. In the first part, the upward trend continued continuously from the beginning of the time series until 1999,

reaching its best performance in the time series in that year; however, thereafter, a sustained downward trend began, and except for 2015, which showed an upward performance, it exhibited negative performance throughout the rest of the time series, and this continuous downward trend has caused the administrative capacity of the state in Iran to follow a declining trajectory.

#### The Trend of the State Capacity Index in Iran

**Figure 2 - Trend of the State Capacity Index**



The composite state capacity index, influenced by the declining trend of its constituent threefold indicators, has followed a cyclical and declining trajectory: conditions improved in the early period but faced an unfavorable situation in 1993, and thereafter, with an upward trend, reached its best condition; however, the downward trend after 1999 continued steadily, causing the declining nature of the index over the time series to become evident. It is necessary to also consider the fluctuation caused by the COVID-19 pandemic in 2020, which intensified the downward trend in the final part of the time series; in other words, although a downward trend existed in the latter part of the time series, the severity of the decline in 2020 was a result of the COVID-19 pandemic.

Overall, the answer to the first research question regarding the trend of state capacity in Iran (1989–2024) is as follows: state capacity in Iran has followed a cyclical declining trend, meaning that there have been numerous ups and downs in the time series of state capacity in Iran, but

the downward trends have outweighed the upward trends, and for this reason, state capacity in Iran over the examined period has been declining.

Based on the theoretical framework of the study, state capacity in Iran has simultaneously faced challenges from three directions: insufficient financial resources (extractive capacity), which have been affected by sanctions; the decline of coercive capacity, meaning a reduction in the state's ability to manage social conflicts and prevent discord among citizens; and finally, weakness in the professional bureaucracy and policy implementation (administrative capacity). This situation indicates that the main problem is not merely a lack of revenue or administrative inefficiency, but rather a vicious cycle is taking shape that has simultaneously weakened all three dimensions. The continuation of this trend could lead to a reduction in the state's ability to achieve developmental goals, an increase in social dissatisfaction, and greater fragility of the governance system.

### **Comparison of Iranian States in Terms of State Capacity**

The second part of the research findings is a comparative examination of state capacity over the time series 1989–2024, which includes five states:

- 1989–1996: the presidency of Hashemi Rafsanjani
- 1997–2004: the presidency of Khatami
- 2005–2012: the presidency of Ahmadinejad
- 2013–2020: the presidency of Rouhani
- 2021–2024: the presidency of Raisi

Accordingly, a comparative analysis among the five aforementioned presidential periods has been conducted across the three dimensions of the state capacity index as well as the composite state capacity index, using the comparison of means technique. It is essential to recall that, as explained in the methodology section, the mere existence of a difference in the means of two or more periods does not signify superiority, and since the mean is influenced by outlier data and fluctuations, the existence of a difference and superiority in performance will only be confirmed if it is generalizable to the entire presidential period and then distinguishable from other periods.

## Extractive Capacity

**Table 4 - Difference of Means Test for Extractive Capacity**

|                | Sum of Squares | df | Mean Square | F       | Significance |
|----------------|----------------|----|-------------|---------|--------------|
| Between Groups | 1646.879       | 4  | 411.720     | 411.720 | 0.001        |
| Within Groups  | 816.430        | 31 | 26.336      |         |              |
| Total          | 3171.726       | 35 |             |         |              |

The existence of a significant difference among the states under examination in terms of extractive capacity has been confirmed; therefore, the reported means in the performance of the states on this indicator are generalizable with 95% probability, and the observed difference is non-random. To conduct a comparative assessment of the states on this variable, Duncan's test has been used.

**Table 5 - Duncan's Test for Comparison of Extractive Capacity**

| Extractive Capacity | Significance at 0.05 |       |       |       |
|---------------------|----------------------|-------|-------|-------|
|                     | 1                    | 2     | 3     | 4     |
| Raisi               | 34.57                |       |       |       |
| Rouhani             | 40.99                | 40.99 |       |       |
| Hashemi             |                      | 43.69 | 43.69 |       |
| Khatami             |                      |       | 50.57 | 50.57 |
| Ahmadinejad         |                      |       |       | 55.16 |
| Significance        | 0.125                | 0.401 | 0.077 | 0.231 |

Duncan's test has established that the states under examination in the extractive capacity indicator possess two characteristics: they are divided into four groups, and there is no significant distinction among all groups. The best condition in extractive capacity belongs to the Ahmadinejad state, but its difference from the Khatami state is not significant, and for this reason, these two states jointly achieved the best condition in extractive capacity. At the same time, the condition of the Khatami state, despite its difference from the Hashemi state, lacks significance, and these two states have also had similar performance. In the next rank, the Hashemi state, despite having a better mean condition than the Rouhani state, lacks a significant difference, meaning that the performance of these two states in extractive capacity has been similar. In the final rank, although the Rouhani state had a better mean than the Raisi state, this superiority is not statistically significant, and accordingly, the performance of these two states in extractive capacity has been

determined to be similar to one another. Accordingly, the Ahmadinejad state, due to its significant difference from three states (Hashemi, Rouhani and Raisi), had the best performance; followed by the Khatami state in second place due to its distinction from two states (Rouhani and Raisi); the Hashemi state ranks third due to its distinction from the Raisi state; and the fourth rank is jointly assigned to the Rouhani state and the Raisi state.

### Coercive Capacity

**Table 6 - Difference of Means Test for Coercive Capacity**

|                | Sum of Squares | df | Mean Square | F      | Significance |
|----------------|----------------|----|-------------|--------|--------------|
| Between Groups | 2355.296       | 4  | 588.824     | 22.358 | 0.001        |
| Within Groups  | 1458.963       | 31 | 47.063      |        |              |
| Total          | 3105.841       | 35 |             |        |              |

The existence of a significant difference among the states under examination in terms of coercive capacity has been confirmed; therefore, the reported means in the performance of the states on this indicator are generalizable with 95% probability, and the observed difference is non-random. To conduct a comparative assessment of the states on this variable, Duncan's test has been used.

**Table 7 - Difference of Means Test for Coercive Capacity**

| Coercive Capacity | Significance at 0.05 |       |       |       |
|-------------------|----------------------|-------|-------|-------|
|                   | 1                    | 2     | 3     | 4     |
| Raisi             | 42.27                |       |       |       |
| Rouhani           |                      | 49.58 |       |       |
| Ahmadinejad       |                      | 50.45 |       |       |
| Hashemi           |                      |       | 59.66 |       |
| Khatami           |                      |       |       | 66.90 |
| Significance      | 1                    | 0.758 | 1     | 1     |

Based on the results of Duncan's test, which examined the details of the mean differences among Iranian states in the coercive capacity indicator, the Khatami state, with a mean of 66.90, single-handedly achieved the best performance in this indicator and had a significant distinction from the rest of the states. In the second rank of best performance is the Hashemi state, which was identified as having a significant difference from the other three states (Ahmadinejad, Rouhani, and Raisi). In the

third rank are the Ahmadinejad and Rouhani states, which had means very close to one another and for this reason have been placed in the same group, and their performance has been similar. In the fourth rank is the Raisi state, which was identified as having a significant mean difference from the other states.

### **Administrative Capacity**

**Table 8 - Difference of Means Test for Administrative Capacity**

|                | Sum of Squares | df | Mean Square | F      | Significance |
|----------------|----------------|----|-------------|--------|--------------|
| Between Groups | 780.359        | 4  | 195.090     | 40.476 | 0.001        |
| Within Groups  | 149.417        | 31 | 4.820       |        |              |
| Total          | 929.776        | 35 |             |        |              |

The existence of a significant difference among the states under examination in terms of administrative capacity has been confirmed; therefore, the reported means in the performance of the states on this indicator are generalizable with 95% probability, and the observed difference is non-random. To conduct a comparative assessment of the states on this variable, Duncan's test has been used.

**Table 9 - Duncan's Test for Comparison of Administrative Capacity**

| Administrative Capacity | Significance at 0.05 |       |       |       |
|-------------------------|----------------------|-------|-------|-------|
|                         | 1                    | 2     | 3     | 4     |
| Raisi                   | 40.84                |       |       |       |
| Rouhani                 |                      | 48.28 |       |       |
| Ahmadinejad             |                      | 50.72 | 50.72 |       |
| Hashemi                 |                      |       | 52.45 |       |
| Khatami                 |                      |       |       | 57.04 |
| Significance            | 1                    | 0.051 | 0.460 | 1     |

Duncan's test has established that the states under examination in the administrative capacity indicator possess two characteristics: they are divided into four groups, and there is no significant distinction among all groups. The best condition in administrative capacity belongs to the Khatami state, which has a significant difference from the other states and has achieved the best performance with an index of 57. In the next rank is the Hashemi state, which, despite having a better mean condition than the Ahmadinejad state, lacks a significant difference from one another,

meaning that the performance of these two states in administrative capacity has been similar. In the third rank, although the Rouhani stat had a lower mean than the Ahmadinejad state, this difference is not statistically significant, and accordingly, the performance of these two states in administrative capacity has been determined to be similar to one another. In the final rank is the Raisi state, whose performance has a significant difference from all the other states.

### State Capacity Index

**Table 10 - Difference of Means Test for State Capacity**

|                | Sum of Squares | df | Mean Square | F      | Significance |
|----------------|----------------|----|-------------|--------|--------------|
| Between Groups | 1169.110       | 4  | 292.278     | 19.986 | 0.001        |
| Within Groups  | 453.346        | 31 | 14.624      |        |              |
| Total          | 1622.456       | 35 |             |        |              |

The existence of a significant difference among the states under examination in the composite state capacity index has been confirmed; therefore, the reported means in the performance of the states on this indicator are generalizable with 95% probability, and the observed difference is non-random. To conduct a comparative assessment of the states on this variable, Duncan's test has been used.

**Table 11 - Duncan's Test for State Capacity**

| State Capacity | Significance at 0.05 |       |       |       |
|----------------|----------------------|-------|-------|-------|
|                | 1                    | 2     | 3     | 4     |
| Raisi          | 39.23                |       |       |       |
| Rouhani        |                      | 46.12 |       |       |
| Hashemi        |                      | 51.93 | 51.93 |       |
| Ahmadinejad    |                      |       | 52.11 |       |
| Khatami        |                      |       |       | 58.17 |
| Significance   | 1                    | 0.051 | 0.932 | 1     |

Based on the examination of the mean condition of the composite state capacity index, which is the result of the performance of the states under examination throughout their respective presidential terms, the Khatami state, with a mean of 58, had the best performance and ranks first alone. The Ahmadinejad and Hashemi states, with similar means, rank second, and their performance has been similar to one another. In third rank is the

Rouhani state, and in the final rank is the Raisi state, which has recorded the lowest level of performance in state capacity.

The findings of the comparative examination of Iranian states in terms of state capacity reveal several points:

- The Khatami state simultaneously achieved high performance in two key dimensions (coercive and administrative), and this very fact has caused the composite state capacity index to be in its best condition during this period. This finding is consistent with the theoretical literature, which emphasizes the importance of synergy among the three dimensions.
- The high performance of the Ahmadinejad state in extractive capacity was due to increased oil revenues, but the simultaneous weakness in the administrative and coercive dimensions prevented this capacity from becoming sustainable and prevented it from securing the top position in the composite index. This point demonstrates that extractive capacity, without the support of administrative and coercive capacity, does not lead to sustainable outcomes.
- A large portion of the fluctuations among states can be attributed to international and domestic conditions (oil price fluctuations, sanctions, regional developments, domestic protests, etc.). This issue indicates that state capacity is not solely a product of domestic political will but is also dependent on external structures and exogenous shocks.
- Regarding the Raisi state, two points should be noted: on the one hand, the performance data for this state, unlike the other four states, covers only a four-year period, and the end of the state's term has made it impossible to examine the continuation of its policies; on the other hand, it should be noted that the beginning of this state followed the COVID-19 pandemic, which, as described, caused a period of global recession. Attention to the fact that at the start of the Raisi state, the three dimensions were in decline, and that by 2024, extractive and coercive capacity had improved compared to 2021, also supports the point that the observed distinction in this state's performance, particularly relative to the Rouhani state, would have been deemed insignificant had the state continued.

Overall, the comparison among states shows that state capacity in Iran is not only a function of managerial decisions and institutional reforms but is also heavily influenced by domestic and foreign economic and political

conditions. The Khatami state is an example of a period in which the combination of strong administrative capacity and a high level of coercive capacity was able to enhance the overall performance of the state. In contrast, the Ahmadinejad state, despite high oil revenues, was unable to utilize these resources for sustainable development due to institutional weakness in the administrative and coercive dimensions. The continued decline of state capacity during the Rouhani and Raisi periods also constitutes a warning sign for governance and highlights the necessity of institutional reforms in the fiscal, security, and administrative systems.

## Discussion

The findings of the present study, in light of the theoretical framework of Hanson and Sigman (2021), indicate that state capacity in Iran during the period 1989–2024 has experienced cyclical fluctuations but has followed an overall declining trend. This downward trend is evident in all three main dimensions of state capacity (extractive, coercive, and administrative) and demonstrates that the Iranian state has faced a gradual erosion of institutional capacity over the past three decades. This situation confirms that state capacity in Iran is not merely a function of short-term executive decisions, but rather the result of a complex interaction among institutional structures, economic policies, and international conditions.

According to the theoretical framework of the study, state capacity is a multidimensional phenomenon, such that weakness in any one of the dimensions can affect the other dimensions as well. In Iran, weakness in extractive capacity, particularly due to chronic dependence on oil revenues and the inefficiency of the tax system, has limited the financial resources necessary to strengthen the other two dimensions, namely coercive and administrative capacity. Concurrently, the decline in administrative capacity and the erosion of the professional bureaucracy have also reduced efficiency in policymaking and the implementation of economic programs, ultimately leading to the weakening of coercive capacity and the state's ability to maintain social order. Thus, a vicious cycle has formed among the three dimensions of capacity, which in the long term has led to a reduction in the state's institutional efficiency and legitimacy.

The comparative analysis of the states showed that changes in state capacity are not necessarily correlated with political transitions, but are rather influenced by a set of structural, institutional, and international variables. The superior performance of the Khatami state (Reformist) in the state capacity index was, above all, the result of the simultaneous strengthening of administrative and coercive capacity and a relative

increase in public trust and institutional order. In contrast, the Ahmadinejad state, despite the growth in extractive capacity due to increased oil revenues, was unable to transform this capacity into sustainable efficiency because of weaknesses in the other two dimensions. These findings are consistent with the theoretical assumption of Hanson and Sigman that enhancing state capacity requires a synergistic interaction among the three dimensions, and that focusing on one dimension without the support of the others does not lead to sustainable institutional development.

The decline of state capacity during the Rouhani and Raisi states also indicates that external pressures arising from economic sanctions, oil price fluctuations, and the global COVID-19 crisis, combined with chronic institutional weaknesses and the reduced effectiveness of the bureaucracy, have intensified the downward trend of state capacity. This situation can be explained through the concept of historical path dependence, meaning that the inefficient structures and established administrative practices of past decades have constrained the possibility of institutional transformation and have prevented the formation of new capacities within the governance system.

Overall, the theoretical discussion derived from the findings suggests that the state in Iran is entangled in a kind of internal incongruity among resources, authority, and institutional efficiency. On the one hand, the state possesses relative capability in extracting resources and exercising power, but on the other hand, weaknesses in administrative, fiscal, and legitimacy institutions prevent the conversion of this capability into efficiency and effectiveness. Accordingly, enhancing state capacity in Iran requires a comprehensive and coordinated approach that simultaneously reconstructs all three dimensions (extractive, coercive, and administrative). Reforming the tax structure and reducing dependence on oil, professionalizing the bureaucracy and establishing mechanisms of transparency and accountability, and combining the efficiency of coercive instruments with mechanisms of persuasion and social participation, can pave the way for a return to the path of enhancing state capacity and strengthening the foundations of effective governance in Iran.

## **Conclusion**

The present study was conducted with the aim of analyzing the trend of state capacity in Iran over the period 1989–2024, based on the theoretical framework of Hanson and Sigman (2021). The findings showed that state capacity in Iran has followed a cyclical yet overall declining trend, and this decline is not the result of episodic events, but rather the product of

structural weakness in the three main dimensions of state capacity. From this perspective, this declining trend indicates the consolidation of an inefficient institutional pattern in Iran's governance, which, despite changes in states, has maintained its capacity for self-reproduction and has led to the gradual erosion of the state's ability to fulfill its fundamental missions.

In the final analysis, it appears that the main root of the weakness of state capacity in Iran must be sought in the imbalance among resources, authority, and bureaucracy. The state has been able in various periods to utilize temporary financial resources (such as oil revenues) to strengthen the extractive dimension, but due to the absence of structural reforms in the tax system and the lack of a professional bureaucracy, these resources have not been transformed into sustainable capacity. On the other hand, the weakness of administrative capacity and the erosion of executive institutions, particularly over the past two decades, have led to a decline in public trust and the functional legitimacy of the state. From the author's perspective, this gap between resources and legitimacy is the most important challenge facing the state in contemporary Iran, a gap that severely limits any effort toward economic development or political stability.

The research results also indicate that the Khatami state (Reformist), through the relative strengthening of administrative and coercive capacities, was able to present a model closer to a developmental state. This experience demonstrates that even within the framework of limited structures and tense international conditions, political will for institutional reform and professionalization of the bureaucracy can have an impact on enhancing state capacity. In contrast, states that have focused solely on the financial or security dimensions (such as the Ahmadinejad state) have failed to utilize these capacities to produce sustainable efficiency. This finding emphasizes that state capacity only increases when the three dimensions (extractive, coercive, and administrative) are developed synergistically and in interaction with one another.

From a strategic perspective, the future of state capacity in Iran is contingent upon accepting the necessity of institutional reconstruction along three key axes:

1. Fiscal reform and reduction of dependence on rentier resources through broadening the tax base and increasing financial transparency;
2. Professionalization and independence of the bureaucracy in order to enhance administrative efficiency and merit-based policymaking;

3. Combining authority with social participation to simultaneously strengthen the legitimacy and efficiency of the state.

In other words, returning to the path of enhancing state capacity in Iran requires a transition from the logic of "temporary management" toward institutionalized and sustainable governance. This research demonstrates that without such a fundamental transition, even in the event of improvements in economic indicators or increases in oil revenues, state capacity in Iran will remain fragile.

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