



**POLICY COMPASS**

**Iran's 2025–26 Protest Wave**

**and the Crisis of Governance**

**By**

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**14 January 2026**

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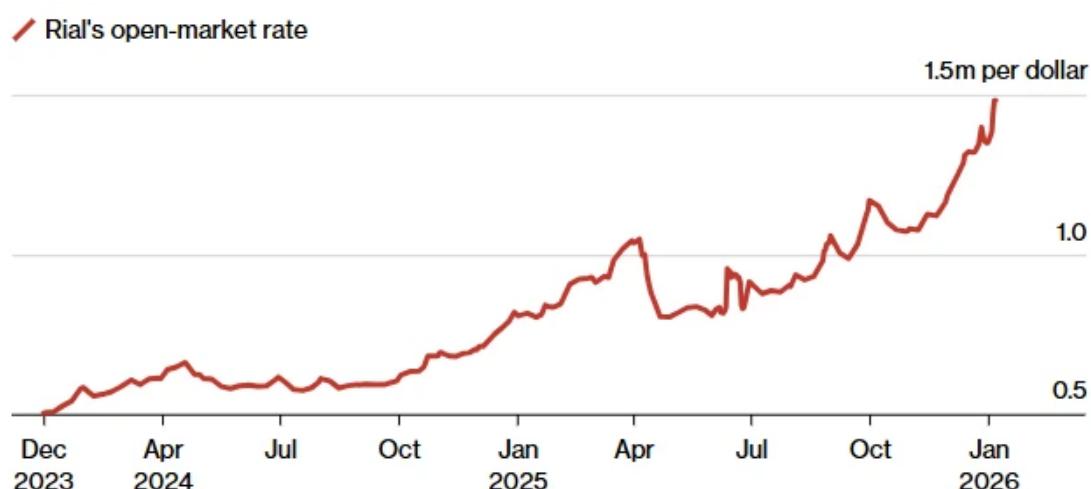
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**Executive Summary**

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- ✖ Protests in Iran that began over acute economic distress in late December 2025 have evolved into a nationwide, explicitly political challenge questioning the Islamic Republic's legitimacy, governance, and authoritarian structure.
- ✖ The unrest has spread to all 31 provinces, with Tehran and Mashhad as major centres of mobilisation, marking the most extensive protest wave since the 2022 *Women, Life, Freedom* movement.
- ✖ Disillusionment with state economic management now cuts across class, age, and urban–rural divides, reflecting a systemic loss of faith rather than isolated, sectoral grievances.
- ✖ Merchant strikes and closures signal a serious legitimacy rupture and exert direct pressure on the state's fiscal and distributive capacities.
- ✖ Authorities have imposed a near-total internet shutdown and intensified coercion, with hundreds reportedly killed and over 10,000 arrests, underscoring regime anxiety and institutional strain.
- ✖ Iran faces domestic unrest under unusually adverse regional and international conditions, including a weakened "Axis of Resistance" and heightened U.S. and Israeli coercive threats.
- ✖ The convergence of internal repression, external military signalling, and information blackout has narrowed leadership options and increased the danger of unintended escalation.
- ✖ No opposition figure or movement, including Reza Pahlavi, commands broad, unifying legitimacy, while groups like the cultish MEK remain domestically irrelevant despite international lobbying.
- ✖ The absence of elite splits or security-force defections, alongside continued pro-regime mobilisation and fear of chaos, suggests regime collapse is not imminent.
- ✖ Although the Islamic Republic may survive in the near term, unresolved structural economic and political grievances point toward sustained instability, recurrent unrest, and elevated regional risk rather than a swift transition.

**Key Picture: Iran's Currency Tumbles**



Source: [Tradingview](#)

## Introduction

Protests that erupted across Iran on 28 December 2025 have evolved from a series of localised economic grievances into the most significant nationwide challenge to the Islamic Republic since the 2022 *Women, Life, Freedom* movement. Initially concentrated in smaller cities in western Iran and driven by acute economic distress—currency collapse, market dysfunction, and accelerating inflation—the unrest has rapidly assumed a more overtly political character. Demonstrators are now articulating a broader indictment of systemic corruption, leadership sclerosis, environmental mismanagement, and entrenched authoritarianism.

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Now in its third week, the protest movement has spread to all 31 provinces, with Tehran and Mashhad emerging as central nodes of mobilisation with the most amount of activity in the capital.<sup>1</sup> The breadth, persistence, and political tenor of the unrest place the Iranian state under considerable strain, exposing deep structural vulnerabilities and sharply constraining the regime's policy options. Nonetheless, while speculation regarding a post-Islamic Republic order has intensified, the trajectory remains highly uncertain: regime collapse is far from inevitable, and any potential transition (were it to occur) would almost certainly be contested, uneven, and fraught with risk.

By 8 January 2026, the Iranian authorities had escalated their response dramatically, imposing a near-total internet shutdown that reduced the country's connectivity with the outside world by an estimated 99 percent.<sup>2</sup> The move underscores the regime's acute concern over coordination, narrative control, and international scrutiny as unrest persists. At the same time, the human cost of the crackdown is mounting. Reported fatalities have possibly reached 2,000, while the estimated number of arrests have exceeded 10,000.<sup>3</sup> Compounding these internal pressures are renewed threats of military action from the Trump administration, publicly framed as support for the Iranian people's right to peaceful protest. This convergence of domestic repression, digital isolation, and external coercion has materially heightened uncertainty, increasing the risk of miscalculation while narrowing the Iranian leadership's room for manoeuvre at a moment of exceptional political fragility.

## A Crisis of Confidence

A central driver of the late 2025 and early 2026 protest movement is the pervasive erosion of public confidence in the Iranian state's capacity to manage the economy. Crucially, this loss of faith is no longer confined to discrete social or economic constituencies. It cuts across income levels, age groups, and the urban–rural divide, binding together segments of society that have historically mobilised separately, if at all. Whereas earlier waves of unrest were typically catalysed by specific grievances—fuel prices, electoral disputes, or social freedoms—the current mobilisation reflects a more systemic judgement that economic mismanagement is structural, enduring, and beyond correction under existing leadership.

This breadth of disillusionment helps to explain both the scale and geographic reach of the protests. Although the Islamic Republic has previously relied on suppression to contain episodes of unrest, the depth and universality of this confidence deficit raise credible questions as to whether the present challenge strikes more directly at the regime's underlying foundations than the protest cycles of 2009, 2017, 2019, and 2022.

## The Bazaar's Role in the Islamic Republic's Deepening Legitimacy Crisis

The current wave of unrest differs from previous post-1979 protest cycles in several consequential respects, none more significant than the re-emergence of the “bazaar factor.”<sup>4</sup> When demonstrations first gathered momentum in late 2025, it was bazaar merchants and shopkeepers, rather than professors, students, labour groups, artists, etc.—who played a catalytic role, initiating strikes and closures that helped propel a broader challenge to the state. This carries substantial symbolic and practical weight. Iran's historic bazaars in Tehran, Isfahan, Tabriz, and other major cities have long functioned as dense social, economic, and cultural networks, and for decades they have formed a core pillar of regime support.<sup>5</sup> Indeed, during the final years of the Shah,

these same networks, working in concert with the clergy, were instrumental in undermining a monarchy that had sidelined their economic and political influence.<sup>6</sup>

Against this backdrop, the current wave of merchant-led strikes places acute pressure on the state's fiscal and distributive capacities, while signalling that a traditionally loyal constituency has reached the limits of its ability to absorb sustained economic shocks. More importantly, this degree of coordination among actors historically aligned with the Islamic Republic suggests that grievances have become both shared and systemic, underscoring a deepening legitimacy crisis that is materially more serious than in many prior episodes of unrest.

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### **Unrest Under Adverse Geopolitics: Iran's Shrinking Strategic Margin**

Compared with earlier episodes of domestic unrest in 2009, 2017, 2019, and 2022, the Islamic Republic now confronts internal turmoil under markedly more adverse geopolitical conditions, with far less strategic latitude. The collapse of Syria's government in December 2024, coupled with the significant degradation of Hezbollah's capabilities during its 2023–24 conflict with Israel, has left the so-called "Axis of Resistance" materially weakened. As a result, Tehran's long-standing strategy of deterrence through forward defence has been severely eroded, diminishing its ability to manage threats beyond its borders while insulating the homeland from direct pressure.

These vulnerabilities were laid bare during the 12-Day War of June 2025, when Iran failed to prevent U.S. and Israeli aircraft from penetrating its airspace—an episode that has since emboldened Washington and Tel Aviv to signal their readiness to conduct further strikes.<sup>7</sup> The convergence of sustained domestic unrest and heightened external coercion places the Iranian leadership in an exceptionally exposed position, one not seen since the early 1980s, when the fledgling revolutionary state was simultaneously confronting internal instability and an existential external threat following Iraq's invasion.

Taken together, these domestic, regional, and international pressures point to a protracted period of instability rather than a swift or orderly resolution. While the Islamic Republic has repeatedly demonstrated an ability to suppress protest movements through coercive means, and may yet do so again, it has consistently failed to address the structural drivers underpinning popular grievance, including economic mismanagement, governance deficits, and political exclusion.

Externally, pressure is unlikely to abate. Israel remains committed to achieving its hegemonic aims, including through measures designed to weaken, destabilise, and fragment Iran. A major variable in the equation is whether the Trump administration and Iran decide to return to diplomacy. Both have been dangling the idea in front of the other. While Trump, in keeping with his 2024 campaign promise, would probably still like to secure a "better" deal than the Joint Comprehensive Plan of Action (JCPOA), which his first administration essentially sabotaged in May 2018, he is under pressure from hawkish elements in Washington to avoid "legitimising" Iran's government through diplomatic engagement at a time in which it is clamping down on dissent.

### **Opposition Fragmentation and the Absence of a Unifying Alternative**

Reza Pahlavi, the eldest son of Iran's deposed monarch, has emerged over the past weeks as one of the most visible opposition figures amid the country's unrest.<sup>8</sup> The appearance of pro-Pahlavi chants at protests across multiple cities signals that a notable segment of the population harbours nostalgia for the monarchy that ended nearly half a century ago.<sup>9</sup> This sentiment is closely tied to widespread dissatisfaction with the Islamic Republic, which many Iranians associate with chronic corruption, economic mismanagement, international isolation, and systemic political repression.

These dynamics have prompted segments of the Iranian population inside Iran and throughout the diaspora to see Pahlavi as a potential figurehead for a post-Islamic Republic era, despite significant limitations: he resides in the United States, has no direct political experience, and has not set foot in Iran since the late 1970s.

Nevertheless, his symbolic resonance highlights a yearning among some Iranians for alternatives to the current system and illustrates how historic narratives can be mobilised amid acute political crises.

Yet Pahlavi remains a polarising and contested figure within the broader opposition. Even among those opposed to the Islamic Republic, his association with his father's authoritarian rule, particularly the feared SAVAK secret police, evokes ambivalence and, for some, outright negativity. For proponents of genuine democratic reform, a return to monarchical governance would be viewed not as progress but as a regression, undermining the principle that political legitimacy should derive from competence, public mandate, and institutional authority rather than familial lineage. This internal division underscores the fragmentation of the opposition landscape and suggests that, while Pahlavi's name carries symbolic weight, it does not automatically translate into a unifying leadership option in any potential transition scenario.

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The Mujahedin-e Khalq (MEK) is another opposition actor seeking to exploit the Islamic Republic's current vulnerabilities, albeit with severe constraints on its domestic relevance. The organisation remains deeply unpopular across Iranian society, including among many critics of the regime, owing primarily to its decision to side with Baghdad during the Iran–Iraq War and its record of violent attacks inside post-1979 Iran. As a result, the prospect of the MEK assuming power in any plausible transition scenario is effectively negligible.

Nonetheless, the group has leveraged substantial financial resources to amplify its profile internationally, cultivating lobbying support among a range of prominent Western political and diplomatic figures. This network has included senior former U.S. officials such as John Bolton and Mike Pompeo, as well as high-profile political figures like former New York City mayor Rudy Giuliani.<sup>10</sup> While this external backing enhances the MEK's visibility in Western policy circles, it remains largely disconnected from domestic political realities inside Iran, underscoring the persistent gap between international advocacy and internal legitimacy.

### Why Regime Change Is Not Inevitable

A confluence of factors now challenges the Iranian system in ways that are both broader and more acute than in previous protest cycles, underscoring the depth of the Islamic Republic's current legitimacy crisis. Unlike the episodes of unrest in 2009, 2017, 2019, and 2022—each largely driven by discrete triggers—the present moment is characterised by the simultaneous convergence of economic collapse, political disillusionment, social fragmentation, and heightened external pressure. Together, these dynamics place unprecedented strain on the regime's capacity to maintain authority and coherence.

That said, it would be analytically premature to conclude that Iran is on the immediate cusp of revolutionary change or that a post-Islamic Republic order is imminent. Several countervailing factors suggest the regime retains the ability, at least in the near term, to absorb and manage the current upheaval. The following considerations are therefore essential to assessing whether the Islamic Republic can once again weather this challenge, or whether the cumulative pressures prove qualitatively different from those it has survived in the past.

To begin with, the opposition landscape remains highly fragmented, limiting its capacity to mount a coordinated or credible challenge to the Islamic Republic. No single leader, movement, or faction has emerged with the organisational coherence, domestic legitimacy, or strategic clarity required to unify disparate strands of dissent. Equally important, there is no credible evidence to date of defections within Iran's security forces or meaningful fractures among the ruling elite—developments that have historically proven decisive in revolutionary outcomes. While the regime's near-total internet blackout complicates independent verification, the apparent cohesion of the coercive apparatus and elite structure continues to weigh heavily in the state's favour.

The scale of recent pro-government mobilisations underscores that the Islamic Republic continues to retain a meaningful and motivated support base.<sup>11</sup> Even amid an intensified crackdown, significant segments of society remain unconvinced that the collapse of the current system would lead to improved economic or political

outcomes and have therefore aligned themselves, actively or tacitly, with the state. Moreover, the use of violence by elements within the protest movement, including attacks on mosques and the burning of police vehicles, has likely alienated portions of the broader population, reinforcing scepticism toward the demonstrators' objectives and methods.

Looking ahead, beyond repression and the imposition of a near-total internet blackout, the regime is likely to place greater emphasis on mobilising its loyalists to bolster deterrence against a potential challenge to its survival. External pressure further strengthens this strategy: ongoing threats from the United States and Israel continue to reinforce official narratives portraying the Islamic Republic as the primary bulwark against foreign aggression, a framing that remains resonant among key constituencies and enhances the regime's capacity to consolidate domestic support during periods of acute instability.

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### **Outlook: Protracted Instability and Elevated Risk**

Ultimately, the Islamic Republic's demonstrated resilience helps to explain its capacity for short-term survival and its continued ability to suppress demands for revolutionary political change. Yet resilience should not be conflated with resolution. The instruments that enable the state to restore a measure of order (coercion, narrative control, loyalist mobilisation, etc.) do little to address the structural political and economic grievances that have driven mass protests across all 31 provinces.

As this report has shown, these underlying pressures remain unresolved and, in many cases, are intensifying. The likely outcome is therefore not imminent regime collapse, but a prolonged period of instability marked by recurrent unrest, constrained policymaking, and elevated geopolitical risk. This distinction is critical: Iran may endure in its current form in the near term, but the conditions shaping its domestic and regional behaviour will remain volatile, unpredictable, and increasingly costly to manage.

### **NOTES**

<sup>1</sup> <https://www.bbc.com/news/articles/cgm4y0ewe93o>

<sup>2</sup> <https://understandingwar.org/research/middle-east/iran-update-january-9-2026/>

<sup>3</sup> <https://www.cbsnews.com/news/iran-protests-us-trump-death-toll-latest-araghchi-claims-situation-under-control/>

<sup>4</sup> <https://irananalytica.substack.com/p/why-this-round-of-protests-in-iran>

<sup>5</sup> <https://magazin.zenith.me/de/politik/protestwelle-iran>

<sup>6</sup> Ibid.

<sup>7</sup> <https://www.forbes.com/sites/pauliddon/2025/12/12/iran-faces-critical-air-defense-gaps-against-israel-at-home-and-abroad/>

<sup>8</sup> <https://www.npr.org/2026/01/10/nx-s1-5673238/reza-pahlavi-iran-protests>

<sup>9</sup> <https://www.cnn.com/2026/01/09/middleeast/analysis-does-iran-want-shah-son-pahlavi-latam-intl>

<sup>10</sup> <https://www.nybooks.com/online/2018/07/20/why-trumps-hawks-back-the-mek-terrorist-cult/>

<sup>11</sup> <https://www.theguardian.com/global-development/2026/jan/12/iran-protests-crackdown-toll-foreign-minister>