

Economic Prosperity through a Balanced Formalism Approach in Public Joint-Stock Companies

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In this article, we seek to address these fundamental questions: Does excessive formalism in commercial law, particularly within public joint-stock companies, hinder economic prosperity and public participation? And how can a prudent balance be established between structural requirements and the freedom of individual will? Our main claim is that balanced formalism — which simultaneously considers the structural and operational aspects of companies — not only reduces the excessive dominance of the state over the economy but also provides a regulated framework for attracting both small and large investments, stimulating production, and realizing social justice. For instance, Iran's current Commercial Code, with its restrictive and formalistic approach, has inadvertently served state-controlled economic mechanisms instead of empowering the private sector. We argue that legal reform, pursued through deliberate legislation and grounded in collective wisdom, can overcome radical structural constraints and, by reducing redundant formalities, create a space for the free and creative will of individuals to flourish in the economic arena. Consequently, achieving sustainable economic prosperity depends on a transition from rigid formalism toward a balanced model in which form and substance jointly serve higher objectives such as collective wealth creation and social advancement.

Keywords: *balanced formalism, freedom of will, public joint-stock company, economic prosperity, investment.*

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1. Introduction

A public joint-stock company is a type of capital company in which, unlike partnerships, the individual character and credit of the partners do not play a fundamental role; rather, the amount of capital constitutes the primary basis of importance. Shareholders are liable only up to the extent of their contributions for the company's obligations, and the legal personality of the company is independent of the shareholders' personal identities (Eskini, 2012; Katebi, 1989). Consequently, in the event of bankruptcy, creditors cannot claim against the personal assets of the

shareholders. The formation of a public joint-stock company requires compliance with both the general contractual rules of the Civil Code and the specific provisions of the Commercial Code and company registration regulations. Another advantage of this type of company is the ease of share transfer, as the law does not permit making the transfer of shares conditional upon the approval of the board of directors. A public joint-stock company is inherently considered commercial, and a portion of its capital is raised through the sale of shares to the general public (Pasban, 2019). In such companies, shareholders typically play no direct role in management, and share transactions are carried



out through the stock exchange. The large number of shareholders and the ability to pool small-scale investments to create large capital reserves are important characteristics that enable the implementation of major economic projects. The limited liability of shareholders and the immunity of their personal property from the risks of commercial activity explain the strong attraction of investors to this form of company. It has been rightly stated that joint-stock and limited liability companies are vital legal mechanisms for safeguarding investors' financial security, and limited liability is one of the most effective legal innovations of the nineteenth century (Abedi Firouzjaei, 2018).

Public joint-stock companies were established with the aim of attracting small public investments and stimulating economic growth, since at a certain historical stage, traditional investment methods were no longer adequate for developmental needs. In Iran, adopting the Western legal model, the public joint-stock company was incorporated into the Commercial Code, whereas prior to that, commercial relations were primarily governed by jurisprudential principles and the Civil Code. After the Islamic Revolution and the division of the national economy into public, cooperative, and private sectors based on Article 44 of the Constitution, there has yet to be full harmony and balance among these sectors. The public sector still dominates the economy, while the cooperative sector has had limited impact on economic growth. The private sector, which should complement the other two, faces numerous structural, legal, and operational challenges. Privatization, due to inadequate infrastructure and improper implementation, has been surrounded by ambiguity and extensive criticism. Moreover, the general policies of Article 44, which emphasize transferring 80% of state-owned shares to the public, have encountered practical contradictions. Incomplete and inefficient transfers, the continued dominance of the state over the economy, and weaknesses in relevant legislation have all prevented the formation of a genuinely strong private sector. Public joint-stock companies, which should embody people's participation in development, have instead largely served state-centered economic mechanisms. The outdated and overly formalistic structure of the Commercial Code, the state's persistent market intervention, and the imbalance between legal formalism and the free will of shareholders have collectively

deprived the private sector of its competitive capacity and its ability to form large-scale corporations. This research, therefore, adopts a critical and innovative approach to diagnose the excessive formalism in company law and to propose a more balanced model that can pave the way for enhanced public participation and sustainable national economic growth.

In Iran's legal system, excessive formalism in commercial law—particularly in relation to public joint-stock companies—has constrained the free will of individuals and reduced genuine public participation in economic activities. Current laws, with their overemphasis on formalities, procedural obligations, and state intervention in economic processes, have not only obstructed private sector development but also perpetuated state-dominated economics and weakened competitive and productive infrastructures. Yet, the core rationale behind the establishment of public joint-stock companies was to attract small investments, promote public participation, and strengthen national production. Thus, revisiting legislative foundations and redefining the role of formalism in company law through a "balanced formalism" framework is fundamentally necessary so that, while maintaining legal structure and public order, individual freedom and creativity in the economic sphere can be strengthened. This study seeks to answer key questions: Does the existing formalism in Iran's commercial laws—especially concerning public joint-stock companies—serve as an obstacle to economic development and public participation? How can a wise and efficient balance be achieved between legal obligations and individual freedom of will? What legislative reforms are required in the Iranian legal system to replace rigid formalism with a balanced model that provides a foundation for economic prosperity and social justice?

2. Theoretical Framework of Formalism and Freedom of Will

2.1. *Conceptual Framework of Balanced Formalism and Its Relation to Freedom of Will*

In the philosophy of law and corporate law, achieving equilibrium between the two fundamental concepts of "will" and "formalism" plays a crucial role in ensuring the efficiency of the legal system. The realm of will represents human freedom and initiative in decision-

making, while the realm of formalism provides a binding, law-governed framework for realizing that will (Ghasemi, 2009). Maintaining equilibrium between these two aspects—especially in the corporate context—ensures stability and justice in economic and social relations. The theory of balance, first elaborated comprehensively by Jafari Langerudi, is a rational and philosophical principle that applies not only to contracts (such as sale, transfer, and mutual obligations) but also to all forms of social and economic relations (Jafari Langerudi, 2002).

In company law, two foundational wills interact and sometimes conflict: the will of the state and the will of the people. When these two wills fail to move in the same direction, the equilibrium between them is disturbed, leading to legal and economic consequences. According to Dehkhoda, “balance” signifies the equality of opposing forces, and its disruption implies the dominance of one over the other (Dehkhoda, 1994). On this basis, the notion of “balanced formalism” in company law emphasizes the simultaneous consideration of both structural aspects (such as registration and company type) and operational aspects (such as management and social responsibility). This approach links individual will with legal requirements and seeks, through rational consideration, to create balance between legal rules and economic realities.

Nevertheless, the freedom of will in capital-based companies—especially public joint-stock companies—is heavily dominated by statutory formalism. The explicit provisions of the Commercial Code, including the restrictive enumeration of the seven company types under Article 20, limit individuals’ freedom in choosing the company type. Deviation from statutory formalities may even lead to the nullity of the company or the liability of its directors. As Montesquieu asserts, the spirit of legislation must incline toward moderation and avoid excessive procedural rigidity, since overemphasis on formality can contradict the justice-oriented purpose of the legislator (Montesquieu, 1991a). Therefore, establishing a balance between will and form in the legal system of companies guarantees the realization of justice and dynamism in economic and social spheres.

2.2. General Will versus Rule of Law

Some scholars consider the necessity of formalism as arising from the general will and the rule of law, whereas

others view the primacy of individual will—aligned with contractual freedom and resistance to state interference—as the foundation of social relations. These perspectives reflect the historical, social, and political evolution of the concepts of “form” and “will.” According to Katouzian, the freedom of contract is limited by law, public order, and good morals, and these three are interrelated (Katouzian, 1993). In early societies, form had primacy and will had no role in contracts; in ancient Roman law, obligation arose only through specific and ceremonial forms (Anari, 2014). Hence, the dominance of formalism reduced the role of will and led to later reform movements. Montesquieu also believed that liberty within the bounds of law is beneficial, while absolute liberty disrupts social order (Montesquieu, 1991b). Within formalism, the restriction of freedom is justified only in pursuit of serious public interests to achieve a true equilibrium between form and will.

In this context, general contractual principles and limiting factors of freedom also play a role in the process of establishing companies. Certain social activities, such as railways, are permissible only through organized corporate structures because determining company forms derives from the exercise of state sovereignty rather than private agreement, thereby constituting part of public order. The purpose of assigning form to companies is to enhance efficiency and align the structure with the nature of the activity; form acts as the vessel for the content of economic activity. Therefore, companies are considered micro-states in which collective will is manifested through institutions analogous to the three branches of government. As Hojjati notes, the general assembly plays the role of the legislature, the board of directors acts as the executive branch, and the auditors function as the judiciary, while the company’s articles of association serve as its constitution (Davis, 1897; Hojjati, 2019).

2.3. Formalism in Islamic Jurisprudence and Freedom of Will

With the emergence of differing interpretations among jurists regarding Verse 1 of *Surah al-Ma'idah*, two contractual paradigms developed in Islamic jurisprudence. The first confines transactions strictly to traditional legal forms—known as the *restrictive and devotional theory*—and is attributed to a small minority

of early jurists. The second, representing the modern position of the overwhelming majority of later jurists, endorses the principle of the sovereignty of will. As some classical scholars preferred limiting individual autonomy, they confined contracts to the specific forms mentioned in religious texts and thus became identified as proponents of the “restrictive theory of contractual categories.” By contrast, the later majority, accepting the sovereignty of will, regarded neither predetermined forms such as nominate contracts as mandatory nor procedural formality as necessary. The principal root of disagreement between these two groups lies in their interpretation of the first verse of *Surah al-Ma'idah*, which commands the faithful to honor their agreements: “O you who believe! Fulfill your covenants” (Qur’an 5:1) (Esmaeili, 2018).

Some scholars, drawing on this same verse, have affirmed that Imamiyyah jurists correctly derived the principle of the sovereignty of will from it (Jafari Langerudi, 1978). Contrary to these opinions, another author opposes reading the sovereignty of will into juristic texts and offers a divergent interpretation. According to this view, in Islamic jurisprudence it is divine will and the *tawqifi* (fixed) nature of contracts that are fundamental—not the sovereignty of human will. Consequently, the Civil Code has become ensnared in contradiction and confusion by attempting to reconcile two opposing traditions: the classical, devotional legal system and the modern legal order. “In Imamiyyah jurisprudence,” he writes, “a contract is a divine construct created by the *Shar‘*, and this conception produces a kind of formalism emphasizing divine authority and the *tawqifi* view of contracts. The main problem of Iranian law is its effort to merge these incompatible approaches, whereas the principle of freedom of will is inherently inconsistent with the devotional framework. Iranian law must either fully embrace the principle of autonomy of will or wholly adopt the *tawqifi* model of contracts” (Bigdeli, 2015).

Other writers have adopted an intermediate position, interpreting juristic foundations in a way that views the sovereignty of will as relative rather than absolute. In their reasoning, the intervention of the Islamic ruler in private contracts is justified through juristic doctrines such as the *lā ḍarar* (no-harm) principle, which serves as a mechanism for controlling private autonomy in the interest of justice and fairness. “Imamiyyah

jurisprudence, relying on principles such as *taslīṭ* (authority of ownership), the presumption of validity and binding force, and the rule of conditions, has recognized the sovereignty of the contracting parties’ will as the basis for private obligations. The *Shar‘* has authorized governmental oversight according to real moral interests; hence, intervention in oppressive or unjust contracts is among the sovereign duties of the Islamic government” (Raei & Moulaeian, 2014).

A critical point follows: in so-called adhesion contracts—now common standardized forms imposed by the state or large state-affiliated corporations possessing monopoly power—the state often refrains from exercising its sovereign duty to prevent injustice, even when such contracts are inequitable. This paradox demonstrates the tension between the theoretical duty of public authority to uphold justice and its practical reluctance to challenge the very contractual structures it has created.

2.4. *The Juristic Principle of Taslīṭ and Modern Formalism*

The legal personality of companies is a mechanism designed to distinguish and better manage economic enterprises. Because mere agreement and consent are insufficient for organizing corporate relations, the legislature established this institution to encourage investment and economic activity. It defines the powers of managers and company representatives and regulates the legal relations of partners with third parties (Saffar, 1994). The modern state, seeking to facilitate economic activity, instituted the rule of separate legal personality—a concept that cannot be fully explained by liberal political-economic theory alone but must be examined within broader political, economic, and legal frameworks that assign the state an expansive role in economic life (Abedi Firouzjahi, 2018). Some theorists consider corporate personality a governmental privilege, while others view it as a socio-legal reality; over time, additional foundational doctrines were appended to it, giving rise to the modern legal organization of the commercial company (Abedi Firouzjahi, 2018).

In Iran, certain jurists, inspired by Western legal institutions yet attentive to national cultural and social conditions, have sought to harmonize Iranian law with modern concepts. Humanism and individualism in the

West produced norms that facilitate economic activity and safeguard private autonomy. Thinkers such as Katouzian and Mirza Yusuf Khan Mostashar al-Dowleh combined modernity with tradition, emphasizing personal freedom, the role of individual will, and respect for civil rights in the evolution of Iranian law. In *One Word*, Mostashar al-Dowleh underscores the significance of economic freedom and rule of law in harmony with religious teachings, stressing the integration of justice, wealth creation, and social development (Tabrizi, 2021). This innovative vision continues to influence contemporary Iranian legal thought and fuels debates on reconciling customary and religious law.

Before the enactment of the Commercial Code, company formation was governed by the Civil Code and the partners' mutual consent, based on the juristic principle of *tasliṭ* (dominion over property). There was little trace of modern formalism. As state intervention in the economy expanded, individual autonomy receded and was replaced by mandatory legal rules and procedural formalities. Significantly, when discussing the nature of corporate personality, one recurring controversy among commercial-law scholars concerns the contractual theory of companies. Although shareholders agree to form a company, and in that sense their relationship resembles a contract, in a true contract the sovereignty of will is paramount. In company formation, individuals benefit from this principle only at the initial stage; after incorporation, specific statutory rules govern, and the company becomes detached from its founders' original contractual relationship. "Company law is less a contractual regime than a regulatory one derived from the economic duties and functions of modern states. The diverse mandatory provisions governing commercial companies—designed to safeguard the interests of all stakeholders, not merely shareholders—clearly demonstrate that the concept of regulation explains the legal reality of company law more comprehensively than the idea of contract" (Tusi, 2014).

Furthermore, the rights of shareholders and third-party stakeholders—who play no part in company formation yet may be affected by its activities—reflect the broader governmental role in economic oversight. Concepts such as voluntarism and formalism lack fixed boundaries and must be interpreted dynamically. Ignoring evolving social and economic needs in legislative drafting risks systemic collapse. The foregoing intellectual debates

reveal diverse perspectives: some scholars adhere strictly to formalism, arguing that opposition to form itself constitutes a form—a view reminiscent of philosophers like Aristotle, who regarded denial of philosophy as itself philosophical. Others advocate breaking formal rigidity to preserve individual will, contending that form is the vehicle while will is the rider, and excessive emphasis on form undermines autonomy and justice.

This study aims to distinguish and clarify the relationship between form and substance. When substance does not take precedence over form, formalism becomes like a machine moving aimlessly toward an unknown destination—though it is clear that no substance can exist without form, as every content requires its proper vessel. Custom, social demand, and legislative modernity are therefore critical. Iranian legislation remains predominantly form-centered and regulation-oriented; despite reform efforts, simplification of commercial laws has not kept pace with the realities of a modern economy, nor has it effectively promoted production or privatization. "Although legal reforms aimed at economic liberalization and encouraging private-sector entrepreneurship have been necessary and progressive, Iran's state-dominated economy—dependent on oil revenues, populated by vast quasi-public enterprises (*khosoolati*), constrained by bureaucratic administration, plagued by inequality between private and public sectors, burdened with cumbersome regulations, and hindered by sanctions and economic isolation—has prevented genuine liberalization. The enactment of the *Law on Removing Barriers to Competitive Production and Enhancing the Country's Financial System* illustrates the pervasive obstacles that hinder national production. The numerous provisions of this law expose the multiplicity of problems affecting economic productivity" (Shiravi, 2021).

Commercial and business laws are among the most critical in any nation, as they profoundly influence economic growth and development. Comprehensive and efficient commercial legislation provides the necessary foundation for national economic progress through broad public participation. The absence of such legislation, by contrast, brings numerous negative consequences for economic and trade affairs. Unfortunately, Iran's Commercial Code suffers from significant ambiguities and deficiencies and fails to exert

the influence required in the national economy. The Iranian Constitution itself, as the foundation of statutory law, essentially envisions a state-dominated economy—an approach whose inefficiency has been repeatedly demonstrated in practice. “The ineffectiveness of a state-centered economy led all branches of government, through the adoption of general policies of the system, to reform the scope and boundaries of state ownership in a manner consistent with rationality and modern policy trends” (Moazeni, 2021).

3. Structural Analysis of Formalism

3.1. *Formalism, the Rule of Corporate Legal Personality, and the Law of Contracts*

The existence of content without the existence of form is impossible. From this perspective, even anarchy is a kind of form. The existence of form in the external world without content is impossible, because every act and every event in reality is a kind of content.

The effects of social relations—such as growth, stagnation, and corruption—result from two factors: the content (function) of human activity and its organization (form). The relevant function is executed and realized through that form or organization. The existence of each of these two factors implicitly implies the existence of the other.

The needs and exigencies of the economy, exchanges, and social continuity are such that, in proportion to them, the reform and balancing of forms is constantly necessary both for growth and development and for the prevention of corruption. Social functions and duties are executable only through the machine or apparatus of social forms. Forms are continually revised and adjusted so that they align with new needs and necessities. In general, function and form react to one another; growth, stagnation, and corruption in each are reflected in the other (Davis, 1897).

On this understanding, form resembles a machine or device. However, unlike physics and the experimental sciences, which are grounded in deterministic causal relations among natural phenomena, in the human sciences social devices, machines, or systems—such as commercial companies—are constructed by organizing causal relations among the wills of free and autonomous human beings. Formalism is thus a kind of technology whose constituent parts are human beings endowed

with free will. Unlike calculating machines whose operation is deterministic, the functioning of social devices depends on the wills of the human beings who compose them. Just as the experimental sciences require continual trial and error to produce the best and most desirable product, so too in society forms are continually revised so that the machinery of social systems reaches the most ideal level of efficiency. Notably, almost no technology today is produced by a single person; for example, thousands may contribute to the manufacture of a mobile phone. How the relations among these thousands are organized directly affects the production of a superior, high-quality good. Without a kind of order and coordination among human beings, order and coordination among objects will not arise. Without an appropriate social organization, the production of quality goods is impossible. Therefore, the advancement of technology in the experimental sciences must be regarded as the effect of technological progress in the human sciences. It is structure, organization, and formalism in the human and social sciences that enable orderly, calculated, and precise intervention in nature. Without the human and social sciences, the ground for technological progress would not be prepared. Accordingly, all manifestations of civilization that outwardly appear to be achievements of the experimental sciences have a more fundamental cause that returns to the human and social sciences. The technology, machine, form, or organization created in law plays a far more essential role than formulas in the experimental sciences. Corruption in form leads to corruption in content. This means that if, for example, an institution exists whose members are for the most part capable, efficient, learned, and hard-working, yet there is corruption in the form of these relations, such corruption in form will infiltrate the content—that is, the performance of its members. Perhaps for this reason the Qur’an states: “Say, each acts according to his *shākilah* (disposition), and your Lord knows best who is most guided in way.” One can say that form is the *shākilah* of every institution, according to which that institution operates. Reform in form can lead to reform in content; and if, hypothetically, most members of an institution are corrupt, a correct form of relations can prevent them from committing corruption in practice. It can thus be explained why one company’s products are consistently superior and high-quality, whereas another company’s

products are often inferior and low-quality. Accordingly, correct and incorrect form manifest their tangible effects in people's daily lives.

Hence, the quality of production arising from a sound structure can be considered a path, criterion, and norm which—like a set of economic rights and through a chain of mutually affecting concepts—produces desirable and interconnected outcomes. That is, strict observance of social norms generates trust, trust in product quality engenders confidence in the production process and a larger audience of customers for a company's goods, and ultimately leads to entrepreneurship and economic prosperity. Thus, performance and efficiency spring from the nature of a balanced form; in truth, correct formalism under these norms defines immunity and freedom while simultaneously taking seriously the propositions of legal duties and corporate social responsibility so that concepts do not fall into conflict or collision. "Although the connection of norms with ethics and legal duties is common and well-established, it must also be noted that propositions grounded in rights, legal and moral claims, immunities, powers, and freedoms have repeatedly been classified under the rubric of 'norms'" (Imani, 2011).

3.2. *The Social Structure of Form, the Customary and State Origins of Formalism, and Its Relation to the Company*

A commercial company is a group of natural persons that assumes one of the multiple organizational forms and, through that organization, performs social functions and specified tasks.

Allocating property for public use and denying its use for other purposes—or distinguishing that property—does not by itself transform the owner into a company, even though one feature of a company is that the use of its property is restricted by its articles of association. Sole-owner "companies" differ from true companies not in function but in form; individual enterprises lack the internal social structure that exists in real companies. Form, therefore, is a kind of social structure. The form of a company—or the set of special relations among its members or between them and other members of society—is created by the state, or it may arise spontaneously from the force of custom and then be ratified by the state. Neither the group itself nor its function is created by the state; rather, what the state

creates are the internal and external, individual and collective relations within whose framework the group operates. The progress of civilization requires an increase in collective activity, though not necessarily in the form of a company. Compared to the state—a group of persons possessing primary and original sovereignty—the company is a subordinate, secondary, and derivative group (Davis, 1897).

The three doctrines of individualism, collectivism, and a combined primacy (individual and society) have drawn different schools of philosophers and jurists across countries into extensive debates over whether the focus of securing human welfare and social justice should be on the individual or the collective. In legal discourse, the notion of "primacy" often concerns priorities when the rights of the individual conflict with those of society, or vice versa. For example, whether the individual's right takes precedence over the community's can be one practical question under the concept of primacy—one that carries tangible consequences for social life.

Form and figure in the first instance belong to the intellect, not to the external world. If multiplicity and individuation reign in the external world, any kind of formalism will be relatively more compatible with collectivism. Conceiving a large number of individuals as a single "unit" becomes possible within a formalist frame. In fact, what transforms "plurality" into "unity" is a kind of "figure" and "form." This belief is analogous to geometry, where three scattered, seemingly unrelated points are connected by lines to "form" a single figure called a triangle. In this analogy, individual persons are like scattered points, and their relations and interactions are like the lines that establish connection. These relations and interactions are determined by legal rules; collectivism in this respect equates to the priority of relations, interactions, and rules over individual desires and wants—provided that such relations aim at realizing the common good. Individualism is a position that accords greater weight to individual interests than to group interests; when the individual's interests conflict with those of the group, individualists prioritize the individual. Collectivism is a position that assigns priority to collective interests and aims at securing the good of the group to which one belongs, even when doing so weakens the good of individuals (Wagner, 1995).

3.3. *Balanced Formalism: The Necessity of Form and Efficient Organization*

According to Kelsen, legal science, as its object, consists of a hierarchy of norms; furthermore, it requires a formal foundation unique to itself—in the Kantian sense in which *formal* is synonymous with *categorical*. In other words, the hierarchy of these norms, which forms the subject of jurisprudence, can never be adequately described merely as what *is*; law belongs to the domain of the *ought* and stands independent of the *is*. Initially, a kind of necessity requires that a categorical form be assumed, and the existence of such a form guarantees the existence or continuation of its subject and content. The existence of form precedes the existence of content, and for Kelsen, this precedence is ontological (Bergmann & Zerby, 1945).

Human rational calculation requires that, in the balance of reason, the potential risks of any activity be weighed against its potential benefits. If the risks outweigh the benefits, it is natural for individuals to avoid such activity. If the pursuit of profit serves as the motive force behind economic activity, then fear of loss can become a major obstacle to large-scale enterprise. The immunity of shareholders' personal property from the potential risks of business gives economic actors greater courage—courage that can itself drive progress and growth. The purpose and function of the corporate form have always been to promote public welfare through private benefit, accomplishing this by imparting a social mechanism to private interests. One of the greatest difficulties concerning corporate form has been maintaining equilibrium between the private motive and the public purpose of economic activity conducted within that form. Yet this difficulty relates less to corporate form itself than to its social context. It has been believed that the use of the corporate form tends to mitigate undesirable social conditions that are the by-products of certain social activities. Private companies were, in their simple and pure sense, products of the social, political, and industrial conditions of the nineteenth century—conditions founded upon democracy and individualism. The belief in human equality, coupled with the tendency to limit governmental intervention, prevented the creation of corporations with class privileges or constraints on individual freedom by the end of the eighteenth century. It was held that the state should not delegate to corporations powers that it could not itself

properly exercise. Conversely, to the extent that potentially hazardous social functions made collective enterprise necessary, the closer cooperation remained to the level of individual autonomy, the less it endangered personal freedom and sovereignty of will. Consequently, the number of corporations increased in the modern era. Yet even now, no class distinctions should be tolerable: participation in corporate formation and activity must be open to all. A company is a group of persons with the authority to enter voluntarily into a particular kind of relationship, the maintenance of which—both among themselves and with others—is mandated by the state, part of which mandate derives from formalism. A corporation functions as an autonomous, self-sufficient, and self-renewing entity capable of defining and executing the common will of its members, and in pursuit of their shared interests it may also serve social functions. Both aims can contribute to the enhancement of public welfare. A company performs functions that are best achieved by individuals who, through the existence of the corporation, are connected with one another (Davis, 1897).

Formalism, when detached from essence and substance, can render matters relativistic. Relativistic perspectives on legal rules that are themselves formalistic obscure distinctions in nature and content (Schmitt, 2008). It is possible that all matters set out in a company's articles of association—even those substantively trivial—may be treated as equivalent to important matters solely because they are formally recorded in the document called the "articles of association." The preference for the written over the oral can itself constitute a kind of formalism. More importantly, however, is the competent authority or power that constitutes the company. Likewise, any hierarchy can be regarded as formal—for example, the superiority of the Supreme Court over ordinary tribunals. Thus, formalism may amount to a division or distribution of power. It can both restrict and extend the sovereignty of will.

3.4. *Formalism and Justice in Wealth Acquisition*

Principled and balanced formalism can provide a secure and regulated framework for the development of diverse wills. When the wills of a nation's citizens collectively converge toward a shared objective and all have the opportunity to acquire ownership of corporate shares on an equal basis, the motivation for investment is

strengthened, facilitating the equitable distribution of income and wealth—one of the key indicators of economic performance. When all individuals benefit equally from national income, the most just condition exists. The fair distribution of wealth fosters social balance and harmony. In a balanced society, class divisions and social harms are reduced, while vitality, hope, and diligence in pursuing maximum productivity and economic efficiency are increased. Balanced formalism seeks neither to abolish will nor to deny legality and state oversight; rather, it finds justice in maintaining equilibrium among these principles and holds that this balance best approximates social justice. Accordingly, all intellectual efforts of society must be directed toward identifying scientific, technical, formal, and substantive methods for constructing and organizing an economic system grounded in sound legal principles.

Wealth includes all of a nation's assets—human and natural resources, capital, property, talents, and income derived from labor. A decisive factor in attaining national prosperity is creating equal and appropriate opportunities for all, distributed fairly according to individuals' work and effort. Thus, the only path forward lies in prudent legislative reform that, by adhering to the principle of proportionality, can naturally prevent the emergence of extreme class disparities. Public joint-stock companies play a crucial role in economic growth and development, potentially contributing significantly to national wealth and social welfare. Utilizing private-sector capacity in investment, production, and productive industries strengthens national growth and economic self-reliance. Therefore, the prerequisite for investment in diverse economic sectors is attention to commercial companies and private-sector enterprises. The state alone cannot undertake all investments or manage every economic project. The private sector will engage productively only when sufficient incentives are created to ensure greater added value, since private investment depends upon expected returns and perceived risk.

Wealth distribution—a central issue in political economy—concerns how the income generated by production is divided and how each economic sector's share is determined. It is clear that, even before production begins, a firm's thinking must be based on the equal and just distribution of production factors so that,

in the end, equitable income distribution and property ownership are achieved. Regarding justice in property, Robert Nozick distinguished between the *acquisition* and *transfer* of holdings. For him, a person who acquires property according to the principle of justice in acquisition (the initial taking of unowned property) is entitled to it, and a person who acquires property in accordance with the principle of justice in transfer from someone who was entitled to it is likewise entitled to that property. No one is entitled to holdings except by these two methods (Omidvar, 2022). This conception of justice, called *entitlement theory*, aligns with the foundations of the minimal state. According to Nozick, any non-entitlement conception of justice entails a violation of the individual's intrinsic value as a person (Zali, 2021). For Nozick, whatever arises from a just situation by just means is itself just. If the distribution of wealth emerges through a legitimate process, that distribution is just (Nozick, 1974; Zali, 2021).

4. Conclusion

The findings of this research indicate the dominant presence of formalism, particularly within public joint-stock companies. Generally, formalism exerts a clear influence over various aspects of capital companies. First, within the Commercial Code—especially in company-related provisions—the prevailing principle is that of mandatory, rigid, and formalistic rules, which impose significant limitations on the autonomy of individuals. The will of the parties, in most cases, either finds no genuine place in the process of company formation or is ultimately confined within predetermined methods and regulations.

Second, governments, through excessive regulatory intervention, have justified restrictions on individual freedom under fluid and indeterminate concepts such as public interest and public order, thereby expanding their supervisory and controlling role in economic domains. Third, formalism in economic law is not limited to the Commercial Code; even the general economic policies embedded in Iran's Constitution—the fundamental law of the land—are structured within a formalistic and state-centered economic framework. For this reason, and perhaps out of necessity, recent years have seen attempts to reinterpret the state-oriented economic vision of the Constitution through the discretionary

powers of the Expediency Council. However, these efforts have achieved little practical success.

The three aforementioned observations call for a renewed evaluation and a novel proposal derived from the study's findings: that two complementary pathways should be pursued. The first involves a short-term approach—utilizing the capacity of positive law, interpretive authority, and immediate legislative action—to achieve a balance within existing formalism, particularly given Iran's economic lag in the global context. The second, more fundamental path requires field identification and long-term analytical studies of the factors and obstacles affecting economic growth and development, with the aim of reforming the Commercial Code based on evolving corporate principles. Ultimately, through balanced formalism—anchored in personal freedom and individual will in commerce, and emphasizing broad public participation in both small-scale and large-scale investment in public joint-stock companies—the groundwork can be laid for greater economic growth, trade expansion, and social justice.

This research, therefore, may serve an applied purpose for legislative review bodies, corporate and commercial law authorities, industries, and decision-making institutions within the state, providing an informed foundation for future legal and economic reforms.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

The authors report no conflict of interest.

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Ethical Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were observed.

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