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Rentier State Theory and the Arab Uprisings: An Appraisal

Meliha BENLİ ALTUNIŞIK*

ABSTRACT

This article aims to analyze the implications of the Arab uprisings on the Rentier State Theory (RST). Initial conceptualization of rentier state was based on the impact of externally generated oil revenues on the economic development as well as the nature of the state and state-society relations. Especially since 2000s the literature has been largely dominated by the study of relationship between rentier states and democratization. Based on the observations of the earlier literature, most of the studies argued that there was a strong correlation between rentierism and lack of democracy. There were also few studies that challenged this argument. The Arab uprisings should lead to the revisiting of the arguments of the RST. In only two of the rentier states, namely Bahrain and Libya, has there been a widespread uprising. Both ended through outside intervention, one in support of the regime, the other against it. In other rentier states, limited protests did not lead to uprisings. Therefore, the question is twofold: First, what do the full-scale uprisings in two rentier states tell us? Second, what does it tell us that with the exception of these two states, all other rentier states have been able to maintain stability?

Keywords: Rentier State Theory, Arab Uprisings, Oil and Politics, Political Economy of the Middle East.

Rantiye Devlet Kuramı ve Arap Ayaklanmaları: Bir Değerlendirme

ÖZET

Bu makale Arap ayaklanmalarının Rantiye Devlet Kuramı (RDK) açısından sonuçlarını analiz etmektedir. RDK öncelikle petrol gelirlerinin petrol üreten ülkelerin ekonomileri, devlet yapıları ve devlet-toplum ilişkileri üzerinde yaptığı etkileri incelemiştir. Ancak özellikle 2000'li yıllarda araştırmalar büyük ölçüde rantiye devlet-demokrasi ilişkisi üzerine yoğunlaşmış ve literatürün önemli bir kısmında rantiye devletlerin demokratikleşemeyeceği iddiası öne sürülmüştür. Az sayıda bazı çalışma ise bu iddiaya karşı çıkmıştır. Arap ayaklanmaları RDK'nin iddialarını tekrar gözden geçirmeyi zorunlu kılmıştır. Rantiye devletlerin sadece ikisinde, Bahreyn ve Libya'da, geniş anlamda ayaklanmalar gerçekleşmiştir. Bu iki ayaklanma da dış müdahale ile sonuçlanmıştır. Bahreyn'de dış müdahale ayaklanmayı bastırmaya yönelikken, Libya'da ayaklanmayı desteklemek üzere dış müdahale gerçekleşmiştir. Diğer rantiye devletlerde ise sadece çok sınırlı protestolar olmuştur. O halde bu durum iki soruyu gündeme getirmektedir: Öncelikle, iki rantiye devletteki ayaklanmalar bize neyi söylemektedir? Öte yandan, bu iki istisna dışında, rantiye devletlerde istikrarın korunması nasıl açıklanabilir?

Anahtar Kelimeler: Rantiye Devlet Kuramı, Arap Ayaklanmaları, Petrol ve Siyaset, Ortadoğu'nun Siyasi İktisadı.

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The current state of the Middle East is usually thought of as a product of social problems that have arisen in a climate of so-called Westernization. However, as Fred Halliday argued, “the formation and current condition of the modern Middle East exemplify even more in the interaction of political and economic factors.”¹ Oil not only epitomizes this interaction, but also links the domestic, regional and international political economies. The cultivation of oil as the basis for global economy and security in the interwar years—but especially in the immediate aftermath of WWII—coincided with the revelation of the Middle East as a potentially major area of oil wealth, as well as with the process of state formation in the region. Oil was first discovered in Iran in 1908, followed by Iraq, the Arabian Peninsula and North Africa. It was not long before the Middle East was producing most of the world’s oil, and at the cheapest prices. This development has had a tremendous impact not only on the region’s integration with the global economy and its relations with the major powers, but also on political economy at the domestic and regional levels. In particular, one major area of analysis has been the effect of oil revenues on the political and economic development of exporting states. The aim of this article is to analyze the significance of events around the Arab world since the 2011 uprising in Tunisia through Rentier State literature, which is focused on the relationship between oil and the domestic political economies of the Middle East.

Political Economy in Oil-Producing States: Rentier State Theory

Rentier State Theory (RST), celebrated by Lisa Anderson as one of the major theoretical contributions of Middle Eastern Studies to the discipline of political science,² was built on a series of studies that emerged mostly in the 1980s following the oil boom of the previous decade. The idea of the rentier state, however, was first put forward by Iranian scholar Hossein Mahdavy in a 1970 article³ and further developed by economists Hazem Beblawi and Giacomo Luciani in an edited volume published in 1987.⁴

The literature originated with the observation that oil-producing states did not accumulate revenue through taxation of the local population, instead depending on externally generated rents;⁵ its early aim was to understand the puzzle of continuing underdevelopment among oil-exporting countries despite this major revenue stream.⁶ Rentier

1 Fred Halliday, *The Middle East in International Relations: Power, Politics and Ideology*, UK, Cambridge University Press, 2005, p.261.

2 Lisa Anderson, “The State in the Middle East and North Africa”, *Comparative Politics*, Vol. 20, 1987, p.9.

3 Hossein Mahdavy, “Patterns and Problems of Economic Development in Rentier States: The Case of Iran”, M. A. Cook (ed.), *Studies in Economic History of the Middle East*, Oxford, Oxford University Press, 1970.

4 Hazem Beblawi and Giacomo Luciani (eds.), *The Rentier State*, London, Croom Helm, 1987.

5 Although the concept has been much discussed in relation to the oil-exporting countries of the Middle East, foreign aid, workers’ remittances, and “strategic rents” were also considered to have similar effects. In this study, rentierism is defined in terms of oil.

6 The abundance of capital in these countries clearly challenged one of the main arguments of Modernization Theory, which blamed scarcity of capital for underdevelopment.

states were defined through three key characteristics: First, oil revenues are paid to governments in the form of rent; this means that the relationship between production price and market price is very weak due to the fact that oil is a “strategic commodity.” Second, oil revenues are externally generated through marketing in the global economy. Third, oil revenues are directly accrued by the state. Beyond this, however, there has been no clarity in the definition of the term. Rentierism has been measured through the percentage of total government revenue made up by oil rent; for instance, Luciani argued that states relying on oil for at least 40 per cent of their economic revenue should be classified as rentier states.⁷ Based on this definition, Michael Herb identified the following countries in the Middle East as rentier states for the period between 1972 and 1999: Kuwait (88%); Qatar (87%); UAE (84%); Oman (81%); Saudi Arabia (80%); Bahrain (59%); Libya (58%); Iraq (n/a); Iran (55%); Algeria (53%); Yemen (46%).⁸

Several arguments about the impact of the oil phenomenon have been made in the literature on rentier states:

Economic Effects— First, beginning with Mahdavy’s influential article, the effect of the sudden influx of externally generated revenue through rents on the economy has been a focus of discourse. This has mostly been the case, however, in the literature on Dutch Disease,⁹ wherein the sudden influx of revenue is thought to distort the economy and cause enclave development. This result because the booming oil sector and the rest of the local economy are not well integrated. The oil industry does not incorporate much local input, and the local economy in turn does not make much use of the product. As a result, in rentier economies the rest of the economy is not as well developed.¹⁰ More importantly, as demonstrated in the Dutch Disease literature, the existence of one booming sector distorts development in the traded sectors of agriculture and industry. In a parallel development, with these sectors “lagging”, an artificially large service sector is also created.

Political Impact: state and state-society relations— A second set of arguments within RST relates specifically to the nature of the rentier state and its relations with society. As oil revenues—which constitute a country’s primary revenue source—are paid directly to the state, it is argued that the degree of centralization is high in oil-producing countries, and that the state plays a crucial role in the economy.¹¹ As a result, “the state becomes the main intermediary between the oil sector and the rest of the oil-economy.”¹² Its role,

7 Giacomo Luciani, “Allocation vs. Production States: A Theoretical Framework”, G. Luciani (ed.), *The Arab State*, Berkeley: University of California Press, 1990, p.72.

8 Michael Herb, “No Representation without taxation? Rents, Development, and Democracy”, *Comparative Politics*, Vol. 37, No. 3, 2005, p.299.

9 The term Dutch Disease originates in reference to the adverse effects on Dutch manufacturing of the natural gas discoveries of the 1960s and early 1970s. W. Max Corden and J. Peter Neary, “Booming Sector and De-Industrialization in a Small Open Economy”, *Economic Journal*, Vol. 92, No.368, 1982, p.825-48.

10 Mahdavy, “Patterns and Problems of Economic Development in Rentier States.”

11 Giacomo Luciani, “Allocation vs. Production States: A Theoretical Framework”, H. Beblawi and G. Luciani (eds.) *The Rentier State*, London, Croom Helm, 1987, p.63.

12 M. Abdel-Fadil, “The Macro Behavior of Oil Rentier States in the Arab Region”, p.81.

however, is largely limited to the distribution of rent earnings among the population. The rentier state not only provides public goods and services but it is also generally the major employer.¹³ Hence, these states are also referred to as “distributive states” or “allocation states”.¹⁴

However, although rentier states are omnipresent in the lives of their citizens, these states lack well-developed administrative machinery. This is mainly because rentier states either do not tax or tax very little. Thus, unlike most other states, which cultivated their extractive capacity early in the process of state formation, states that depend on external revenues lack “extractive institutions and their ancillary legal, fiscal, and information-gathering bureaucracies.”¹⁵ Clearly, distributive states also require some degree of institutional development; nevertheless, “networks of kinship and patronage are often nearly as efficient and politically preferable.”¹⁶ Therefore, rentier states tend to be institutionally weak and lack state capacity. Instead they rely on clientelistic networks to distribute oil rents.

Attitudes among citizens of rentier states have also been a subject of discussion. Some scholars have assumed such an economic structure fosters a particular “rentier mentality” that implies “a break in the work-reward causation. Reward—income or wealth—is not related to work and risk bearing, rather to chance or situation.”¹⁷ Most of the population is thought to refuse productive work, instead trying to access the rent circuit—while the local population is engaged in “rent-seeking”, expatriates do the productive work.¹⁸ Moreover, it is argued that in the absence of surplus extraction and due to reliance on a migrant workforce, these societies cannot be organized along class lines. Under such conditions, structures of solidarity in rentier states would instead manifest along tribal, ethnic or religious lines.¹⁹

Oil rents are distributed through public employment, social welfare benefits, subsidies, and interest-free loans. In extreme cases, as with the Gulf monarchies, citizens are awarded annual payments from the oil revenues. Such distributive policies have helped these states consolidate power. In the process of state formation and consolidation, oil money has helped the leaders of rentier states undermine challenges from rival social

13 Anderson, “The State in the Middle East and North Africa”; Beblawi, “The Rentier State in the Arab World”.

14 Anderson, “The State in the Middle East and North Africa”, p.10.

15 Kiren A. Chaudhry, “The Price of Wealth: business and state in labor remittance and oil economies”, *International Organization*, Vol.43, No.1, 1989, p.103.

16 Anderson, “The State in the Middle East and North Africa”, p.10.

17 Beblawi, “The Rentier State in the Arab World”, p.52.

18 Abdel-Fadil, “The Macro Behavior of Oil Rentier States in the Arab Region,” p.86; Michael Chatelus and Yves Schemel, “Towards a New Political Economy of State Industrialization in the Arab Middle East”, *International Journal of Middle East Studies*, Vol.16, No.2, 1984, p.256.

19 Jacques Delacroix, “The Distributive State in the World System”, *Studies in Comparative International Development*, Vol.15, 1980, p.11. For the importance of the ideology and organization of Shi’a Islam as opposition in Iran see Theda Skocpol, “The Rentier state and Shi’a Islam in the Iranian revolution”, *Theory and Society*, Vol.11, 1982.

groups and cultivate loyalty from other groups. For instance, in Saudi Arabia, oil revenues allowed the Nejd al-Saud family to undermine the power of the Hijazi merchants, which, with their independent financial base, were seen as an alternative power structure to the regime. Instead, the al-Saud regime created a new Nejd business elite that was intertwined with the political elite.²⁰ Similarly, in Libya the Qaddafi regime sought to consolidate its power in the mid-1970s with a new political structure, the *Jamabiriya*²¹ system, which aimed at a total restructuring of political, economic and social relations linked to a distributive state.²² In Iran, through allocation of rapidly increasing oil revenues, the Shah tried to undermine the power of the bazaar, the landlords and the ulema, which constituted the country's traditional power base. On the other hand, the *amirs* of Qatar and Kuwait have been successful in maintaining power due in no small part to oil revenues; in both cases, the merchant class—the most influential social group—gave up its historical claim to political participation in exchange for a large share of oil revenue.²³ Thus, rentierism allowed states to shape society through a strategic consolidation of influence. Since oil revenues accumulated abroad were collected by the rentier state itself, states achieved societal autonomy, free to create their own clientelistic networks by buying allegiance outright instead of negotiating with the people. Distributive policies also helped states to reinforce traditional structures. For instance, even the regimes in Iraq and Libya, which were rhetorically hostile to such structures, reconstructed tribal, regional and familial affiliations through their allocation policies. In the absence of any meaningful political participation, these structures constituted the most important links between state and society.

The corollary of this is that rentier states have been considered more prone to authoritarianism, and that democratization or even political liberalization have been viewed as impossible in these states.²⁴ Several scholars, alluding to the historical relationship between the ability to tax on the one hand, and legitimacy and democracy on the other in Western political history, have argued that the dearth of taxation in rentier states also translated into a dearth of political participation.²⁵ Along the same lines, since oil rents made it possible for states to act autonomously, rentierism has been thought to make governments less sensitive to societal demands. Finally, since rentier states had the financial means to establish and enforce regime legitimacy through rent distribution practices that subdued opposition,²⁶ it has been argued that the social contract in rentier states became unbalanced by an authoritarian bargain that resulted in the people's political acquiescence in exchange for a share of the oil revenues.

20 Kiren A. Chaudhry, "Economic Liberalization and the Lineages of the Rentier State", *Comparative Politics*, Vol. 27, No. 1, 1994, p. 12-13.

21 *Jamabiriya*, a term coined by Qaddafi himself, is generally translated as "the state of the masses".

22 Meliha B. Altunisik, *External vs Internal Revisited: The Political Economy of Economic Reform Policies in Libya (1987-1993)*, Unpublished PhD Dissertation, Boston University, 1994.

23 Jill Crystal, *Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qatar*, Cambridge, Cambridge University Press, 1995, p.427-43.

24 Luciani, "Allocation vs. Production States: A Theoretical Framework", p.63.

25 Anderson, "The State in the Middle East and North Africa".

26 Luciani, "Allocation vs. Production States: A Theoretical Framework".

RST, as developed primarily during the 1980s, created a general framework within which the impact of externally generated oil revenues on the political economy of Middle Eastern oil states can be understood. There appears to have been a consensus that large amounts of externally generated oil revenue creates both particular opportunities and particular constraints, and that analogous structures and policies are formed in response. Yet the extent of this similarity began to be debated in the 1990s, as more in-depth studies on individual rentier states were conducted. In fact, it is argued that one of the weaknesses of RST was the fact that it stressed similarities rather than differences, and as such could not account for variations across time and space.²⁷ Thus, structural determinism built into the model failed to allow for agency. Furthermore, RST was largely ahistorical, equating these countries' historical geneses with the discovery of oil and explaining their trajectories in the same terms. Several scholars also pointed out that most of the literature focused on the oil boom without accounting sufficiently for the oil bust that started in the 1980s.²⁸ Finally, some criticism of RST focused on the logic of linking rentierism and authoritarianism. Okruhlik, for instance, demonstrated that in Saudi Arabia the regime's distribution policies did not quiet the population; on the contrary, it generated its own social opposition.²⁹ Some have also questioned the linkage with taxation by demonstrating examples elsewhere that do not support direct relationship between the two. Furthermore, it was also argued that although over the years taxation has increased among Middle East oil-exporting states, democratization has not.³⁰

As a result of these criticisms, studies on rentierism took a turn in the 1990s. Moving beyond the general arguments, several scholars focused on single or small-N case studies. These engaged with RST, but through in-depth discussion of particular case studies, and the results prompted important corrections to the model. Most importantly, by demonstrating differences across time and space, they introduced agency to the earlier structural analysis. As a result, the policy decisions of individual states became as important a factor to analysts as that of the general impact of oil rents.

Furthermore, these studies demonstrated that oil intervened in a historical process and became intertwined with the pre-existing social and political structures in these countries. Historicizing oil-producing states' evolution also helped to account for differences. In several studies, the most relevant variables in explaining trajectory differences were institutional set-up and state-society relations. For example, Jill Crystal highlighted the importance of historical context in her comparative study about the impact of oil on the formation and transformation of political coalitions and state insti-

27 Altunisik, *External vs Internal Revisited*, p.17.

28 Chaudhry, "Economic Liberalization and the Lineages of the Rentier State".

29 Gwen Okruhlik, "Rentier Wealth, Unruly Law, and the Rise of Opposition: The Political Economy of Rentier States", *Comparative Politics*, Vol.31, 1999.

30 John Waterbury, "Democracy Without Democrats?: the potential for political liberalization in the Middle East", Ghassan Salame (ed.) *Democracy without Democrats? The Renewal of Politics in the Muslim World*, London, I. B. Tauris, 1997, p.29-30.

tutions in Kuwait and Qatar.³¹ She showed how each country's preexisting patterns of power relations between state elites and major social forces differed, and that as a result, they were differently affected by the introduction of oil revenues. In the oil period, the state institutions set up by Kuwait and Qatar have also differed, and state-society relations have evolved accordingly. Similarly, Terry Karl, whose study mainly focused on Venezuela, produced a comparative account with Nigeria, Algeria, Iran, Indonesia and Norway to identify the importance of institutional capacity in explaining variation among rentier states.³² Arguing against structural determinism by demonstrating that "paradoxes can be resolved and development trajectories can be altered," Karl called for a model of "structured contingency" that would allow agentive room for maneuver within the structural constraints of rentierism.³³

Finally, second-generation studies focused on the bust period as well, as in the 1980s rentier states faced the reality of a slump in oil prices. This issue was discussed along two lines: the capacity of rentier states to develop and sustain effective policy responses to the fiscal crisis, and the impact of the bust on the political stability of rentier states, since the conventional wisdom was that allegiance was bought through distribution. World oil prices began to drop in 1981 and finally collapsed in 1986. The crisis continued until the end of the 1990s, resulting in serious cash flow problems and generally adverse consequences on rentier economies. Having developed little extractive capacity and fearful of social backlash, these states faced a dilemma: on the one hand, they could not sustain their earlier rates of distribution; on the other hand, they could not dramatically decrease the amounts being paid out at the risk of having their legitimacy undermined. Some rentier states, like Saudi Arabia and Libya, failed to effectively develop and implement policies to deal with the oil bust in the 1990s. In the case of Saudi Arabia, due to previous symbiotic political and economic relations between the state and the Nejd business elite, the latter effectively blocked the implementation of liberalization measures, as they were perceived to be against its interests.³⁴ In the case of Libya, the state's institutional capacity was the main stumbling block to the implementation of reform policies, along with the regime's half-hearted support of reforms due to fear of losing power.³⁵

In contrast, in the Gulf region, historical trajectory and the nature of business-state relations were important factors explaining the relative success of states' attempts to stave off political instability in the face of the oil bust.³⁶ In Kuwait, with its strong and

31 Crystal, *Oil and Politics in the Gulf*.

32 Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States*, Berkeley, University of California Press, 1997.

33 Ibid., p.242.

34 Chaudhry, "Economic Liberalization and the Lineages of the Rentier State".

35 Meliha B. Altunisik, "A Rentier State's Response to Oil Crisis: Economic Reform Policies in Libya", *Arab Studies Quarterly*, Vol.18, No.4, 1996, p.55-9; Dirk Vandewalle, *Libya since Independence: Oil and State Building*, Ithaca, Cornell University Press, 1998.

36 Pete W. Moore, "Rentier Fiscal Crisis and Regime Stability: Business-State Relations in the Gulf", *Studies in Comparative International Development*, Vol.37, No.1, 2002, p. 35.

institutionally well-organized business community, coordination between the state and business helped the state implement an effective response to the crisis. The bust gave the business elite the chance to increase its importance *vis-à-vis* rival social groups, as well as to shape economic reform policies. The state, which had cultivated relations with Islamist and tribal groups to balance merchants' power in the boom years, now relied on the business elite to implement economic reform, an alliance which also contributed to political stability in the bust years.³⁷ In Qatar, although the nature of state-business relations differed in that the business elite was weaker and more state dependent, it too managed to craft an effective response to the crisis without endangering stability, with business following the lead of state leadership. In Bahrain, on the other hand, state-business coordination exacerbated sectarianism and created greater instability.³⁸

From the late 1990s onwards, RST arguments began to focus almost exclusively on the relationship between the rentier state and the persistence of authoritarianism. This can be explained largely by the boom in democratization studies within comparative politics prompted by the "third wave of democratization" around the world. With regard to the Middle East, the focus of study shifted to what was perceived as the failure of democratization, and soon to the persistence of authoritarianism relative to other regions. Rentierism emerged as a central explanation in this context.³⁹ The other development was that these new studies on rentierism came to rely methodologically on large-N case studies, thus focusing not only on the Middle East but also oil-producing states elsewhere in their data sets. In one of the best-known studies supporting the idea of a connection between rentierism and authoritarianism, Michael Ross, after testing this claim with a large-N, cross-regional dataset, argued that "the oil-impedes-democracy claim is both valid and statistically robust;...oil does hurt democracy."⁴⁰ Ross referred to three "effects" of oil revenue: the "rentier effect" was about political acquiescence gained through low or no taxation; the "repression effect" referred to states' accumulation of means of repression and the construction of related institutions using oil money; finally, the "modernization effect" suggested that oil rents led to socio-political stagnation. All of these were described as obstacles to democratization. Other studies were more skeptical of this relationship. Herb, for instance, argued that the negative effects of rentierism on democracy are exaggerated, and that one should focus on other factors to explain the lack of democracy in the Middle East and elsewhere.⁴¹

One line of argument that emerged in the 2000s focuses on the Gulf Cooperation Council (GCC) states and their apparent economic success. Several scholars have argued that although the general arguments of RST may hold, they do not explain what may be

37 Ibid., p. 52-53.

38 Ibid.

39 Rex Brynen *et.al.* (eds), *Political Liberalization and Democratization in the Arab World*, Vol.1, Boulder, CO, Lynne Rienner.

40 Michael L. Ross, "Does Oil Hinder Democracy?" *World Politics*, Vol.53, 2001, p.356.

41 Herb, "No Representation without taxation? Rents, Development, and Democracy".

called “Gulf exceptionalism”.⁴² Accordingly, it is argued that the GCC states have been spending their oil wealth wisely for the most part, developing their economies and societies while at the same time diversifying their revenue base. Thus, for instance, Gray introduces “late-rentierism”, as he accepts the “the broad validity of the principles of RST, but also allows for both domestic imperatives and external influences to have impacted the wealthy Gulf states, bringing significant changes to their political economies but retaining, even entrenching, ruling family and elite roles, as well as most of their privileges.”⁴³ Thus, among Gulf rentier states, the possibility of economic development and even political accountability is argued.⁴⁴ Focusing on Kuwait in particular, Sean Yom also differentiated between “popular rentierism” and “despotic rentierism”, noting that in the case of the former the state makes room for an institutional set up that limits its own power and allows for greater accountability.⁴⁵

Finally, a few studies have analyzed the relationship between rentierism and political stability. For instance, Benjamin Smith focused on the relationship between oil wealth and regime survival using cross-sectional time-series data from 107 developing states between 1960 and 1999.⁴⁶ He found that “oil wealth is robustly associated with increased regime durability, even when controlling for repression, and with lower likelihoods of civil war and antistate protest.”⁴⁷ Thus, although during bust periods these states did experience some limited unrest, this did not affect regime stability. This conclusion did, in fact, corroborate the findings of studies focused on the impact of the oil bust of the 1980s. In another study comparing the case of Algeria to those of Iraq, Iran, Saudi Arabia, and Indonesia, various methodological tools were used to examine the relationship between regime durability and rentierism. Here, Miriam Lowi argued that the use of statecraft was the explanatory variable for regime stability among rentier states facing economic crisis, demonstrating that the decisions taken by the state leadership were no less influential than structural factors on political outcomes.⁴⁸ These analyses resonate against the backdrop of recent developments in the Arab world.

42 Michael Gray, *A Theory of 'Late Rentierism' in the Arab States of the Gulf*, Georgetown University, School of Foreign Service in Qatar, 2011, Available at <http://www12.georgetown.edu/sfs/qatar/cirs/MatthewGrayOccasionalPaper.pdf> (Accessed on 15 April 2014); Mary Ann Tetreault *et al.* (eds), *Political Change in the Arab Gulf States: stuck in transition*, Boulder, Co., Lynne Rienner, 2011.

43 Gray, “A Theory of 'Late Rentierism' in the Arab States of the Gulf”, p.2.

44 Michael Herb, “A Nation of Bureaucrats: Political Participation and Economic Diversification in Kuwait and the United Arab Emirates”, *International Journal of Middle East Studies*, Vol.41, No.3, 2009.

45 Sean Yom, “Oil, Coalitions, and Regime Durability: the Origins and Persistence of Popular Rentierism in Kuwait”, *Studies in Comparative International Development*, Vol.46, 2011, p.218.

46 Benjamin Smith, “Oil Wealth and Regime Survival in the Developing World”, *American Journal of Political Science*, Vol. 48, No.2, 2004, p.232-246.

47 *Ibid.*, p.252.

48 Miriam Lowi, *Oil Wealth and the Poverty of Politics: Algeria Compared*, NY, Columbia University Press, 2009.

The Impact of the Arab Uprisings

The series of uprisings that began in Tunisia and spread to other Arab countries raised the issue of the continuing relevance of RST and the debates around it. What has all this meant for the explanatory power of the theory? Has what has happened proved the theory right or wrong?

In only two of the rentier states, namely Bahrain and Libya, has there been a widespread uprising. Both ended through outside intervention, one in support of the regime, the other against it. In other rentier states, limited protests did not lead to uprisings. Therefore, the question is twofold: First, what do the full-scale uprisings in two rentier states tell us? Second, what does it tell us that with the exception of these two states, all other rentier states have been able to maintain stability?

First let's look at the differing outcomes of the two rentier states that experienced widespread uprisings. Libya, a rentier state with a small population of about six million, has been ruled for decades under the so-called *jamahiriyya* system established by Qaddafi. The regime survived the Western embargo and the oil bust of the 1980s by adopting very limited economic liberalization measures. Creeping discontent around the country, however, culminated in a Benghazi-based uprising in 2006, which was eventually suppressed. Yet anger towards the regime continued to build up. The inability of the state to improve living conditions, to deal with increasing unemployment—especially among youth—and problems of distribution which also raised criticism against regional and/or tribal favoritism, were the main sources of frustration. In particular, following Libya's "return" to the international system after US⁴⁹ and international embargos were lifted, the state had no one but itself to blame for its problems. On the one hand, Libya was opened to international capital, and several measures, albeit limited ones, were introduced to liberalize the economy. Yet it was mainly the few, particularly Qaddafi's family and other members of the power bloc that benefitted from the silent transformation of the *jamahiriyya* system.⁵⁰ On the other hand, although the emergence of one son, Saif al-Islam Qaddafi, onto the political scene brought renewed human rights and political liberalization discourses, no real change was seen on the ground. The heightened expectations went unfulfilled and the lack of economic development led "many Libyans [to] ask why their country with its excellent geo-strategic location linking Africa, Europe and the Middle East, its huge natural resource base and its small population does not compare to Dubai or the other Emirates."⁵¹ All these frustrations were reflected in the Libyan uprising of 2011.

49 Libya had been under US sanctions since the early 1980s, which were tightened in 1996 when the US Congress passed the Iran-Libya Sanctions Act (ILSA). In 1992 the UN also imposed sanctions on Libya after the bombing of the Pan Am 103 flight over Lockerbie, Scotland, which were then lifted in 2003 when the Qaddafi regime agreed to extradite the suspects. In 2004 the US lifted economic sanctions and restored diplomatic ties when Qaddafi declared Libya would eliminate WMDs.

50 Alison Pargeter, "Libya: Reforming the Impossible?" *Review of African Political Economy*, Vol.108, 2006, p.220.

51 *Ibid.*, p.219.

The toppling of Qaddafi, which was the result of cooperation between local opposition and external intervention forces, seems to contribute to the debate about Rentier states in several ways. First, the institutional capacity/state capacity argument seems relevant. According to RST, successful reform requires significant state capacity, which was lacking in Libya. Along with the impact of oil, the choices made by the Qaddafi regime were significant in this respect, as state institutions were effectively undermined by the *jamahiriyya* system. Thus, the regime, which had destroyed existing institutions without creating new ones, was not equipped to deal with the uprising. Second, state-society relations are also crucial. The state opted to rely on tribal structure to rule and prevented other types of social groups from advancing. Thus, the transformation of the socio-economic and political system lacked societal support. Third, skewed distribution policies that discriminated along regional and/or tribal lines created societal tensions in the 2000s, especially in the face of rising corruption and acute youth unemployment. Fourth, the Libyan case also points to the importance of the international, a much neglected variable in RST. Although the uprising was widespread, it might not have been enough to topple the regime without external intervention. The Libyan case thus forces us to look for ways to incorporate the international into RST.

In the Bahraini case, the country has been experiencing uprisings at least since the 1980s. Tensions escalated with the oil bust and, especially in the mid-1990s, the “demonstrations over unemployment, discrimination and the refusal of the ruling family to modify its monopoly over the state and the public purse” all contributed to an increasingly oppressive atmosphere.⁵² Bahrain is a small country in the Gulf with fewer than one million nationals and more than 200,000 expatriates. Its oil resources are more modest than those of other rentier states, and oil revenue constitutes barely 50 per cent of state revenues. Thus, rentierism has been more limited in Bahrain than in other Gulf States. Yet the main context within which the rentier state operates has been sectarianism, which has beset the country’s political economy as well. The *Shi’a* majority has accused the *Sunni al-Thani* regime of discrimination in employment, housing and government. The *Shi’a* community has been disproportionately affected by unemployment and relative poverty, and has constituted the core of the protestors demanding social, economic and political rights almost since independence in 1971. Given its history of protests it was not surprising that Bahrain soon joined the “Arab Spring”. The state took a carrot-and-stick approach to dealing with the unrest, but ultimately called on its GCC partners for help. On March 14, 2011, about 2000 troops from Saudi Arabia and the UAE arrived in Bahrain to quell the protests.

In Bahrain the historical trajectory of state-society relations largely explains the inability of the state to develop effective policies to deal with political and socio-economic crisis. The articulation of class and sect in domestic politics characterized the context within which the protests took place. In addition, however, the case of Bahrain also underlines the importance of the international. Host to the US Fifth Fleet and notable among

52 Joe Stork, “Bahrain’s Crisis Worsens”, *MERIP Reports*, No. 204, 1997, p.33.

GCC countries—and thus also implicated in the regional competition between the GCC and Iran—the Bahraini political trajectory is more directly determined by external than internal dynamics, at least for now.

Of the remaining rentier states, which experienced no or limited unrest, all but Algeria are small Gulf monarchies. It may be argued that in the case of Gulf monarchies the explanatory variable is unclear, as some scholars emphasize the resilience of monarchies as a determining factor. The two other monarchies in the region, namely Morocco and Jordan, have so far successfully guarded themselves against the waves of protest in the region. The oil factor is still in play in these two non-oil-producing monarchies, as contributions from the oil monarchies have helped them to weather the storm. It is safe to argue that oil has also contributed to their stability.⁵³

Among the Gulf States, Qatar and the UAE seemed to experience the least unrest. With their relatively small populations and enormous hydrocarbon revenues, these two states have provided their citizens significant wealth. In response to the wave of protests elsewhere in the Arab world, these countries increased the distribution of oil wealth with the aim of securing loyalty from among the population, as well as from their armies, given their critical role in Egypt and Tunisia. For instance, in the UAE there was a substantive increase in army pensions, greater subsidies for rice and bread, and promises of increased government investment in traditionally neglected parts of the country.⁵⁴ Furthermore, it is safe to argue that the symbiotic relationship between the state and the business community seems to have been an important factor in maintaining stability. Finally, Qatar in particular also successfully adopted a proactive approach towards the “Arab Spring” by supporting protest movements in other Arab countries. Its participation in the military intervention in Libya, along with the activism of Al Jazeera, may also have helped to portray Qatar as a pro-change actor and shield the state from domestic opposition.

Saudi Arabia is another that has thus far succeeded in limiting unrest. This is all the more interesting as, with a larger population and social problems such as unemployment—particularly among youth—accusations of corruption, political repression and distribution problems, Saudi Arabia was thought to be vulnerable to a similar kind of uprising. There were some protests in 2011, especially in the eastern provinces where a considerable *Shi'a* minority suffers severe discrimination. The state enacted several strategies in response. The immediate response was a typical carrot-and-stick approach, which was made possible with the oil rent. King Abdullah immediately announced a \$130 billion subsidy program, as well as an increase in public sector wages and social benefits.⁵⁵ At the same time, fearing that similar protests might break out domestically, the state imposed

53 Sean L. Yom and F. Gregory Gause III, “Resilient Royals: How Arab Monarchies Hang On”, *Journal of Democracy*, Vol.23, No. 4, 2012.

54 Nadine Sika, *The Political Economy of Arab Uprisings*, IEMed Papers, 2012, p.11, <http://www.euromesco.net/images/papers/papersiemed10.pdf> (Accessed on 15 April 2014).

55 Martin Beck and Simone Hüser, *Political Change in the Middle East: An Attempt to Analyze the Middle East*, GIGA Working Paper, No. 203, 2012, Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2145853, p. 10 (Accessed on 29 April 2014).

a ban on demonstrations and increased the presence of security forces on the streets. The regime also invoked its traditional source of legitimacy through declarations by the influential Council of Senior Islamic Scholars that “demonstrations are not compatible with Islam.”⁵⁶ Yet, more important than the traditional alliance between the al-Saud family and *Wahhabi* sheiks has been the cooptation of the *Sabrwa*, “the powerful Islamist network which would have to play a major role in any sustained mobilization of protests,” by the state.⁵⁷

Kuwait, on the other hand, did experience some unrest. The protests, however, developed in the traditional sense, focusing on historically relevant issues of opposition. As Gause and Yom described it, “these protests did not break new ground and quickly pivoted to old issues such as tribal rivalries, citizenship rights and political corruption—longstanding problems that did not threaten the al-Sabah dynasty.”⁵⁸ The *Sbi'a* minority, which has historically maintained a closer alliance with the state, did not dominate the unrest, for instance.

Algeria, a republican rentier state, interestingly seemed to follow the same pattern as the Gulf monarchies. In 2011 there were also regular protests in Algeria inspired by similar protests elsewhere in the region, which criticized unemployment, food price increases, lack of housing, corruption and restrictions on freedoms. The state responded, as Volpi argues, with “the ‘correct’ combination of repression and cooptation,”⁵⁹ announcing a 25 per cent increase in public spending and lowered food prices, but also taking steps to suppress the demonstrations. Eventually, the state of emergency was lifted. Abdelaziz Bouteflika, who has ruled the country since 1999, was once again re-elected president in March 2014. The ruling bloc includes an all-powerful military and security services, as well as an alliance with the business elites. Meanwhile, the vivid and recent memory of civil war in the 1990s, and of developments in post-“Arab Spring” countries, seemed to have further weakened the already fragmented opposition.

Conclusions

The Arab uprisings and subsequent developments have prompted a revisitation of RST. It is clear that, with the exception of Libya, all rentier states in the region somehow not only escaped collapse but often also experienced little or no unrest. Without external intervention, the outcome in Libya would not have been certain either. Does this prove the arguments for a positive correlation between rentier states and authoritarianism, or does

56 Ibid.

57 Stephane Lacroix, “Saudi Islamists and the Potential for Protest”, *Foreign Policy*, 2011, http://mideastafrica.foreignpolicy.com/posts/2011/06/02/saudi_islamists_and_the_potential_for_protest (Accessed on 26 April 2014).

58 Yom and Gause III, “Resilient Royals: How Arab Monarchies Hang On”, p.80.

59 Frédéric Volpi, “Algeria versus the Arab Spring”, *Journal of Democracy*, Vol.24, No.3, 2014, p.108.

it demonstrate that rentier states are stable even in times of crisis? I think the developments in rentier states both before and after the uprisings are much more complicated and nuanced than can be captured by such generalizations. Furthermore, correlations do not tell us about causality; how does oil create and sustain authoritarianism and/or stability?

Such an analysis requires in-depth comparative case studies that articulate causal mechanisms within the structural context of rentierism. This first of all requires a problematization of rentier states: What is the relationship between oil rents and state formation, and what is the nature of such state institutions? And what are the causal factors behind state formation under these circumstances? Are oil rents a necessary and/or sufficient cause for “rentier states” in the Middle East, or are they just one of multiple casual factors?⁶⁰ Then, what is the relationship between “rentier states”, on the one hand, and authoritarianism, stability and economic development on the other? For such an analysis the use of new qualitative methods, such as comparative historical analysis or process tracing, which use small-N or single case studies, is crucial.

The literature has already identified several variables that account for differences among rentier states, particularly institutional formation and state-society relations. There are, however, several avenues for improvement here. First, in the analysis of state-society relations, the importance of coalition building must extend beyond state-business relations in order to correct the autonomy argument of first-generation RST. Instead, states’ cooperation and conflict with various social groups—not only economic but also ideational—should be included in the analysis. Second, the role of the international in the analysis should be expanded. Currently, the scope of the international is limited only to the impact of international oil rents, whereas this has to include the general impact of the world economy, along with the geopolitical context, as has been vividly demonstrated in the cases of Bahrain and Libya. To construct such a framework, International Historical Sociology (IHS), which focuses on the state, state-society relations and the international, seems to open up exciting avenues for analysis.⁶¹ IHS problematizes the state and its evolution; goes beyond the state autonomy argument and conceptualizes a state that is embedded in the society; and, finally, underlines the importance of the international. Thus, the “Arab Spring” provides exciting opportunities for further developing RST by engaging with new methodologies and conceptual frameworks.

60 James Mahoney *et. al.*, “The Logic of Historical Explanation in the Social Sciences”, *Comparative Political Studies*, Vol.42, No.1, 2009.

61 See, for instance, Stephen Hobden and John M. Hobson (eds) *Historical Sociology of International Relations*, Cambridge, Cambridge University Press, 2002.

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