The Rentier State in the Arab World

Hazem Beblawi

Introduction

The concept of a rentier state has gained renewed interest with the advent of the oil era and the emergence of the new Arab oil-producing states.

In a celebrated passage, Adam Smith distinguished between rent and other sources of income: wages and profit. "Rent," says Smith, "enters into the composition of the price of commodities in a different way from wages and profit. High or low wages and profit are the causes of high or low price; high or low rent is the effect of it" (Smith, 1960: 412). A rent, it is to be remembered, is not merely an income for landlords, but generally a reward for ownership of all natural resources. "Mines, as well as land," affirms Ricardo, "generally pay rent to their owners and this rent, as well as the rent of the land, is the effect and never the cause of the high value of their produce" (Ricardo, 1962: 590). The same applies to all natural and differential endowments: location, climate, etc. In its general usage, the term "rent" is reserved for "the income derived from the gift of nature" (Marshall, 1920). Rent in this broad sense exists in all economies, albeit in different degrees.

It is not the purpose of the chapter to discuss the economic concept of rent and its various forms: rent/quasi-rent, scarcity/differential rent, etc. In modern economic analysis an efficient management of resources would call upon rent as much as on other factor prices. No value judgment is implied; rent is an economic price or factor income like any other price.

It remains true, however, that social scientists—including economists—suspect a difference between "earned" income and effortless "accrued" rent. Religious ethics, and then the capitalist instinct for work salvation, helped create a long tradition of hostility against non-earned income.[1] This was reflected in a deep-rooted mistrust of the economic profession against rent and rentiers.

Hazem Beblawi is Chairman of the Export Development Bank of Egypt. Reprinted by permission from H. Beblawi and G. Luciani, *The Rentier State*, vol. 2 of *Nation, State and Integration in the Arab World* (London: Croom Helm and New York: Methuen, 1987), published in association with the Istituto Affari Internazionali. Funding for the series was received from the Ford Foundation and the IDRC of Canada.

Classical economists—Malthus apart—and later Marx have few kind words to say about rent and rentiers. Rentiers as a social group were thus assaulted by both liberal and radical economists as unproductive, almost anti-social, sharing effortlessly in the produce without, so to speak, contributing to it.

A rentier is thus more of a social function than an economic category, and is perceived as a member of a special group who, though he does not participate actively in the economic production, receives nevertheless a share in the produce and at times a handsome share. The distinguishing feature of the rentier thus resides in the lack or absence of a productive outlook in his behavior.

It is important to emphasize here that it is the social function of the rentier rather than his legal status of private ownership, that is usually evoked with undertones of discontent. The contrast between the rentier and Schumpeter's entrepreneur is striking as well as instructive. Dynamic, innovative, risk-bearing, Schumpeter's entrepreneur is the antithesis of the rentier.

Such stereotype rentier is, of course, a caricature. In fact "pure rent in the strict sense of the term is scarcely ever met with; nearly all income . . . contains more or less important elements, which are derived from effort invested" (Marshall, 1920: 350).

The emergence of the new oil states in the 1970s and their promotion to the forefront of world trade and finance resuscitated the concept of rentier economies. A windfall wealth of unprecedented magnitude in such short time revived the idea of unearned income, hence the epithet of rentier economies. The impact of the oil phenomenon on the role of the state and on economic behavior in general has been so profound in the Arab world during the seventies as to justify special treatment. The concept of a rentier state is chosen for lack of better concepts to characterize the prominence of the oil economies in the Arab region.

A rentier state: elements for definition

The purpose of an attempt to define a rentier state is not to reach an abstract notion of such a state but to help elucidate the impact of recent economic developments, in particular the oil phenomenon, on the nature of the state in the Arab region.

Certain characteristics should be kept in mind in view of the definition of a rentier state in our context. First, there is no such thing as a pure rentier economy. Each and every economy has some elements of rent. A rentier economy should be defined as one where rent situations predominate. This, of course, is a matter for judgment.

Second, and this is very important, a rentier economy is an economy which relies on substantial *external rent* (Mahdavi, 1970: 428). The externality of the rent origin is crucial to the concept of a rentier economy. The existence of an internal rent, even substantial, is not sufficient to characterize a *rentier economy*, though it could indicate the existence of a strong *rentier class* or group. A pure internal rent cannot be sustained without the existence of a vigorous domestic productive sector. In such a case, a rentier class is only one face of the coin; the other face would be a productive class. Internal rent is no more than a situation of domestic payment transfer in a productive economy. An external rent, on the other hand, can, if substantial, sustain the economy without a strong productive domestic sector, hence the epithet of a rentier economy.

Third, in a rentier *state*—as a special case of a rentier economy—only few are engaged in the generation of this rent (wealth), the majority being only involved in the distribution or utilization of it. The distinction between generating wealth and its utilization is not always clear. It can, however, be accepted that the creation of wealth is the cause of all other activities and the utilization is only the effect. It is true that interactions always exist between various activities, blurring the cause-effect relation. In the case of the oil-producing countries, the role of oil revenues is so overwhelmingly obvious that it can be approximated to be the cause of other activities.

A rentier economy is thus an economy where the creation of wealth is centered around a small fraction of the society; the rest of the society is only engaged in the distribution and utilization of this wealth. The respective roles of the few and the many can hardly be overstated for the concept of a rentier economy. Accordingly, an open economy with high foreign trade is not a rentier state, simply because it relies on the outside world, even if it generates its income from natural endowment (e.g. tourism) in as far as the majority of the society is engaged in the process of wealth generation.

Fourth, a corollary of the role of the few, in a rentier state the *government* is the principal recipient of the external rent in the economy. This is a fact of paramount importance, cutting across the whole of the social fabric of the economy affecting the role of the state in the society. The role of the government as the principal recipient of the external rent is closely related to the fact that only few control the external rent. In fact, the "economic power" thus bestowed upon the few would allow them to seize "political power" as well, or else induce the political elite to take over the external rent from them without major political disruption. A predominantly rentier *state* will accordingly play a central role in distributing this wealth to the population. This brings us close to a distinction proposed by Giacomo Luciani, that is, between productive and allocative states (see Beblawi and Luciani, 1987: ch. 3).

Having characterized the main features of a rentier state, it is important to emphasize that the choice of such a concept is based on the assumption that such an economy creates a specific mentality: a *rentier mentality*. The basic assumption about the rentier mentality and that which distinguishes it from conventional economic behavior is that it embodies a break in the work-reward causation. Reward—income or wealth—is not related to work and risk bearing, rather to chance or situation. For a rentier, reward becomes a windfall gain, an *isolated* fact, situational or accidental as against the conventional outlook where reward is integrated in a *process* as the end result of a long, systematic and organized production circuit. The contradiction between production and rentier ethics is, thus, glaring.

It is also assumed that the pre-eminence of the oil countries has not only brought to the fore a contradiction between production and rentier ethics, but more seriously, has meant the prevalence of the rentier economy. A decade of the oil era shows that the whole of the Arab world, oil rich as well as oil poor, is becoming a sort of oil economy with various undertones of rentier mentalities. This development has effected the role of the state in the whole Arab world.

The oil states:.multilayers of rentiers

The Arab oil states represent, it has been said, the example *par excellence* of rentier states. With oil exports' revenues, the Arab oil states depend on external rent. Oil revenues represent more than 90 per cent of budget revenues, 95 per cent or more of exports. Also, only a small fraction of the population is involved in the generation of oil revenues, the rest being engaged in the use of the oil wealth. No more than 2 to 3 per cent of the labor force is engaged in the production and distribution of the oil wealth, which adds 60 to 80 per cent to the GDP, as conventionally measured. Nevertheless, this fact does not preclude genuine productive activities outside the oil sector. Finally, oil revenues (rent) accrue directly to the state or the govenment. The Arab oil states thus correspond to our definition of rentier states. The role and the nature of the state have been greatly affected by this fact.

The state or the government, being the principal rentier in the economy, plays the crucial role of the prime mover of the economic activity. Rent that is held in the hands of the government has to be redistributed among the population. Special social and economic interests are organized in such a manner as to capture a good slice of government rent. Citizenship becomes a source of economic benefit. Different layers of beneficiaries of government rent are thus created, giving rise, in their turn, to new layers of beneficiaries. The whole economy is arranged as a hierarchy of layers of rentiers with the state or the govenment at the top of the pyramid, acting as the ultimate support of all other rentiers in the economy. It is important to add here that the rentier nature of the new state is magnified by the tribal origins of these states. A long tribal tradition of buying loyalty and allegiance is now confirmed by an *état providence*, distributing favors and benefits to its population.

The conventional role of the state as provider of public goods through coercion—mainly taxation—is now blurred in the Arab oil states by its role as a provider of private favors through the ruler's benevolence. Public goods and private favors have thus gone together in defining the role of the state.

With virtually no taxes, citizens are far less demanding in terms of political participation. The history of democracy owes its beginnings, it is well known, to some fiscal association (no taxation without representation). The government's budget in the oil states remains a one-sided document, an expenditure program, a promise to spend money and distribute benefits to the population with virtually no levy on them in terms of taxes or similar impositions.

Kuwait was probably the one to introduce into the Gulf area the concept of distributing part of the oil wealth to the population which eventually evolved into that of the welfare state. The shrewd Sheikh Abdullah al-Salim of Kuwait made the fundamental decision that he (the state) should share part of the oil rent with the population. The role of the government was thus defined as being primarily a partial distributor of oil wealth among the population. In his quest to create vested interests among notable Kuwaiti families round the new states in the early 1950s, Sheikh Abdullah al-Salim introduced the system of government land purchase, at prices hardly related to market value. No more than a decade or two later, the same system was adopted by other Gulf states: Qatar and UAE. In Saudi Arabia, the practice of land gifts was already in force since the 1920s and 1930s. With the annexation of Hijaz in the pre-oil era, the pilgrimage royalties (another source of rent) gave Ibn Saud the means to distribute favors (land). The government continued to grant land to relatives, ministers and anyone else it wished to favor. The recipients sometimes sold their land to private developers, but the biggest and most generous buyer was always the government itself (Field, 1984: 99). The early relationship between oil revenues and land speculation—the proper domain for rent and rentier—can be seen here. Later developments, as we shall see, made land as well as shares a prosperous source of rentier speculation.

Of course, governments in the oil states outgrew their role as distributors of favors and benefits and embarked on the modern function of providing public goods and services to their population. Governments are providing their populations with a wide range of genuine public goods and services: defense, national security, education, health, social security, employment, an impressive network of infrastructure, etc. The level and quality of these public goods and services are usually adequate, sometimes excellent. They are also provided free or at very low cost to the beneficiary. However, the original sin remains, sometimes open but mostly latent, thus vitiating the provision of these public goods. It is reported that "if a prince heads a ministry or some other government department, it is accepted that he is entitled to draw on the budget of that department or take a share of its spending in major projects" (Field, 1984: 101–2). To a certain degree, all government contracts are seen as royal favors. Their origin as part of the ruler's benevolence does not fail, thus, to exhibit their peculiarities.

The distinction between public service and private interest is very often blurred. There seems to be no clear conflict of interests between holding public office and running private business at the same time, and it is not infrequent to use the one to foster the other. Sometimes high-ranking public officers (ministers) take the trouble to form their private businesses under the names of their sons, brothers or similar *prête-noms*. In fact, huge development projects, joint ventures, agents, tenders and awards of hundred million—sometimes billion—dollar contracts have provided opportunities for those in public office to use their positions for private gain (Beblawi, 1982: 216). The practice varies from one oil state to another; it is most conspicuous in Saudi Arabia and least apparent in Kuwait. In Saudi Arabia, contracts are given as expression of royal gratitude. Contract brokers, commission fees for the ruling elite, lobbying the royal family, etc., are not unusual practices in the Gulf areas. Some names earned notorious reputations in this respect; Adnan Khashoggi, Mahdi Tajir, Princes Muhammad Bin Abdel-Aziz, Muhammad Fahd, Sultan Bin Abdel-Aziz are only the most visible (Field, 1984).

The government not only distributes benefits and favors to its population, but it is also the major and ultimate employer in the economy. Every citizen—if not self-employed in business and/or not working for a private venture—has a legitimate aspiration to be a government employee; in most cases this aspiration is fulfilled. Though utterly free enterprise oriented, the number of government employees in the oil states is only matched by socialist-oriented states. Civil servant productivity is, understandably, not very high and they usually see their principal duty as being available in their offices during working hours (*al-dawam*).

If governments are the principal rentiers in the Arab oil states, they are by no means the only ones. Trade and business professions in many cases consist in no more than taking advantage of special situations entrusted to them by law or fact. Merchants are favored by existing laws. It is the law in oil states that foreign companies may sell their products only through local agents. Most states insist that foreign companies should also take local merchant partners if they want to operate on their soil. In any case, foreign companies find it difficult to deal with local bureaucracy without local partners or sponsors (Field, 1984). The big trading houses, the family conglomerates that are involved in all business matters owe their wealth, in one way or another, to some rent situation. Being a sales agent is the classical road to business and hence to wealth. Big family names in the oil states are intimately related with one or more brand names; e.g., in the car distribution business we have Alghanim with GM in Kuwait; Juffali with Mercedes in the truck business in Saudi Arabia, and Bisher and Al-Kazmy with same company in Kuwait; Futtaim with Toyota in Dubai and Al-Sayer with it in Kuwait; Galadari with Mazda in Dubai . . . The list is long indeed ("Arabian Trading," *Financial Times*, 23 January 1985).

Not only should distribution agents be exclusively nationals but also the practice of most professions and trades be restricted to nationals. This legal restriction has been established to counter the well-known shortage of professional and skilled labor. The result is the appearance of a peculiar function, that of the sponsor, *al-kafil*. This is someone, a national of course, who offers his name to expatriates to exercise various trades and professions under his name, in return for a share of proceeds (rent). The *kafil* mentality, where citizenship is becoming a sort of financial asset and hence a source of income, transcends national/expatriate relations to become, even among nationals, a normal feature of everyday life. For example, in Kuwait, during the euphoria of the stock market, it was the habit of the government to allocate a certain number of shares for each Kuwaiti citizen in new public shareholding companies. A very active trade in "citizenship" (*ganaci*) took place, where those not interested in buying their shares would sell their rights—as attested by the citizenship certificates—to others. Citizenship is not only an affective relation between man and his homeland, it is also, or primarily, a pecuniary relation.

Oil rent thus gave rise, in turn, to a secondary wave of rent generations: second order rents. Two areas seem to distinguish themselves as rent centers: real estate and stock market speculation.

Land, it was said, has played a major role in the process of trickling down oil money from governments to private individuals. The readiness of governments to purchase land at higher prices sustained ever-growing prices for real estate. A very profitable business was created round land speculation with some very active brokers. Government was always prepared to act as the ultimate buyer.

The ingenuity of some land brokers soon introduced a very powerful instrument to keep real estate prices high even in face of credit squeezes, liquidity shortages and/or government's momentary reluctance to inject money into land purchase. This was the so-called forward market or post-dated check system. Kuwaiti brokers masterminded these new techniques and extended them imaginatively—and dangerously—to stock market transactions. Growing prices for real estate and stocks cannot be sustained indefinitely unless they are matched by a growing injection of liquidity to back up demand for these assets. Sooner or later there comes a time when liquidity is not forthcoming and the market comes to a halt if not a collapse. This is where the role of the forward transaction which provides the market with a new instrument for credit creation at the disposal of the speculators, bypassing the banking system, comes in. Each speculator becomes something of his own bank, capable of adding to liquidity by issuing his own IOUs which are more or less accepted in the market (real estates, stock market). In final analysis, liquidity is created through bank intermediation in the exchange of obligations. With forward transactions and the issuing of post-dated checks, speculators assume the role of informal banks and pay for their deals by increasing their own liabilities.

A forward deal is a spot deal with credit, where the buyer gets the commodity (shares, land, etc.) at the time of the transaction and pays forward with a post-dated check with a premium (an interest rate or rather a usury rate) which can vary between 50–200 per cent per annum. At maturity, he can either roll over the check with another more attractive premium (an offer which the other party usually cannot refuse), or if his creditor refuses the offer, he can just borrow from the market by buying another commodity (shares) on a forward basis (another post-dated check to a third party) and selling it on the spot market to get the cash to pay his first creditor. The game can continue indefinitely in as far as dealers are prepared to accept each other's post-dated checks. In fact, there was a general tacit agreement to continue the game, with everyone issuing and receiving post-dated checks at the same time. Checks were rolled over and every second new checks were added to the market thus giving the illusion of ever-growing fortunes. These were the rules of the mirage wealth creation or the big casino later know as Souk al-Manakh. A money machine—the dream of all speculators—was invented and nothing could stop the attractiveness of Souk al-Manakh. Young graduates left their jobs for the new gold mine, early retirements took place, "creative" companies invested heavily in the stock market, thus scoring huge profits and offsetting their losses in their normal lines of business. Even off-shore bankers and more sober institutions and professionals were tempted by the new phenomenon. New companies were created every day, giving rise to new share-offerings on the market and accordingly fresh opportunities for new wealth. Social life was also transformed: politics was no more a subject for discussion, and even gossiping, a favorite pastime, was fading away. The new and almost only talk of the town was centered on share prices and the new shares coming on to the market.

The end of this fancy world is well known to all. The Souk al-Manakh dream turned into a nightmare. In July 1982 some dealers, sensing the imminent difficulties of the market, began to cash their checks ahead of time. A minor crisis was thus turned into a full-scale crash. The age-old adage that what goes up—artificially—must come down, was finally vindicated in Kuwait (Beblawi and Fahmi, 1984: 173).

The government role in the development of this speculative activity can hardly be overestimated. Not only did governments indirectly help speculations, but in many instances were directly involved in supporting speculative markets. When the Kuwaiti stock market faced its first setback in 1976/7, the Kuwaiti government was prompted to bail it out. Even in 1982, when the Kuwaiti government refused to repeat the role it played in 1976/7, it compensated the so-called small investor—defined as one owed no more than KD 2 million ($6.75 million): no small reward for speculators. In both cases, a number of key members of government and parliament were deeply involved in the stock speculations.

The juxtaposition within Arab oil states of a rentier economy and a productive economy is paralleled by the coexistence of two social communities:

nationals and expatriates. Expatriates are called upon to help fill the gap in available manpower in oil states. More often than not, these expatriates assume productive activities to satisfy the growing needs of the society. They earn their living by the work they do. The relationship work-reward is actually maintained in their case. Rent economy, on the other hand, is normally confined to nationals; the privileges it conveys hardly extend to expatriates.

The contrast between the two communities is striking as well as revealing. Nationals live more in a rentier economy and associate with its financial manna all the political rights of citizenship. On the other hand, although earning their living in a more productive manner, the impact of the rentier economy on expatriates is far from negligible, giving rise to serious corruption of the productive system and work ethics. Even if they form the core of the productive manpower, expatriates nevertheless remain alien to the body politic. Though they serve the country, live—and also die—on its soil, they are not part of it. Expatriates are thus part of the labor force but not of the society. The material life of expatriates is usually comfortable and by no means comparable to the living conditions in their homeland. Their emotional life is, none the less, unstable, terribly wanting in security and lacking a sense of belonging.

The political cleavage between the two communities widens as the economic rent to citizens increases. Restrictions on expatriates' professional mobility as well as their political integration increases with the increase in the oil wealth. The contrast between the less abundant years of the 1960s and the more affluent 1970s is very significant. Regardless of the vocal rhetoric of Arab nationalism, in the 1970s the political elite in the oil states, no matter whether right- or left-wing, advocated a narrow local nationalism and restrictive benefits to expatriates.

The non-oil states: semi-rentiers without oil

The Arab non-oil states are by no means rentier states in the sense previously outlined. The predominance of the oil phenomenon on the whole region is, however, such that many non-oil Arab states are showing increasing signs not dissimilar to those witnessed in oil states.

Let us first draw attention to the fact that because of oil wealth, the whole Arab area—oil rich as well as oil poor—has assumed strategic value in the world chessboard. The area as a whole, particularly neighboring countries, have gained location rent.

Military and political aid to preserve and/or introduce superpowers'—as well as mini-powers'—influence in the area, is a major source of external rents to many states. Otherwise remote and poor states (e.g., Somalia) would hardly receive alternately Russian and American aid. In the 1960s Egypt received the highest Soviet aid to a foreign country, to become, together with Israel, the highest American aid recipient in the 1970s and 1980s. Syria, Jordan and South Yemen are other examples.

Rhetoric aside, inter-Arab aid was related, to some extent, to its effect on the stability and tranquility of oil rent in oil states. Very often Arab aid to fellow Arab states was used in much the same way as domestic redistribution of oil revenues: to buy allegiance or rather avoid trouble. Pan-Arabism and Arab money were, to a great extent, and in different hands, the stick and the carrot, used to bring about a very subtle equilibrium in sharing oil rent. By conferring and/or withholding super-legitimacy over individual states, the advocates of pan-Arabism used their political clout as a source of financial aid. By distributing and/or promising aid, the carrot in the hands of the oil states helped them buy peace and stability. Arab finance was thus more a counterpart than a complement to pan-Arabism. It is no wonder, then, that Arab financial flow to Arab brothers coincided with the retreat of the pan-Arab system after the 1967 war, which "marked the Waterloo of pan-Arabism" (Ajami, 1978/9). In the wake of the October 1973 war, it was Sadat and Assad—"revisionists" or "correctionists" of the pan-Arab doctrine—who obtained Arab finance. With the decline of Egypt's role in mobilizing Arab public opinion, particularly after Camp David, the Baghdad Summit relieved the Arab oil states of their financial commitments to Egypt, shifting them to more assertive Iraq, Syria and the PLO. The subsequent Iraq-Iran war proved to be quite a drain on their treasury. The Baath party, which is in power in both Iraq and Syria, though two competing factions, is notorious for its unscrupulous and ruthless practices vis-à-vis its opponents. Some oil states—Kuwait and UAE for example—had the privilege of actually experiencing firsthand such practices when a number of attacks and/or bombings took place on their territory. They had, of course, the tact and discretion to turn a blind eye to these "accidents." But the message is clear.

External location rent is also evident in so-called transit countries (Mahdavi, 1970). Suez Canal revenue and oil pipeline royalties are major revenue sources to some countries, e.g., Egypt and Syria.

Workers' remittances are becoming one of the major foreign exchange sources in some non-oil states. Yemen is a well-known example where remittances represent more than 85 per cent of GDP. Workers' remittances are becoming the biggest single source of foreign exchange in Egypt as well. In Syria, Lebanon, Tunisia, Algeria and Morocco, workers' remittances play a very important role in their balance of payment adjustments. It is not easy to equate workers' remittances to external rent. From the worker's point of view, he is earning his income at the cost of effort and work. From the recipient country's point of view, remittances are, nevertheless, more akin to aid or non-requited money transfers.

All told, various elements of external rent play an increasing role in non-oil

Arab states. In Egypt, for example, it is estimated that about 45 per cent of its GDP is represented by exogenous — read rent — elements in the form of oil revenues, workers' remittances, foreign aid, Suez Canal revenue and tourist expenditure. It is also to be noticed that most of these revenues accrue directly to the state or the governemnt. The epithet of semi-rentier state is, thus, not far-fetched.

The semi-rentier nature of non-oil states is not without its effects on the role of the state and on citizens' behavior. Government favors are now embodied in a welfare doctrine. Subsidies of all kinds pervert the economic system. A huge bureaucracy, sort of a new rentier class, is getting a substantial slice of the government's accrued rent. Though individually very low-paid, civil servants as a social group are a very expensive element in view of their contribution to the country's productivity (it is often thought that they contribute negatively to the growth of the economy).

It is also interesting to see how each source of external rent has bred its own chain of second-order rentiers. In Egypt, for example, a prosperous trade has been developed around workers' movement to the Gulf. Also, money dealers have grown immensely to process workers' remittances. American aid helped create a flourishing consultancy — legal, technical, economic, etc. — business to prepare proposals for aid consideration. A new social class — lawyers, consultants, financial analysts, lobbyists, brokers, etc. — is on the rise everywhere.

Finally, when not direct recipient of the rent, the state, because of its external origin, quite often tactfully courts the rent earners. Suffice it to observe tax exemptions and other incentives given to workers' remittances, foreign banks, tourism, etc. Governments do their utmost to sweeten their normal coercive practices. They are willing to appeal and not to impose. Economic liberalization, *infitah* or whatever, is everywhere.

Conclusion: an oil Arab economy

It seems from the foregoing that the oil phenomenon has cut across the whole of the Arab world, oil rich and oil poor. Arab oil states have played a major role in propagating a new pattern of behavior, i.e., the rentier pattern. Oil as the primary source of rent in the Arab region has generated various secondary rent sources to other non-oil Arab states. To the first-order rentier oil states is thus added a second-order non-oil rentier strata. The impact of oil has been so pre-eminent that it is not unrealistic to refer to the present era of Arab history as the oil era, where the oil disease has contaminated all of the Arab world. Be it oil revenue, or workers' remittances, or strategic location, or *al-kafil*, or Souk al-Manakh, they are all consequences of the oil phenomenon, and have been accompanied by a serious blow to the ethics of work. Income is no longer a reward of serious and hard work, it is very often related to special circumstances, change, location, etc. In a word, we are living in a rentier universe which has affected both the state and the citizen.

NOTE

1. "The religious valuation of restless, continuous, systematic work in a wordly calling, as the highest means to asceticism, and at the same time, the surest and most evident proof of rebirth and genuine faith, must have been the most powerful conceivable level for the expansion of that attitude toward life which we have here called the spirit of capitalism." Weber (1958: 127).

REFERENCES

Abdel-Fadil, M. (1979) "The pure oil-rentier states: problems and prospects of development," in *Oil and Arab cooperation*, Vol. 5, No. 3 (in Arabic).
———(1985) "The economic impact of international migration with special reference to workers' remittances in countries of the Middle East," paper presented to the 20th conference of the IUSSP in Florence, 5–12 June 1985.
Ahmed, S. (1984) *Public finance in Egypt: structure and trends*, World Bank Staff Paper No. 639, Washington, D.C.
Ajami, F. (1978/9) "The end of pan-Arabism," *Foreign Affairs*, Winter, 1978/9.
Alaya, H. (1984) 'Une analyse du VI Plan, *Revue Tunisienne d'economie*, I.
Amin, G. (1974) *The modernization of poverty*, Brill, Leiden.
Amin, S. (1980) *The Arab economy*, Editions de Minuit, Paris.
Annuaire de l'Afrique du Nord, 1967.
Ayadi, H. (1980) "Les tendences générales de la politique fiscale de la Tunisie depuis l'indépendence," *Revue Tunisienne de Droit*, Tunis.
Bank of Libya (1967) *Annual Report 1966/1967*, Tripoli.
———(1968) *Annual Report 1967/1968*, Tripoli.
Baran, P.A. (1957) *The political economy of growth*, Monthly Review Press, New York.
Barna, T. (1973) "Quesnay's Tableau in modern guise," *Economic Journal*, vol. 85.
Beblawi, H. (1982) "The predicament of Arab Gulf oil states: individual gains and collective losses," in M. Kerr and E.S. Yassin (eds), *Rich and poor states in the Arab world*, Westview Press, Boulder, p. 167.
———(1978) "Petro-surpluses and the structure of the world economy," *Oil and Arab cooperation*, Vol. 4, No. 4 (in Arabic), p. 19.
———and Fahmi, R. (1984) "The Kuwaiti stock market," in H. Beblawi, *The Arab Gulf economy in a turbulent age*, Croom Helm, London, p. 173.
———and Luciani, G. (1987) *The rentier state*, vol. 2 of *Nation, State and Integration in the Arab World*, Croom Helm, London.
Ben Achour, R. (1981) *Le trésor public tunisien: role et fonctions*, Faculté de Droit et des Sciences Politiques et Economiques de Tunis, CERP.
Bernard, C. (1984) "Les économies maghrébines à la redécouverte des vertus de la P.M.I.," *Grand Maghreb*, Nos. 28 and 29.
Bill, J. (1972) *The politics of Iran*, Charles E. Merrill, Columbus, p. 124.
Boussoumah, M. (1982) *L'entreprise socialiste en Algérie*, Economica, Paris, p. 645.

Bowen-Jones, H. (1984) "The philosophy of infrastructure development," in M.S. Azhary (ed.), *The impact of oil revenues on Arab Gulf development*, Croom Helm, London.
Brahimi, A. (1978) *Dimensions et perspectives du monde arabe*, Economica, Paris.
Buchanan, J.M. and Flowers, M.R. (1975) *The public finances*, Richard D. Irwin Inc.,Homewood, Illinois.
Burgat, F. (1985) "La Libye à l'heure des comptes", *Grand Maghreb*, 39.
Cardoso, F.H. and Faletto,E. (1967) *Dependecia y desarrollo en America Latina — Ensayo de interpretación sociologica*, Instituto Latinoamericano de Planification Economica y Social, Santiago.
Central Bank of Egypt (1983) *Annual Report,* Cairo.
Central Bank of Jordan (1984) *Annual Report*, Amman.
Central Bank of Kuwait (1981) *Kuwaiti economy in ten years, economic report for the period 1969–1979*, Kuwait.
Central Bank of Tunisia (1983) *Annual Report*, Tunis.
Chatelus, M. (1984) "Attitudes toward public sector management and reassertion of the private sector in the Arab world," paper presented to the annual meeting of the Middle East Studies Associations of America (M.E.S.A.), San Francisco (publication forthcoming).
— — —and Schmeil, Y. (1984) "Towards a new political economy of state industrialization in the Arab Middle East," *International Journal of Middle Eastern Studies*, 1984, No. 2.
Courlet, C. and Judet, P. (1981) "La semi-industrialisation," *Cahiers I.R.E.P.-Developpement*, Université des Sciences Sociales, Grenoble.
Daddab and Mihyuddin (1984) "Industrialisation in the Arab Gulf," in Azhary (ed.), *The impact of oil revenues on Arab Gulf development*, Croom Helm, London.
Del Vecchio Good, M.J. (1981) "The changing status and composition of an Iranian provincial elite," in M. Bonine and N. Keddie (eds), *Modern Iran*, SUNY Press.
Delacroix, J. (1980) "The distributive state in the world system," *Studies in Comparative International Development*, Vol. 8, No. 3.
Destanne de Bernis, G. (1971) "L'Economie Algerienne depuis l'indépendence," *Les Economies Maghrébines*, CRESM-CNRS, Aix-en-Provence.
Dowidar, M. (1984) "La politique économique de l'infatah et la construction industrielle," *L'Egypte contemporaine*, 397.
ECWA (Economic Commission for Western Asia) (1973) "Some aspects and problems of foreign private investment in the Middle East," in *Studies on development problems in selected countries in the Middle East*, United Nations, New York.
— — —(1984) *Industrial development and structure in the Arab world, present and future: scenarios for the year 2000*, United Nations, New York.
Eickelman, F.D. (1981) *The Middle East—an anthropological approach*, Prentice Hall, Englewood Cliffs, N.J.
Entelis, J. (1982) in William Zartman (ed.), *Political elites in Arab North Africa*, Longman, New York.
Enthoven, A.J. (1973) *Accounting and economic development policy*, North Holland, Amsterdam.
Evans, K. (1985) "Confidence has been shaken," in *Financial Times*, 11 February.
FAO (1984) *Production Yearbook, 38,* Food and Agriculture Organization, Rome.
Field, M. (1984) *The Merchants*, John Murray, London.
— — —(1985) "Businessmen question government optimism," in *Financial Times*, 22 April.
First, R. (1974) *Libya, the elusive revolution*, Penguin, Harmondsworth.
— — —(1980) "Libya: class and state in an oil economy," in Peter Nore and Terisa Turner (eds), *Oil and class struggle*, Zed Press, London, p. 120.

Fischer, M. (1980) *Iran: from religious dispute to revolution*, Harvard University Press, Cambridge, Mass.
Gazzo, Y. (1981) "L'économie Libyenne," *Machrek-Maghreb*, 93, July, August, September, pp. 56–78.
Giddens, A. (1985) *The nation state and violence*, Polity Press.
Gourevitch, P. (1978) "The second image reversed," *International Organization*, 32.
Halliday, F. (1979) *Iran: dictatorship and development*, Penguin, Harmondsworth.
Harik, I. (1974) *The mobilization of peasants—a study of an Egyptian community*, Indiana University Press, Bloomington and London, pp. 267–8.
Harrod, R.F. (1956) *Towards a dynamic economics*, Macmillan, London, p. 37.
Hirschman, O.A. (1970) *Exit, voice and loyalty*, Harvard University Press, Cambridge, Mass.
IMF (1977) "Rapport sur l'economie Algérienne (1971–74)," in *Etudes générales sur les economies africaines*, Vol. 7, Washington, D.C.
———(1983) *Government finance statistics yearbook*, Washington, D.C.
———(1984) *Government finance statistics yearbook*, Washington, D.C.
———(1984) *World economic outlook*, Washington, D.C.
Jacquemot, P. and Raffinat, M. (1977) *Le capitalisme d'état algérien*, F. Maspéro, Paris.
Jordan Tax Department (1982) *Income Tax Law No. 84*, Ministry of Finance, Amman.
Kandil, A. (1970) *Théorie fiscale et développement: l'expérience algérienne*, SNED, Algiers.
Katzenstein, P. (1983) "The small European countries in the international economy: economic dependence and corporatist policies," in John Gerald Ruggi (ed.), *Antinomies of interdependence*, Columbia University Press, New York.
Kerr, M. and Yassin, E. (1982) *Rich and poor states in the Middle East*, Westview Press, Boulder.
Khalil, H. (1985) "Foreign aid and economic development: the case of Jordan," *Abhath al Yarmouk*, Vol. 1, No. 2.
Khasawneh, S. (1981) *Tax structure in Jordan*, Council of Arab Economic Unity, Amman.
Khouja, M.W. and Sadler, P.G. (1979) *The economy of Kuwait, development and role in international finance*, Macmillan, London.
Krueger, A. (1974) "The political economy of the rent-seeking society," *American Economic Review*, Vol. 64, No. 3, p. 302.
Lerner, A.P. (1944) *The economics of control*, New York, p. 262.
Luciani, G. (1976) *L'OPEC nell'economia internazionale*, Einaudi, Turin, pp. 121–3.
Mabro, R. (1974) *The Egyptian economy 1952–72*, Clarendon Press, Oxford.
Magnet, S. (1969) *Les finances publiques tunisiennes*, Ecole Nationale d'Administration, Tunis.
Mahdavi, H. (1970) "The pattern and problems of economic development in rentier states: the case of Iran," in M. Cook (ed.), *Studies in the economic history of the Middle East*, Oxford University Press, London.
El-Malki, H. (1983) "La politique agricole: réajustement dans la continuité?", in *Au délà des chiffres quel développement?*, Maghrébines (ed.).
Marshall, A. (1920) *Principles of economics*, 8th ed., Macmillan, London, p. 350.
McDermott, A. (1983) "Syria," in *Middle East Review*.
Morocco, Kingdom of (n.d.) *Three year plan 1978–80*, Rabat.
Oney, R. (1976) "Elites and the distribution of power in Iran," Central Intelligence Agency, *Muslim students following the line of the Imam*, Vol. 7.
Palmer, M. and el-Fathaly, O. (1982) "The transformation of mass political institutions in revolutionary Libya: structural solutions to a behavioral problem," in E. Joffe and L.S. McLachlan (eds), *Social and economic development of Libya*, MENAS Press, Wisbech.

Phillips, A. (1955) "The tableau economique as a simple Leontieff model," *Quarterly Journal of Economics*, Vol. 69, p. 137.

Pigou, A.C. (1932) *The economics of welfare*, 4th ed., London, p. 25.

Polanyi, K. (1944) *The great transformation*, Reinhardt, New York.

Poucet, J. (1971) "L'économie tunisienne depuis l'indépendence," in *Les économies maghrebines: l'indépendance à l'épreuve du développement économique*, CRESM-CNRS, Aix-en-Provence.

Ramdhane, M. (1983) *L'Etat, le paysannerie et la dépendance alimentaire en Tunisie,* ronéo, Tunis.

Revenue Marocaine de droit et d'économie du développement (1982), No. 2.

Ricardo, D. (1962) *The principles of political economy and taxation* (1821), Everyman's Library, London, p. 590.

Rossi, P. (1979) *La verte Libye de Qadhafi*, Hachette, Paris.

Ruggi, J. (1983) *The antinomies of interdependence*, Columbia University Press, New York.

Sainte Marie, C. (1984) "Le grand décline de l'agriculture," *Le Monde Diplomatique*, 26 May.

Sayigh, Y. (1982) *The Arab economies*, Croom Helm, London.

Seers, D. (1974) "The mechanisms of an open petroleum economy," *Yale University Economic Growth Centre, paper no. 47*, New Haven.

———(1978) "The life-cycle of a petroleum economy," *Journal of African Development*, Vol. 1, No. 1.

Smith, A. (1960) *The wealth of nations* (1776), Everyman's Library, London, p. 412.

Stauffer, T. (1981) "The dynamics of petroleum dependency; growth in an oil rentier state," *Finance and Industry,* 2.

Sullivan, W. (1981) *Mission to Iran*, Norton, New York.

Tait, A. *et al.* (1979) "International comparisons of taxation for selected developing countries 1972–76," *IMF Staff Papers*, Vol. 26.

Tatha, L. (1971) "Léconomie libyenne depuis la découverte pétrolière," in *Les économies Maghrebines: l'indépendence à l'épreuve du développement économique*, CRESM-CNRS, Aix-en-Provence.

———(1980) "Cronique économique de la Libye," *Annuaire de l'Afrique du Nord.*

———(1981) "Cronique économique de la Libye," *Annuaire de l'Afrique du Nord.*

Thiery, S.P. (1982) *La crise du système productif algérien*, l'Université des Sciences Sociales de Grenoble, Grenoble.

United Nations Fund for Population Activities (1983) "The state of world population," United Nations, New York.

Van Arkadie, B. (1977) *Benefits and burdens: a report on the West Bank and Gaza Strip economies since 1967*, New York.

Van de Graaff, J. (1967) *Theoretical welfare economies*, Cambridge University Press, Cambridge.

Vergala (1979) *L'économie mauritanienne et son développement*, CNRS, Paris.

Waterbury, J. (1983) *The Egypt of Nasser and Sadat. The political economy of two regimes*, Princeton University Press, Princeton.

Weber, M. (1958) *The protestant ethic and the spirit of capitalism*, Charles Scribner's and Sons, New York.

Wittfogel, K. (1957) *Oriental despotism*, Yale University Press, New Haven, pp. 48–9.

World Bank (1980) *Economic memorandum for Egypt*, Washington, D.C.

———(1983) *Economic memorandum for Syria*, Washington, D.C.

———(1984) *World development report*, Washington, D.C.

Zonis, M. (1971) *The political elite of Iran*, Princeton University Press, Princeton.

Newspapers and magazines

Financial Times
Le Monde
MEED (Middle East Economic Digest)
MTM (Marchés Tropicaux et Méditerranéens)