RENTIERISM AND THE RENTIER STATE

A COMPARATIVE EXAMINATION

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May 19, 1993

A thesis submitted to the Faculty of Graduate Studies and Research in partial fulfilment of the requirements of the degree of Master of Arts.

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Abstract. This thesis proposes to challenge the assumption that a particular mode of politics known as **rentierism** is common to all rentier states. We assert that the successful emergence of rentierism is dependent on specific factors in the pre-rentier state period. To support our claim we examine and analyze three modern day rentier states; Iran, Saudi Arabia and Venezuela. These case studies allow us to demonstrate that the pattern we call rentierism is not common to all rentier states as the mode of politics in both Venezuela and Iran differs significantly from that of Saudi Arabia, the literature's embodiment of rentierism. Moreover, analysis and comparison of the pre-rentier state period for all three cases allows us to propose specific pre-rentier state factors which, we suggest, are essential for the successful emergence of rentierism.

Résumé. Cette thèse conteste l'hypothése que le système politique connu sous le nom de "**politique rentière**" est commun à tous les états rentiers. Nous affirmons que le développement et le succès de la politique rentière dépendent de certains facteurs déjà présents dans l'état pré-rentier. A cette fin, nous examinons et analysons trois états rentiers modernes; l'Iran, le Venezuela et l'Arabie Saoudite. Ces trois cas nous permettent de démontrer que la politique rentière n'est pas commune à tous les états rentiers, puisque les systèmes politiques vénézuélien et iranien sont très différents du système saoudien, l'Arabie Saoudite étant considérée comme le parfait exemple du système de politique rentière. De plus, l'analyse et la comparaison de ces trois cas nous permettent d'identifier des facteurs de l'ère pré-rentière qui sont, d'après nous, essentiels au développement et à la mise en oeuvre éfficace du système de politique rentière.

Acknowledgements

I wish to thank my two thesis advisors, Professors Barbara Haskel and Rex Brynen of the McGill University Political Science Department for their invaluable help, support and guidance.

Chapter 1 "Rents, Rentier States and Rentierism"

Why do some states that rely heavily on external rents develop significantly different patterns of politics than most other rent dependent states ? What factors could possibly explain these differences ? These are the important questions this thesis will attempt to answer.

The modern political economy literature on rent describes the impact of rents at two levels. The first and broadest level is called the Rentier Economy[1], where the influx of large amounts of external rent plays an important role in the functioning of the economy. It is the second level, the Rentier State, which is of interest to this thesis. A rentier state represents a particular type of rentier economy in which rent accrues directly to the state, which then has discretion with respect to its use.

Within the literature, the rentier state has been commonly associated with a particular mode of politics. "Rentierism", as we shall call it from now on is largely characterized by (#1) the control of rent by the ruling elite and (#2) the use of that rent for the purpose of cooption, thereby assuring political stability.

While the politics of most rentier states (for example Saudi Arabia)[2] seem to fit this model of rentierism, others such as Iran (which saw the failure of a small ruling elite to coopt its society), and Venezuela, (which lacks the constant control of government by one group as assumed by the model) seem to differ significantly.

Herein lies the puzzle which this thesis will seek to address. The literature generally suggests that all rentier states will develop rentierism as their pattern of politics. Rentierism is assumed to be an integral part of the behaviour of the rentier state, but in fact, rentierism is not present

in all rentier states. The hypothesis to be advanced in this thesis is that the factors explaining the emergence or non-emergence of rentierism lie in the pre-rentier state period. Thus this paper proposes to examine the importance of pre-rentier state politics, economics and setting within the international environment for the development of rentierism. Three rentier states, Saudi Arabia, Iran and Venezuela will be examined. We shall argue that the political differences among these rentier states are the result of specific factors in the pre-rentier state period. Thus rentierism in a rentier state can not be seen as the natural offshoot of a rentier economy. It is only when rents interact with certain specific types of pre-rentier state factors that rentierism appears.

Rent and the Rentier State

What is a rent ? It is defined as:

" A payment to a factor in excess of what is necessary to keep it to its present employment."[3]

What then is a rentier state ? Let us look at its definition more closely.

"Any state that derives a substantial part of its revenue from foreign sources and under the form of rent ie. because specific conditions allow it to be the direct beneficiary of income derived from selling goods or services at prices well above their production costs."[4]

The rentier state could thus be classified as a particular type of rentier economy for rents are funnelled into the economy via the state rather than directly. In other forms of rentier economies for example, rents accrue directly to individuals or groups (as in the case of remittances)[5].

The above definition only provides us with the term "substantial part of its revenue" to indicate a break point between a rentier and non-rentier state. Therefore, we will classify states which obtain 50% or more of their total revenue

from rent as rentier states. While this proportion reflects an arbitrary decision by the author, we believe it positively conveys the importance of rent for these states. Thus the three states to be examined in this paper are all considered examples of rentier states because of the proportion of rent accruing directly to their governments[6].

Rentierism

Having established what a rentier state is, let us now examine in greater detail the pattern of politics which the literature calls rentierism. The literature identifies three impacts or effects of rentierism on the rentier state, (#1) effects on the state itself, (#2) impacts on state-society relations, and (#3) impacts on the economy.

(#1) Effects on the State

The kind of effect large rents have on the state revolves around the question of who controls the rent. This is crucial for deciding whether the "rentierism" pattern exists in any given rentier state. The politics of rentierism presupposes that rents be received and controlled by the ruling elite, who remain in power and continue to monopolize decision making about the use of rent. Domination by this ruling elite is achieved by using rent to coopt other groups and elites in society as will be shown later.

The significance of rents being funnelled solely through the state has been discussed in the literature by authors such as Homa Katouzian[7], Phillip Rawkins[8], Kiren Chaudry[9] and Hazem Beblawi[10]. State control of rent is what distinguishes a rentier state from a rentier economy.

A second important effect on the state is the decline of the extractive and redistributive functions of the state. Unlike most states which must tax their populations and industry to

raise the funds necessary for the continued operation of government, rentier states find it superfluous or unnecessary to tax their populations since most of its financial needs can be covered by external rents.

Several authors, such as Lisa Anderson[11], Rawkins[12], Chaudry[13] and Beblawi[14] have documented the decline in the extractive and redistributive functions of the state. It is however in state-society relations that the significance of this decline becomes evident.

(#2) Impacts on State-Society Relations

The rent received by the rentier state allows the ruling state elite to control and legitimize its regime by for example, establishing welfare guarantees and by coopting other elites and groups in society. Cooption often assumes a patrimonial or neopatrimonial (see footnote[30]) form, with family and tribal connections being openly used as channels of patronage to secure employment, contracts and/or gifts ranging from interest-free loans to land titles.

As authors such as Rawkins[15], Beblawi[16], Shireen Hunter[17], Michel Chatelus[18], and Mahdavy[19] have suggested, the overall strategy of the ruling elite is to distribute part of the wealth from rent by providing for the well-being of the population with economic opportunities (jobs, government contracts), as well as for better infrastructures and social services like free medical services and education. Employed in this manner, the rent is used to secure the support of most groups and elites in society for the existing power structure and ultimately prevent challenges to it. The use of rent for purposes of cooption is an essential characteristic of the model of rentierism.

Impacts of rents on state-society relations can also be felt in the domain of government bureaucracy. While the growth of

bureaucracy could be categorized as an impact on the state itself, the justification for the growth is the result of the impact of rentierism on state-society relations. The expansion of bureaucracy can be interpreted as a way of making the distribution of rent more effective and as a way of providing employment for various groups in society.

As Ayubi[20] and Beblawi[21] have suggested, the sheer quantity of external rents being received mean that a modern bureaucracy is required for the operation of the state and the distribution of the rent. At the same time, and probably more important in the eyes of the ruling elite, a large bureaucracy means many government jobs are available, jobs which can be given away to members of groups whom the ruling elite wishes to coopt and assimilate. Therefore the cooptive aspect of government employment takes on an almost greater importance than effective management.

As mentioned earlier, increased reliance on revenue from rent means that the burden placed on society is reduced in that little or no taxes need be paid to the state. Distribution takes place not from taxation, but from external rents. This has led to the formulation of an hypothesis which several authors such as Chaudry[22], Rawkins[23], and Beblawi[24] have suggested in their work.

Specifically, this hypothesis suggests that in exchange for the absence of taxation, the ruling elite receives an implicit agreement from society that representation of the people by elected officials need not be on the political agenda. Thus such an agreement promotes the predominance of the ruling elite and its continued control of the rent.

(#3) Impacts on the Economy

The literature on rentier states covers a wide spectrum of impacts on the economy. Two of the most important are the

dependence on large amounts of imports (especially luxury items and foodstuffs) to meet the growing demands of a newly wealthy society, and the decline in productive activity within society caused by the increased availability of cheaper foreign imports.

Chatelus and Schemeil[25], Chatelus[26] as well as Mahdavy[27] have examined the impacts of large amounts of external rent on the economy. One such impact they have looked at is the drive by the rentier state to quickly expand the productive aspect of its economy to lessen its dependence on external rent. More often than not this has resulted in the large scale construction of industrial centres despite regional or world excess capacity. The marked decline in agriculture is also a recurring topic. Large external rents make purchasing food imports less costly than domestic produce, and the lure of better money and employment in the cities attracts workers away from the agricultural fields and into the cities.

Rentierism and its use in this thesis

The literature thus provides us with an overview of the pattern of politics we have termed rentierism and the variety of impacts it has on the state, society and economy. Ideally then, a rentier state exhibiting all these characteristics would suggest the existence of rentierism. However, this thesis is mainly concerned with the political dimension of rentierism, namely the control and use of rent by the ruling elite for purposes of cooption and consolidation of rule. We would suggest that as a pattern or system of politics, these particular characteristics of rentierism are the most important and relevant in the search to understand why rentierism emerges in some rentier states but not in others.

Consequently we have decided to concentrate on the control of rent by the ruling elite and use of that rent for purposes

of cooption as our primary indicators of rentierism. Thus the study and analysis of our three case studies will suggest pre-rentier state factors which may be responsible for the emergence of these two characteristics of rentierism and the successful cooptive use of rent in the rentier state period. The other characteristics of rentierism will be discussed only as they affect the politics and socio-political organization of the rentier state.

Why choose Saudi Arabia, Iran and Venezuela ?

Saudi Arabia represents an example of rentierism, but it is not the only such state, for Kuwait, the United Arab Emirates, Qatar and Bahrain could also be considered examples of states with this particular mode of politics. Saudi Arabia has been chosen because of the body of literature available and because it seems to be the embodiment of rentierism.

Our second case is that of Iran, which at least until the 1979 Islamic revolution, seemed to conform to the mode of rentier politics. However, the Iranian ruling elite were unable to prevent a revolution from ultimately destroying the monarchy. According to the model of rentierism, the revolution which destroyed the Shah should not have taken place. The Shah should have been able to coopt society and those groups opposed to his rule, thus negating any challenges to the existing political system. In the failure of the extent of cooption, Iran differs significantly from other rentier states.

Venezuela, our third case, is different because a political system with competitive elections seriously reduces the opportunity for any one group to maintain rule or to use rent for cooptive purposes. While rent is received and distributed by the government, its use and control by elected officials is dependent upon securing a majority from the Venezuelan electorate. Every five years national elections are called and

new leaders chosen, while the incumbent president of Venezuela is barred from running for a second term until a ten year delay has elapsed[28]. Thus Venezuela also differs because of its competitive political system.

Framework for Analysis

The main assertions of this thesis are that not all rentier states exhibit rentierism, and that the reasons for the emergence or non-emergence of rentierism can be found in the pre-rentier society and state. We propose to tackle these claims by a careful study of the three case countries comparing their pre-rentier and rentier periods.

The Pre-rentier state period

The Pre-Rentier State period is that in which the state receives less than 50% of government revenue from rent. For this period we shall examine a series of political, social and international variables which we hypothesize are important in explaining the differences among Iran, Venezuela and Saudi Arabia. In other words, certain types of pre-rentier states and societies may be more prone to develop rentierism than others. We shall try to establish which factors in the pre-rentier period distinguish those which do develop rentierism from those which do not.

The rentier state period

The rentier state period is that in which the state receives 50% or more of government revenue from rent. Scrutiny of the rentier state period will allow for analysis of our two claims. We shall seek to establish that rentierism exists in Saudi Arabia, but that it failed in Iran and that it did not emerge in Venezuela thereby showing that there are some rentier states which do not exhibit the political pattern of rentierism. We

have, then, a significant difference to explain. That explanation will come from our pre-rentier state variables. Analysis of these variables should allow us to advance specific pre-rentier state factors which may reduce the effectiveness or inhibit the emergence of rentierism. It should also allow us to propose specific requirements for rentierism to emerge.

What, then, are the pre-rentier state variables which could help to explain why some rentier states develop rentierism and others not ? We will look at three categories, socio-political variables, economic variables and an international variable.

Economic Variables

(#1) Size, Population and Habitable Area. Can the emergence or non-emergence of rentierism can be partly affected by variations in size, population, and habitable area ? For example a state with a small population and /or small habitable area might be more conducive to the emergence of rentierism by the very fact that it easier to "spread" the wealth when there are fewer people to give it to. Likewise, states that have large populations and size might find that it is harder to exercise central control and distribute the rent. Population size may also be an indicator of the complexity of civil society. Larger populations may develop more complex civil societies than smaller ones.

(#2) Resources other than rent producing resources. What is the state of the pre-rentier economy ? What forms of economic activity exist ? We will look for economic activity like agriculture, fishing or industry of any sort that provides a source of wealth and employment to society. We would suggest that the existence of alternative sources of income and employment may play a determining role in preventing the emergence of rentierism.

Consider states that have very limited economic activity, where the rent producing resource is by far the largest available and is practically the only one of any value to the outside world. Such states would likely become extremely dependent on that resource as well as on those who control it. However states that possess multiple resources and industries may find that the rent producing resource does not carry the importance it has in resource and industry deprived states. Multiple centres of economic power can thus arise and limit the influence of rent and those who control it.

Socio-Political Variables

(#3) Political Power Distribution. Who has political power in society ? Is political power confined to one small elite or is it shared by different groups ? Political power means here control of governmental decisions and the authority granted to those making them. Some societies have political power limited to one group, such as the unchanging control of government by the Al Saud family in Saudi Arabia. Other societies have multiple centres of political power such as political parties and interest groups which can lay claim at one time or another to political leadership. We would suggest that this variable is crucial in understanding the emergence of rentierism. The emergence of rentierism depends on one group having exclusive political control, through which control of the rent can be maintained and used to perpetuate the existing political order.

(#4) Power Transfer. How are new leaders chosen when that is required ? Is the process democratic or not ? Again variations exists, as some societies will simply have no say in who is to be their leader, while others will get the right to voice their opinion. Thus we would suggest that this variable may be crucial in determining the emergence of

rentierism.

One objective of rentierism is to choose new leaders from within the ruling elite, so that they can continue the process of cooption and maintain their hold on political power. This suggests that pre-rentier societies with closed or narrow elites would be more likely to develop rentierism once the state reaches the critical threshold of dependence upon external rent. However societies with a larger circulation of elites and where leaders can be chosen from multiple power groups may inhibit or reduce the possibility of rentierism.

(#5) Political Institutions. What type of political institutions exist in the pre-rentier state ? How are the members of these institutions chosen ? Are these institutions simple rubber stamps or not ? We would suggest that societies which have strong institutions (parliaments, senates, house of deputies, etc) which have members from outside of the immediate ruling elite can possibly retard or inhibit the emergence of rentierism by limiting or challenging the effective power of the executive. However, a lack of institutions or institutions which are stacked with members of the ruling elite and their supporters may lessen restraints on the executive, and may thus help to promote the emergence of rentierism.

(#6) Elements of Social Organization and Repression. What is the condition of the civil society ? Are there multiple elites and groups or not ? What channels does society have to the political process ? Are coercion or cooption used as instruments of political control ? In effect, we are looking at the relationship between rulers and civil society and the extent to which society is capable of generating independent groups and elites[29].

We would suggest that particular types of relationships,

such as patrimonialism and neopatrimonialism may be more likely to result in the emergence of rentierism. Patrimonialism[30] could be defined as a political and social system where access to power, prosperity and privilege is more a question of ancestry and of bloodlines than of influence or skills. Thus personal, tribal and patron-client type relations dictate which actors benefit from the system. While neopatrimonialism refers to the use of state resources to sustain patrimonial networks, it reflects the growing importance of competence and skills in providing access to power and wealth. Thus this variable will allow us to suggest which form of relationship and what type of civil society is most likely to result in the emergence of rentierism.

International Variable

(#7) Foreign influence. This variable has been included because of the possibility that foreign powers may play a role in shaping certain choices made in the pre-rentier state period. The influence, whether blatant or covert, may for example constrain or enable access to rents or affect the legitimacy of the regime. Examples of this range from the western embargo on Iranian oil during the nationalisation period or the interference of a superpower in the internal affairs of Iran during the overthrow of Mossadeq in 1953 to promote the return of the Shah, to the indirect effects caused by education and knowledge being disseminated by foreign oil companies.

This suggests that elites in pre-rentier states that manage to maintain the integrity of their own social, political and cultural traditions, while incorporating the external rent may receive greater public support than pre-rentier state elites that are backed or overtly influenced by outside powers. The negative image of a puppet regime being controlled from abroad

may be so powerful that even the disbursement of large amounts of rent may not be sufficient to improve the legitimacy of the regime in the eyes of the population.

In this chapter we have challenged the claim that the pattern of politics in all rentier states is the same. To support our challenge we have offered a series of pre-rentier state variables which we suggest can explain the differences between our three case studies. Let us now proceed to chapter two where we will apply these variables to our first case, Saudi Arabia.

CHAPTER 2 Saudi Arabia, the Embodiment of Rentierism

Why does rentierism emerge in Saudi Arabia ? What pre-rentier state factors are likely to have been essential for the successful emergence of rentierism ? This chapter will seek to answer these important questions.

We propose to examine the case of Saudi Arabia using the procedure outlined in the framework for analysis in the previous chapter. A brief outline of the pre-rentier history of Saudi Arabia will be presented. This will be followed by an examination of the variables we have discussed, in the pre-rentier period in Saudi Arabia. A brief historical analysis of Saudi Arabia as a rentier state and its "fit" with the characteristics of rentierism will then follow.

The historical analysis of Saudi Arabia will also attempt to outline for the reader the historic development of Saudi patrimonialism and its evolution into contemporary neo-patrimonialism. Patrimonialism seems well suited to the Saudi case for according to Abir[31], there are some 4000-7000 members of the Royal family, as well as some 100,000 traditional elites (ulema, tribal leaders, merchants) who benefit from alliances with the Al Sauds.

Analysis of the evolution of patrimonialism into neo-patrimonialism is crucial if one is to understand the cooptive efforts of the Al Sauds, for as Abir[32] says, it is "The Sauds golden rule to this day". This chapter will thus firstly demonstrate the use of patrimonialism by the Al Sauds in the pre-rentier era to secure the support of family, tribes and the ulema. Later, we will demonstrate how neo-patrimonialism evolves and how it comes to shape the Al Sauds decision to offer greater economic gains to society to counteract increased constitutional and political demands. Therefore, this section will highlight within the history of Saudi Arabia

patrimonialism and neo-patrimonialism, the manner in which specific social groups are targeted for cooption.

Pre-Rentier Saudi Arabia

The emergence of the state we know today as Saudi Arabia is rooted in an eventful and often violent past. The beginning point of this investigation starts with the third attempt by the Al Saud family to control the Arabian peninsula, the 1902 capture of Riyadh by a young Abd al-Aziz ibn Saud (Ibn Saud henceforth) and forty followers[33].

The Al Saud family had been for many years the principal chieftains of the Nejd, the central region of the Arabian peninsula. They were acknowledged by the other families and tribes of the Nejd as their chieftains, and this marked their legitimacy as leaders. In this respect, the Al Sauds were no different than some of the other families that dominated the various regions of the Arabian peninsula. The Al Saud did however differ in one respect from all the other tribes in Arabia. They were closely associated with "Wahhabism"[34].

Following the capture of Riyadh, the forces of Ibn Saud continued their expansion. After several years of war and a victory over the rival Al Rashid, the family of Al Saud secured control of the Nejd in 1906. The struggle intensified for Ibn Saud during the years 1906 to 1911 when some of the families which had allied themselves with him sought their own power. Furthermore, struggles within the Al Saud family erupted causing widespread dissension. One branch of the family claimed seniority over Ibn Saud[35].

With loyal and sometimes fanatic troops under his command, Ibn Saud gradually extended his reach[36]. By 1921 he had defeated the rival Al Rashid family in northern Arabia and taken them into his own family by marrying one of the Rashid's daughters, thus securing their loyalty. By 1924 the Hashimite presence in

the Hijaz, the wealthy western part of the peninsula, was removed when Ibn Saud captured Mecca, to be followed one year later by the capture of Jeddah.

Thus by 1925 Ibn Saud controlled an area that looks very much like modern day Saudi Arabia. Control of the Hijaz, with its rich commercial activities provided taxes and duties for the new state, while the fees imposed on pilgrims going to the holy city of Mecca provided further funds. These funds would become quite necessary in keeping the other families of Arabia subservient to Ibn Saud during the ikhwan revolt of 1926 to 1929[37].

The house of Saud was quickly becoming linked with most of the other important families of Arabia through marriage. Ibn Saud fathered 45 recorded sons by at least 22 different mothers representing most of the major Arabian tribes[38]. This linkage gave Ibn Saud some stability, for it provided some insurance that his most important rivals would be much less likely to mount a challenge to his control, since they were now considered linked to the house of Saud and the privileges that it brought. Among the many privileges were subsidies paid out to the tribes by Ibn Saud in exchange for their loyalty as well as administrative autonomy in their regions.

The subsidies paid out to the tribes by Ibn Saud are in keeping with the patrimonial aspects of Saudi society. Having been established as the dominant family in Arabia, the Al Sauds had to secure the support of tribal leaders because patrimonialism relies on the support of groups and elites that have historical or family links. By providing subsidies to tribal leaders the Al Sauds not only secured the support of these leaders, but of their people as well. The subsidies allowed the tribal leader to reinforce the support of his people for the Al Sauds as well strengthening his own position within the tribe. Thus such a system created an impetus to

become associated with the Al Saud family.

The ulema who adhered to the teachings of Wahhab, especially the Al al-Shaikh family which is the most prominent and closely linked to the house of Saud, was also an important element in the Al Sauds search for legitimacy and security. The religious leaders made the Ikwhan armies possible, and provided Ibn Saud with something akin to a state philosophy, which played a crucial role in the centralisation of authority. In return for their assistance, the ulema were able to shape the religious outlook of the kingdom, as well as gain control of religious education, the legal system and public conduct[39]. As with the tribal leaders, a situation of mutual support and dependence existed with the Al Sauds.

In 1934, Ibn Saud changed his dual title of king of the Hejaz and Nejd to that of king of Saudi Arabia. But the strategy of using state revenue to maintain the loyalty of the bedouin tribes was already in 1934 costing far more than the revenue being generated from duties, taxes and subsidies being received from abroad. The British paid Ibn Saud a subsidy of £25,000 a year by 1934, at which time estimates indicate that total yearly Saudi government revenue was about £4-5 million[40]. Although these subsidies can rightly be considered a form of rent, it is doubtful the amounts received by Ibn Saud were large enough to have any broad impact on Saudi society. Thus these were the only sources of income in Saudi Arabia until oil income began to transform the financial picture of the kingdom in 1947-1948.

Because duties and pilgrim fees made up the bulk of government revenue until 1947, Ibn Saud also sought to integrate the merchant class into his patrimonial system. By promoting continued economic and pilgrim activity, especially in the commercially rich Hijaz, Ibn Saud was assured of continued revenue needed to consolidate his kingdom. For their

part, the merchants received assurances from Ibn Saud that they would be free to continue their economic endeavours and would ultimately benefit from the largesse of the Royal family. Once again, both sides were mutually dependent on the other for survival.

In 1947-1948, the financial situation of the kingdom took a turn for the better as large scale oil production started. Immediately the amount of revenue coming from the sale of oil amounted to over 65% of government revenue[41], although Saudi Arabia would continue to experience deficits for several more years due to abysmal management of revenues, substantial waste on luxuries and palaces, as well as increased subsidy payments to the tribes. This inability of the ruling elite to control spending was no doubt greatly exacerbated by the fact that Ibn Saud and his family saw no distinction between state wealth and family wealth as described by Johns and Holden[42].

By 1948 Saudi Arabia met the criterion proposed earlier in this paper of a state deriving more than 50% of its government revenue from rent. Post 1948 Saudi Arabia will be classified therefore as a rentier state. However, it is important at this time to stress that the patrimonial system of Ibn Saud continued even after Saudi Arabia became a rentier state and that a form of cooption was already being practiced to a lesser degree in the pre-rentier era. It is not until the late 1950's that new elites emerge in Saudi society, the result of increased oil wealth. These new elites would challenge the alliance of the Al Sauds with the old elites (ulema, tribal leaders and merchants) and force the Royal family to rethink its strategies. As will be shown later in this chapter, these changes would lead to a neo-patrimonial system based very much on the concept of cooption which we have identified as rentierism.

Key Variables for Pre-Rentier State Saudi Arabia

(#1) Size, population and habitable area

Saudi Arabia is located on the Arabian peninsula and occupies about 4/5 of the area, or around 800,000 to 900,000 sq miles of territory. The figure is only a approximation due to the uncertainty over certain land claims and borders between Saudi Arabia and her neighbours. Of that territory, 15% of the land is potentially cultivable, but only 0.2% was actually used for that purpose, the remainder being used for grazing[43]. The climate is continental, with great heat, low humidity and minimal rainfall. A 1960 estimate showed that there were approximately 5 million Saudis, which at that time 73.1% were settled and 26.9% nomads[44]. However, much of the land is desert and largely unhabitable save for brief periods of time. Activity is concentrated around the oasis settlements where figures of up to 2000 persons per sq mile have been recorded[45].

Saudi Arabia is therefore spread over a large area and contains few people. Faced with a land which is largely inhospitable, population concentrations in pre-rentier times was largely based on nomadic tribes, oasis settlements (most of the population in pre-rentier times was bedouin and nomadic) as well as more developed areas, notably the Hijaz region in the West. The tribes would move with the seasons, bringing their livestock to fertile areas and leaving once the seasons changed.

We would suggest that the particular characteristics of Saudi Arabia made the process of conquest and control by the Al Sauds a difficult but feasible endeavour. Once control of the widely dispersed populated areas of the Nejd was secured through tribal alliances, expansion into the more urban and settled regions of the peninsula, in particular the commercially rich Hijaz, was more easily achieved. We would

also suggest that the small pre-rentier state population in Saudi Arabia may not have been conducive to the development of a strong and diversified civil society.

(#2) Resources other than rent producing resources

Until the discovery and extraction of oil, the economy of Saudi Arabia had been very limited. Most activity was centred around the oasis, village or tribe, with each working to sustain itself, functioning mostly independently from other sources of economic activity. Major staples were dates, horses and camels[46].

In the Nejd, trade was conducted with Bahrain, where dates were sent to be shipped to Europe. The breeding of the Arabian horse for use in foreign cavalry regiments was also a source of economic activity in the Nejd, as was the commerce in camels. Furthermore, revenues were raised on caravan trade passing through the Nejd[47].

In the Hijaz, with access to the Red Sea and the Mediterranean (once the Suez Canal had been built) a tradition of trade with Africa and Europe existed. This economic region of Arabia had prospered by being a stronghold of Turkish power in Arabia. The situation continued under Ibn Saud, for he needed the support and money of the merchants to keep his kingdom intact. The Hijaz thus served as an economic region in which goods from Arabia and other parts of the Middle East were sold and shipped to various parts of the world. Furthermore, the Hijaz was the transit way to the holy city of Mecca, and dues levied on pilgrims as well as custom fees provided for a substantial part of government revenue in the early years of Ibn Saud's kingdom[48].

Thus Saudi Arabia in pre-rentier times possessed only the most elemental resources and economic activity. There were no industries and most of the existing economic activity was

substinence agriculture or trading. While slightly more developed commercially, even the Hijazi merchants depended on the goodwill of the Al Sauds to continue their business operations. The weakness of the Saudi economy suggests that tribal subsidies and gifts were probably among the most important economic activities of pre-rentier Saudi Arabia and may have greatly contributed to the consolidation of the Al Sauds. We also believe that the weak economy may also have had an impact on the development of Saudi civil society which we will demonstrate later.

(#3) Political power distribution

As the brief historical outline has shown, pre-rentier Saudi Arabia, prior to the success of Ibn Saud, was a land where there existed multiple sources of authority and power. The Al Saud family controlled Riyadh. To the north was the Al Rashid family centred in the city of Hail; to the west was the Turkish backed Sharif Hussein controlling the region of Hijaz, while in the province of Asir the Idrisi family were the rulers[49].

With the defeat of his enemies, Ibn Saud in essence controlled the same territory as Saudi Arabia today, making his family the dominant power on the peninsula. Thus control of the state was limited to an extremely small elite, the family of Al Saud with Ibn Saud as its leader. During Ibn Saud's rule, decision making was essentially left in the hands of the king and some of his sons who accepted positions of importance, such as Faisal and Fahd who would play important roles later on in Saudi history.

Domination of the Al Saud family was assured in the pre-rentier days firstly by might, for it is through military conquest that Ibn Saud fashioned his kingdom. But more importantly it was the triad of religious legitimacy, linkage of all the important families through marriage, and payment of

subsidies to the tribes that ensured that Ibn Saud and his family would remain in power.

Religious legitimacy was extremely important in the eyes of the bedouins, townspeople and the religious leadership. For the bedouins, the Al Saud family was one of theirs, a family whose ancestry had come from the desert. Furthermore, they saw in Ibn Saud the continuation of Wahhabism. Finally, the 'ulema' or religious leaders and the Al Saud family were mutually dependent upon one another[50], the ulema for the creation of a state where Wahhabism would dominate and they would maintain their religious authority, and the Al Sauds for the legitimacy the ulema provided the family.

The linkage of families also provided for the Al Saud family to remain the only source of political power in Arabia. Ibn Saud fathered 45 recorded sons from wives coming from all of the important families. This method of cooption in essence made all other important families part of the Al Saud family, for they were linked by blood. The effect this had was to reduce and limit the potential for challenges to the supremacy of the Al Saud family.

This bond through marriage was reinforced by the payment of subsidies to the families and tribes. These payments made by the king served to maintain the loyalty of the bedouin tribes and their continued subservience to the Al Saud family. Such subsidies would range from gifts of cash, food and clothing. The subsidies would usually be handed out by the tribal and family leaders to their followers. In this way the Al Sauds were keeping the loyalty of the tribal leaders, while at the same time allowing those same leaders the continuation of their authority and leadership within their own tribe or family[51].

By focusing on the distribution of political power, we discover the existence of one small elite Through religious legitimacy, bonding of families and subsidy payments, the Al

Saud confirmed their role as the only source of political authority in pre-rentier Saudi Arabia. All important decisions involving government spending, military deployment, infrastructure building or foreign relations were decided by the Al Saud family, and their patrimonial system ensured that it remain so.

(#4) Power Transfer

How were leaders chosen in pre-rentier Saudi Arabia ? The short historical analysis mentioned earlier finds Ibn Saud in power until 1953, at which time Saudi Arabia had already become a rentier state. However there exists within the culture of the tribes of Arabia a process by which new leaders are to be chosen. The roots of this process come from the very history of the Saudi people.

The son of a tribal sheik is never assured of taking over the position of his father. However, the position of tribal sheik does remain within a particular family or tribe. To succeed his father, the son must prove that he has the necessary courage, the powers of leadership and that he has luck. Only by proving these three elements does the son prove that he is worthy of succeeding his father as tribal shaikh[52]. Consensus among the tribal elders and the ulema as to that claim would be the final step in acceding to the position of tribal shaikh.

However, Ibn Saud went against this tradition in 1933 when he announced that he was naming his eldest son Saud as his successor. This decision was taken by Ibn Saud alone and would set the stage for future leadership transfers[53]. The decision caused some disarray within the Al Saud family as Saud was not seen as the best candidate. But the decision was confirmed because of the will and prestige of Ibn Saud. More recent transfers of power have involved serious bickering among the

Al Saud family with different branches of the family all contesting the throne. Nevertheless, compromises have been reached, the result being that the new kings of Saudi Arabia have always come from the Al Saud family.

Leadership in pre-rentier Saudi Arabia, and the succession of new leaders was reserved to a very small group. New leaders in pre-rentier Saudi Arabia were chosen only from within the ruling elite, the family of Al Saud. Be it through the traditional method of consensus of tribal leaders and senior princes, or the decision of a monarch, only a member of the Al Saud family can hope to become king, with succession being confined to an even smaller group of men, the sons of Ibn Saud. To date, all the kings of Saudi Arabia, Saud, Faisal, Khaled, and Fahd have been sons of Ibn Saud. The process by which one group maintains it hold on power is firmly in place in Saudi Arabia.

(#5) Political Institutions

Authority and the power to make decisions in pre-rentier state Saudi Arabia were largely personalized. The king and his closest advisors were responsible for all important decisions in the kingdom. The earliest institution in place was that of the royal 'Majlis'. The Majlis or King's council is an informal institution where it is possible to express one's opinion or views to the decision-maker. It is also where the King seeks consultation and consensus on political, economic or social matters. In theory it was possible for anybody to seek entrance to the majlis and express himself to the king and his advisors, but in practice the majlis was confined to prominent individuals of the state, whether royal family, tribal leaders, merchants or religious leaders[54]. This council was considered to possess some democratic aspects in that the requests of even the lowliest person could reach the king via his tribal or

religious leaders, hence the possibility that any citizen could be heard by the king.

The majlis conforms to the tribal traditions of Saudi Arabia in that decisions are reached by consultation and consensus. Through these meetings, the king would seek the advice and ideas of important people in the kingdom. The final decision rested with the king, but it was possible, given the factions and groups represented at these meetings to influence the king's decision.

Other institutions were formed in the early years of Ibn Saud's rule. The Consultative Council, composed of the Viceroy (the second in command of the Al Saud, Faisal), his advisors, and six persons chosen by the King for their abilities, was set up to help the Viceroy administer the Hijaz region more effectively. This body was appointed by the king and responsible to the king and Viceroy[55]. Another institution, the Council of Deputies was made up of the Viceroy Faisal, and the deputies of Foreign Affairs, Consultative Council and Financial Affairs. This institution was also appointed and responsible to the king, and was also charged with helping viceroy Faisal run the Hijaz[56].

These last two institutions would eventually lead to the Council of Ministers which will be discussed later and which marked a movement away from the informal style of government towards more modern institutions. Indeed the function of the Council of Deputies and the Consultative Council was to help run the Hijaz, a more developed region which had been under Ottoman rule. Huyette[57] believes that the conquest of the Hijaz was a turning point for Saudi Arabia because it introduced the concepts of modern institutions developed by the Turks into the Saudi political system. That turning point is confirmed by the Al Sauds' adoption of more modern political institutions.

Nevertheless, what can be extracted from looking at these

institutions are that they are in essence entirely subject to and controlled by the Al Saud family. Although there is an evolution from informal to more modern types of political institutions, institutions in pre-rentier Saudi Arabia were mechanisms of control of the Al Saud family. The important decision making members of these institutions were all members of the Al Saud, although members of other families could be granted important positions. The institutions, especially the royal council serve to further the aims of the Al Sauds while at the same time maintaining close contact with the different elements of Saudi society.

(#6) Elements of social organization and repression

Pre-rentier Saudi Arabia was largely a tribal society, with the family unit as the social and political centre of all loyalties and relationships. The family patriarch is supreme within the family and all members submit to his authority. Each family patriarch owes allegiance to a related sheik, and each tribal subdivision pledges loyalty to successively larger tribal units[58].

The preferred method of decision making is through consultation and consensus, so the kingdom of the Al Sauds sought to maintain the time honoured methods of the bedouin culture, as the continuation of the majlis shows. Therefore social organization was very much focused on traditional tribal customs, with every effort made to accommodate and integrate those forces which could pose a threat to the regime. The system retained a very paternalistic approach towards its people and sought to provide for their well being.

The predominance of tribal customs as the main instrument of social organization seems to reflect the rather weak and undeveloped Saudi civil society. The only autonomous elites apart from the Al Saud family are the ulema, the Hizazi

merchants and to a certain extent the tribal leaders. As we have shown earlier, even these elites were dependent to a certain extent on the Al Sauds for their survival. Furthermore, there are no indications of the existence of a middle class, working class, independent press, labour unions or political parties in pre-rentier Saudi civil society. We would suggest that the absence of these groups and elites confirms the primitive stage of Saudi civil society during this period.

Pre-rentier Saudi Arabia was essentially a nation functioning on a tribal and patrimonial system. Cooption and acceptance of the regime were the preferred goals of the ruling elite. We would suggest that the weak and undeveloped Saudi civil society was instrumental in the success of the Al Sauds patrimonial system. A weak civil society meant very few autonomous groups and elites could challenge the supremacy of the Al Sauds. The limited number of elites also meant that a majority could profit from the benefits and subsidies offered by the Al Sauds.

(#7) Foreign Influence

Direct outside influence in Saudi Arabia was limited in the pre-rentier years. The region of the Nejd was claimed by the Turkish Empire but the Turks never tried to impose control on the region, and it was the Arabian tribes that ruled there. The Hijaz however, was considered to be a province of the Turkish Empire and was controlled by a "vali" or governor who was the representative of the Ottoman government[59].

The Turks had imposed upon the Hijaz their system of government and administration through military conquest. During World War One, and with the support of British money and weapons (involving of Lawrence of Arabia), the Hashemite ruler of the Hijaz, the Sherif Husayn declared the Hijaz's independence from the Turkish Empire. Ibn Saud also received

money and weapons from the British during the war, but both he and the Sherif were prevented from attacking one another by the British who threatened to stop the subsidies and intervene militarily[60].

Thus, Ibn Saud became the ruler of Saudi Arabia through the use of local bedouin troops and personal strength and cunning. The conquest of the peninsula was done without outside help, and the removal of Turkish power on the Red Sea coast only served to reinforce the image of Ibn Saud as the true ruler of Saudi Arabia. By uniting the tribes and using religion as his rallying cry, Ibn Saud crafted a state where only pieces existed before, a state which Saudi Arabians saw as the product of their own will, not that of foreign powers.

Saudi Arabia as a Rentier State

Ibn Saud continued to rule until his death in 1953. However, by 1948 oil revenues had made Saudi Arabia into a rentier state (see table 2.1 page 42) although the mismanagement of oil revenues continued for several years, to a point in 1957 when then king Saud had to request financial assistance from the IMF due to imminent bankruptcy of the Saudi State[61]. This was largely due to the fact that the Al Saud family saw the oil revenue as their own, and had no qualms about spending it on a large scale. One historical anecdote even tells of one of Ibn Saud's sons sending a servant to the Finance Ministry to get more money at gun point[62].

Until his death Ibn Saud had ruled supreme, but before dying he had requested that a Council of Ministers be created, in which royal appointed ministers would work together to conduct the affairs of the state. This marked a movement away from the informal and one man style of rule to a more organized, if not more formal system of decision making. Johns and Holden[63] believe that Ibn Saud had set up this council as

an attempt to bequeath the juridical basis for some kind of institutional structure to replace his personal rule.

This movement towards a more formal style of government may have been forced on the Al Sauds by the growing oil wealth. The inability of the senior princes to manage effectively the growing oil revenue forced the Al Sauds to seek the expertise of a new elite to manage government operations. This new elite was largely made up of young Saudis coming home after having finished their education abroad. Many of these new government officials were of non-royal ancestry and some would eventually rise to positions of some importance in the Saudi government, such as Abdallah Tariki who eventually became oil minister in 1960, or Zaki Yamani who succeeded him.

In 1958 the senior princes decided that Faisal should assume the responsibilities of government[64]. Upon assuming control of the government, Faisal issued strict financial accounting requirements and imposed controls on spending. He ordered the publication of an annual budget and issued strict currency and import regulations. Furthermore he authorized the creation of an Office of Comptroller General of State Accounts to audit government finances. By 1961 the deficit of the kingdom would be entirely erased and a surplus obtained[65].

Faisal's actions thus marked the beginning of a greater distinction between state and personal wealth for the Al Sauds as well as a continuation of the evolution towards formalization and institutionalization of political agencies. Furthermore, his first cabinet reflected an evolution in thinking as well as a need for competent administrators in that three of the nine cabinet ministers were educated commoners.

Faisal also worked to make the Council of Ministers a more potent decision making body. While originally created as an advisory body for the King, the council was given the authority to draw up and implement new policies and well as have the

final say on all matters concerning the various ministries. These changes affected the very distribution of power in Saudi Arabia. Effective power was no longer in the hands of one man, the king, but shifted into the hands of a small group of men, the Council of Ministers. According to Peretz[66], implicit in the shift is a denial of absolute monarchy and its replacement by a modern managerial decision-making process.

However, a struggle between Saud, who was still king, and Faisal developed into a fight for control of the government. Saud used his personal wealth to rally support for him among the tribal leaders. Because of the financial harshness imposed by Faisal, which meant reduced subsidies, reduced imports and a much less lavish lifestyle for tribal leaders, merchants and the newly emerging class of educated Saudis, Saud in 1960, was able with the support of many of these elites and the 'liberal princes' to force Faisal to relinquish control of government.

The liberal princes, which were a small minority of the royal family represented by Prince Talal Abd al-Aziz, believed that discontent in Saudi Arabia could only be defused by granting greater political freedom and expression. These princes thought that the days of Al Saud domination were coming to an end, but believed that if they supported constitutional change, their positions of influence could be at least safeguarded[67]. They thus backed Saud believing he could be more easily manipulated than Faisal.

The majority of the royal family, led by Faisal believed that the solution was to centralize control of the economy and the political system. As Niblock[68] explains, this would allow the Al Sauds to defuse social discontent by using oil revenue for the development of economic and social programs which could then be used to satisfy particular segments of Saudi society. This marked the evolution of the patrimonial system into a neo-patrimonial system. With the support of traditional elites

being seen as insufficient, a new approach was needed. Oil revenue would now be not only used to coopt the existing elites, but the emerging elites and groups like the bureaucrats and technocrats, the military, the new merchant and middle class, as well as the majority of Saudi society. Thus access to power and wealth was no longer decided only by ancestry, but more and more by the abilities and skills of individuals and groups[69].

The removal of Faisal and the alliance between Saud and the Liberal Princes is important to this thesis because it demonstrates two Saudi approaches to problems of social instability. One approach, that of the Liberal Princes can be interpreted as liberalizing in nature by offering to grant greater political power to other groups and elites in society to neutralize social discontent. The other approach, favoured by the Royal family in general can be interpreted as maintenance of the political status quo through the "spreading of wealth", in essence reducing or removing social discontent with economic gains.

Upon returning to power, Saud was immediately confronted with a severe foreign policy crisis with Egypt. Facing the possibility of an Egyptian invasion and believing that Saud was incapable of solving the crisis, the senior princes once again convened and reinstated Faisal as the leader of government. To rally support, Faisal announced in 1962 a ten point social programme, which called for the development of the nations resources, infrastructures, social services and industry. This program seemed to reflect the belief of many senior princes that the ability of the Al Sauds to remain in power was directly linked to its capacity to defuse discontent in society through the application of economic and social development programs aimed at the interests of specific segments of the population.

The announcement of ten point program suggests that it is the second approach, that of less political demands in return for greater economic gains which prevailed within the Al Saud family. As mentioned earlier, one interpretation of this approach is that the Al Sauds hoped that by distributing economic and social programs through the neo-patrimonial system they would be consolidating their position as well as coopting the new elites and groups.

According to Abir[70] the ten point program seemed to have been well received by the various groups in Saudi society. The royal family and tribal leaders liked the program because it served to strengthen and stabilize the kingdom. The ulema approved of the continued Wahhabi character of the kingdom and the merchants and technocrats, as well as the population in general could see increased opportunities for economic gains.

To satisfy the desire of some elites for greater political representation, especially among the growing number of educated commoners, Faisal pledged in 1962 to create a National Consultative Assembly, which promised wider sharing of political power in Saudi Arabia. It has been suggested that the Al Sauds wanted to convince those wanting political reform that it would be discussed once the crisis had abated. In periods of relative tranquility the Al Sauds have consistently backed away from any real effort to implement a Consultative Assembly. However, promises of forming the Assembly have consistently occurred in situations of domestic unrest, for example the confrontation with Nasser, the 1979 seige of the Grand Mosque in Mecca, or the recent 1990-91 Gulf war.

Such a policy suggests that once a crisis has passed, the Al Sauds hope that renewed economic and financial gains will lessen the demand for greater political representation. People will be too occupied making money to want to change the political system. Thus successive development plans initiated

since the ten point program can be interpreted as an extension of that particular policy as well as a continuation of the neo-patrimonial character of the Saudi regime[71].

By 1972 more money was being earned by the state than it was capable of spending, thanks to better fiscal management and increasing oil prices. The first development plan launched in 1970 cost SR (Saudi Riyal) 41 billion and the 1975-1980 development plan was expected to top SR 498 billion. Furthermore as Chaudry[72] has shown, as oil revenues increased, the amount of taxes imposed decreased, to a point when in 1973 all direct and indirect taxes on individuals, merchants and companies were lifted. It has been suggested that in this atmosphere of plenty, most of the emerging elites and groups were enticed into accepting the regime by benefiting from the wealth being spread throughout society.

By 1979, the revolution in Iran and the vociferous threats of the Imam Khomeini were putting serious strains on the Al Saud family, because of close Saudi ties with the US, but more importantly, because it incited the Shi'ite workers in the Al Hasa region to riot and complain that the oil revenue was being used to improve Sunni regions of Saudi Arabia[73]. The oil producing region of Saudi Arabia has a large Shi'ite population while the rest of the country is overwhelmingly Sunni. The rioting was crushed by force and security measures in the region strengthened, but the Saudi leadership, fearing more potential trouble from the Shi'ites reorganized their third development plan estimated at SR 787 billion which was due to begin in 1980 to include important development programs in the Al Hasa region.

In response to Shi'ite demands, the third development plan saw the creation of the huge Jubail Industrial Project. Headed by a Shi'ite, this project incorporated refineries, petrochemical plants, a commercial and industrial port,

desalination plants as well the construction of cheap housing and the development of light industry aimed at the private sector[74]. The Al Sauds provided local Shi'ite businessmen with financing and government assistance to expand their enterprises, as well as the creation of new commercial centres. Thus according to Abir[75], the regime was able to pacify, if not win the goodwill of most of Al-Hasa's population, including the majority of the Shi'ites.

The response of the Al Sauds to Shi'ite grievances seems indicative of the desire of the royal family to seek alliances or at least placate those groups or elites that complain about the political system or the manner in which oil revenue is used. The Shi'ite example whereby greater economic opportunities and financial gains are offered in exchange for stability is not the only such example in rentier Saudi Arabia. As mentioned earlier, the growth of the Saudi economy, fueled by oil revenue has led to the emergence of new elites and groups in competition with the existing elites, forcing the Al Sauds to reconsider their system of alliances.

Among the new elites which emerged in Saudi society were senior government officials and a new wealthy merchant class, mainly of Nejdi origin. Most of the senior government officials have risen in the hierarchy because of their educational and managerial skills. The new merchant class for its part has emerged as a result of Al Saud favouritism and support. Most of these new merchants come from Nejdi families with close ties to the royal family. Their rise to prominence being the result of government contracts and royal family spending.

Development in Saudi society has also created what could be called a middle and lower class. The middle class is largely made up of professionals, mid-level bureaucrats and military officers as well as small merchants and businessmen. The lower class is mostly "Badu" or tribal elements, low ranking

government employees and members of the Shi'ite community.

The emergence of these new elites and groups has forced the Al Sauds to modify the manner in which oil revenue is used. As this section has argued, the initiation of the massive economic development plans is one response to the growing influence and importance of these new elites and groups. As Chaudry[76] indicates, the distributive policies of the Al Sauds fall into four broad categories.

The first category incorporates the development plans for it proposes to satisfy the needs of all Saudis by offering the basic necessities such as medical and educational services, food and utilities subsidies, welfare and social services as well as government employment in the newly created ministries offering these services. These services are aimed at all Saudis but seem to benefit mostly the lower and middle class.

The second category involves land grants by the King. Urban and rural land grants were issued from collective tribal lands nationalized in 1952. As the king was responsible for the distribution of these grants, members of the existing elites as well as the emerging elites and groups were given land titles. From the onset, these gifts set the basis for wealth accumulation in the private sector. It therefore seems that land claims played an important part in coopting tribal and merchant elements, high ranking technocrats as well as the majority of the middle class. Ownership of land gave its owner further access to a host of government loans and credits.

The third category provided interest free loans for housing, personal needs, industry, contracting and agriculture. These interest-free loans helped existing and emerging elites and groups with the construction of a home or with the development of a commercial enterprise. These loans further provided for the expansion of wealth among Saudis. While elites no doubt greatly benefited from the loans and the policies of the fourth

category of distributive polices which we will explain in a minute, the average Saudi citizen also participated in the wealth. Many earned an ample living by building a villa and renting it to foreign companies for amounts ranging from $40,000 per year and upwards, payable three years in advance[77]. The importance of these loans was such that by 1984, the total amount of interest-free loans disbursed by the various government ministries amounted to over $164 billion US[78].

The final category identified by Chaudry are a host of policies and regulations concerning contract sharing, sponsorship and commissions. A variety of ways of making money developed for Saudis in private and civil service employment. Foreign companies seeking contracts would be sponsored by Saudis with connections in the government or by government or royal family members. In return for securing a government contract, the foreign firm would pay the sponsor a large commission. It has been suggested that royal family members have benefitted the most from this practice known as al-kafil. However as Abir[79] explains, Fahd in 1977 passed a law forbidding members of the royal family from representing more than ten foreign firms so that more businessmen and civil servants could get into the sponsor and commission system.

Furthermore, Saudi law forces foreign firms to subcontract thirty percent of their government contracts to local businessmen, further helping to spread oil revenue among the elites and groups in Saudi society[80]. A final bonus available to elites are subsidies apparently aimed at developing a certain aspect of the economy, such as agriculture. Subsidies for equipment, wages and guaranteed prices for produce combined with government loans became according to Chaudry[81] the main source of private capital accumulation for tribal, political and royal notables. A vivid example of this spreading of the wealth can be found in Saudi Arabia's wheat policy. While the

market price for wheat in 1982 was $150 US per ton, the Saudi government guaranteed a price of $1,050 US per ton to domestic wheat farmers[82].

Distribution of oil revenue through economic plans or subsidies does not seem to be the only method of cooption practiced by the Al Sauds. As this section has argued, many bright and well educated Saudis have been offered positions of some importance within the government, no doubt as a result of their expertise but also in recognition of their growing clout. One interpretation of these high ranking positions is that they serve to meet some of the complaints of these emerging elites that they do not participate enough in the decision making process. Combined with government employment for members of the middle and lower class, it suggests that the Al Sauds have developed an effective tool to secure the allegiance of emerging elites and groups.

Abir[83] explains that nepotism is a common practice within the Saudi bureaucracy. Once established in a government ministry, the bureaucrat will work to secure government employment or help in getting government contracts and loans for his kinsmen. In this way many within the middle and lower classes can enter government service or profit from government contracts. Buchan[84] for his part states that the National Guard created in the early 1960's served to reinforce the link between the "badu" and the Al Sauds. The original goal of the National Guard was to provide cash and employment to these tribal elements, but has since then evolved into a counterbalance to the military.

We believe the preceding pages demonstrate the desire of the Al Sauds to follow the course set by Faisal who sought to reduce discontent in society by offering social and economic opportunities to most Saudis. All of the existing and emerging elites and groups seem to have found something they can benefit from in this evolution of the patrimonial system. Furthermore,

the movement towards greater political liberalization seems to have been effectively blunted by the economic opportunities and gains made available to almost every group in Saudi Arabia.

It has been suggested that the development of the Saudi economy and society is intertwined with the desire of the Al Sauds to defuse discontent and strengthen the legitimacy of the monarchy. Only by developing the economy, by providing new employment and business opportunities can the Al Sauds hope to win support for their continued rule. Thus in the Saudi case, economic development and cooption go hand in hand, insuring the continuation of the Al Sauds' neo-patrimonial system.

Saudi Arabia and the Characteristics of Rentierism

How well does Saudi Arabia fit the characteristics of rentierism ? In the brief historical account of recent Saudi history we have attempted to highlight the evolution of the patrimonial system and the ways in which elites and groups become associated with the ruling elite. This we believe demonstrates the existence of rentierism in Saudi Arabia.

Concerning the first characteristics of rentierism, the impacts on the state, it is fairly clear that control over external rents is the sole domain of a small elite the Al Saud family. It is the prerogative of the king and the senior princes in government to use and decide on how to use the revenue accrued from external rents. No one else in government or society has that particular privilege.

Likewise, the second characteristic of rentierism, points to a decreasing use of the state's extractive institutions. In the case of Saudi Arabia, the amount of revenue coming from external rent has meant that dependence on the local population for taxation revenue in unnecessary. Since the first years of oil production, the leaders of Saudi Arabia have counted on a

source of revenue which quickly surpassed all other sources. The formally powerful state extractive institution known as the DZIT (Department of Zakat and Income) virtually became a useless government department. The share of non-oil taxes in government revenue has fallen from 13% in 1961, to 4% in 1975, and 2% in 1980[85].

Concerning the impacts on the state, the characteristics of rentierism are very evident in Saudi Arabia in the rentier state period. The evidence is even more stark upon examination of the impacts on state-society relations.

One of the characteristics of rentierism involves the particular use of rent. Does the ruling elite use the rent for purposes of cooption ? In the case of Saudi Arabia the answer seems to be yes. The Al Saud leadership has consistently used oil revenue to cement alliances as well as entice elites and groups in Saudi society to accept the status-quo. Oil revenue was first used to maintain the loyalty of the tribes in the early days of the kingdom with subsidy payments and traditional Saudi and tribal methods of marriage and religious legitimacy. In this manner the Al Saud leadership received the backing of the majority of the population thanks to the support of tribal and religious leaders.

The businessmen, educated Saudis, and senior government officials as well as the majority of the middle and lower classes which emerged in the new economic context seem to have been largely satisfied through large scale development schemes and various revenue distributing mechanisms. These have provided employment, financial and social security as well as business opportunities for most Saudis.

As we have argued earlier, economic development and modernization became a necessity for the Al Sauds after Faisal and the royal family decided to defuse popular discontent rather than grant greater political representation. The

spending of oil revenue to offer social and economic benefits to all elites and groups in Saudi society could only be achieved through economic development. Economic development created the government jobs given to the elites, middle and lower classes. Economic development made possible government contracts and new business opportunities through which much of the oil revenue could be distributed. Thus this chapter suggests that economic development is the result of the Al Sauds' decision to defuse societal discontent and their desire to secure the support of emerging elites and groups.

Apart from the various revenue distributing mechanisms mentioned earlier, here are several indicators which we believe demonstrate the willingness of the Al Sauds to respond to the demands of Saudi society for a greater use of oil revenue in economic and societal development. The number of schools in Saudi Arabia went from 3,167 in 1970 to 13,426 in 1983. During that same period, the number of telephone lines went from 76 thousand to well over a million[86]. The number of private passenger cars jumped from 14,561 in 1960 to 104,652 in 1972[87]. In 1982, government subsidies per capita for fuel was $ 636 US, for food it was $122 US, housing received $256 US and water $227 US per capita[88].

The use of civil service employment has been one sure way of getting the support of elites, middle and lower classes for continued leadership by the Al Saud family. From a bureaucracy which employed only a few hundred people in the 1940's, the civil service has grown to employ 27% of the Saudi workforce in the 1970's to over 35% in the 1980's[89]. Likewise, service in the armed forces offers employment to some 34,500 Saudis while the National Guard employs some 20,000 more. In the military, officers and men are offered economic opportunities ranging from high pay to free plots of land, all in the interests of keeping morale high and strengthening loyalty to the regime[90].

The absence of taxation also plays a cooption role in Saudi Arabia. There seems to be little doubt that the fact that Saudis pay little or no taxes works in the favour of the Al Saud family. People may be less inclined to question the operation of government if it is not their money being used to run it. Absence of taxation thus plays a part in the cooption process. If there are no taxes, and economic opportunities and social services continue to be provided by the state, the incentive to change government operation is reduced. Thus far, this aspect of cooption seems to have been largely a success for the Al Sauds.

We believe analysis of the Saudi case has adequately demonstrated the existence of a pattern of politics we call rentierism. It is now imperative to examine the two other rentier states to determine why it is they differ from this rentier state.

Table 2.1

Percentage of Saudi Government Revenue Derived from Sale of Oil

Year	% from oil revenue
1948	65.2 %
1960	77.0 %
1964	83.0 %
1970	86.6 %
1974	96.1 %
1978	89.6 %
1980	97.8 %

Figures obtained from calculations of budget figures.
Sources: Ragaei El Mallakh, *Saudi Arabia: Rush to Development* (John Hopkins University Press, 1982), p 258-259. Tim Niblock, "Social Structure and the Development of the Saudi Arabian Political System", in Tim Niblock *State, Society and Economy in Saudi Arabia* (Croom Helm, 1982), p 96. Economist Intelligence Unit, Quarterly Economic Review of Saudi Arabia, *Annual Supplement 1979-1980*, p 16.

Chapter 3 Iran, the fractured society

Why does the Iranian monarchy, with its large amounts of oil revenue ultimately fail in maintaining itself ? Why does rentierism filter in the Iranian case ? These are two questions which we will attempt to answer. This chapter will thus focus on elements in the pre-rentier period which we believe had a direct impact on subsequent regime instability, notably foreign influence and a much wider dispersion of social and economic power than in the Saudi case. It will be argued that these factors are directly responsible for the fragility and eventual collapse of the monarchy and can explain why rentierism fails in the Iranian case.

Pre-rentier Iran

During the early part of the twentieth century, Iran was separated into Russian and British spheres of influence. Their policy at the time was to maintain a weakened and fractured Iranian state by paying subsidies to the various tribal chieftains in their respective spheres of influence. The subsidies also served to weaken the Shah by preventing Teheran from exercising its authority over the tribes as well as counteracting any royal attempts for greater centralization of power[91].

In 1921, a coup d'etat took place in which colonel Reza Khan, leader of the Cossack regiment, seized power. From 1921-1923, Reza Khan, as Minister of War, began to secure his position by strengthening and equipping his army, as well as conducting a series of campaigns against tribal leaders. This strengthening of central authority over that of regional authority was no doubt made much easier by the fact that the British suddenly decided to back Reza Khan and stop paying subsidies to the tribes[92]. In 1925 Reza Khan became Reza Shah

after he forced a vote in the Majlis deposing the previous Shah Ahmad. The Pahlavi dynasty was born.

Abrahamin[93] states that Reza Shah relied on the army as his main pillar of support. Military officers became a privileged class. They received state lands and enjoyed a high standard of living. Many were sent to study abroad at foreign military schools, notably the St Cyr academy in France. This dependence on the military was reflected in its budget, which from 1926 to 1941 increased fivefold. In fact as Peter Avery suggests, the military under Reza Shah formed the basis of a new privileged class[94].

Having dealt with the tribes, the remaining groups which potentially posed a threat to the new Shah were targeted. The large landowners, in essence the traditional aristocracy, were largely left to their own affairs. Those who did oppose the Shah found their lands expropriated by the monarchy, which in this manner became the largest single landowner in Iran. However many landowners came to benefit from what Abrahamin[95] calls the second and third pillars of support of the monarchy, the bureaucracy and court patronage.

By 1941 over 90,000 government jobs had been created in Iran[96]. Many of these jobs went to members of the military, foreign educated Iranians as well as the aristocracy. Reza Shah was thus able to create within the bureaucracy a class which according to Abrahamin became one of the pillars of early Pahlavi rule. Court patronage was another device which the new Shah employed to secure his position. Allegiance to the throne could secure special privileges ranging from involvement in the industrialization of Iran to trade monopolies and government positions.

Apart from the large landowners and the tribes which the Shah brought forcibly under his control, the remaining group in Iranian society strong enough to pose a challenge to Reza

Shah's rule were the Shi'ite ulema. Reza Shah's initial tangle with the ulema had occurred when he was still Minister of War[97]. By 1940 however, Reza Shah had implemented various strategies aimed at reducing the influence and authority of the ulema in Iran. Education became accessible to both boys and girls and its control was transferred from the ulema to government. The legal system was reformed to reduce the importance of Islamic law and its application by the ulema. Religious courts were replaced by a government department of justice. The European style of dress for men became obligatory and the wearing of the veil by women outlawed[98].

Close ties with Germany[99] provided the excuse for a combined Russo-British invasion of Iran in 1941, which was to ensure continued Russian access to Allied supplies. The Iranian army was defeated in few days and Iran was divided into two zones of occupation, Soviets to the north, British to the south. Reza Shah having lost all authority abdicated in favour of his son and left the country.

The removal of Reza Shah and subsequent decline of central authority in Teheran allowed the various political parties such as the Marxist Tudeh party[100], the National Front[101] and the tribes to once again demand reforms and autonomy. In this period of occupation, the Majlis became the centre of Iranian government, as the monarchy, headed by a young 20 year old Shah was effectively reduced to a figurehead institution by his inexperience and foreign occupation.

Real power in liberated Iran was in the hands of the Majlis, whose members, made up of large landowners, merchants and intellectuals had wielded what power was available to them during the years of occupation (and were for the most part only interested in protecting their personal interests rather than those of the people). In 1950 riding a wave of anti-foreign sentiment among Iranians, Dr Mossadiq was elected P.M. by the

Majlis. A few months after his election he announced the nationalization of the oil industry on Iranian soil, a move of which Britain, then owner of the AIOC (Anglo Iranian Oil Company) did not accept. Britain subsequently imposed an oil embargo on Iran, preventing any sale of Iranian oil abroad.

As the embargo continued into 1952, Mossadiq found himself blamed for the increasingly difficult economic problems caused by the loss of oil revenue. Iranian oil production dropped from 241 million barrels in 1950 to less than 10 million barrels in 1952[102]. The Majlis attempted to impeach the P.M., but voting was prevented by street gangs who intimidated Majlis members opposed to Mossadiq. When the Shah attempted to remove Mossadiq and replace him in 1953, a wave of violence erupted in Teheran forcing the Shah to flee the country[103].

But in 1953, the Iranian military, with the support of the CIA, launched operation Ajax/Boot. Mossadiq was removed from power and his partisan mobs suppressed by royalist military officers, allowing the Shah to return[104]. It has been suggested that American support for the coup to remove Mossadiq reflected the attitude of the newly elected Eisenhower administration to stop communist advances anywhere in the world. The US administration was afraid that the communist Tudeh party was gaining too much influence over Mossadiq and that Iran and its oil reserves could fall under Moscow's control.

The Shah's return to power marked the decline of the Majlis as an independent power, and the return to the monarchical rule first used by the Shah's father. No effort was spared to consolidate the supreme authority of the monarchy. Military spending was increased, SAVAK, the Shah's secret police was created to weed out and destroy opponents to the Shah. The communist Tudeh party was ruthlessly hunted down by security forces and by 1960 could barely maintain clandestine operations in Iran. Leaders of the National Front like Mossadiq were

either jailed or physically and verbally intimidated by the government[105].

While the Tudeh and National Front were being suppressed, the young Shah set out to secure the support of the elite groups in Iranian society. Government carefully tried to avoid any policies that might offend or hurt the large landowners and the bazaar merchants. Likewise, the Shah attempted to woo the clergy by making periodic pilgrimages to Mecca and other holy cities and by vowing that the monarchy would uphold the principles of Islam[106]. Furthermore, the Shah worked hard to coopt Iran's leading cleric of the time, ayatollah Burujirdi, by conferring with him and his colleagues on government matters[107].

But trouble loomed ahead for the Iranian monarchy. Already the recipient of over $567 million US in economic aid and $450 million US in military aid from the United States from 1953 to 1960[108], the Shah was being pressured by the US to grant greater political and economic freedom to the peasants which at the time still made up over 85% of the population[109]. By 1961, the Kennedy administration had made it clear to the Shah that further economic and military assistance was dependent on real efforts towards land reform in Iran. Thus according to Bill;

"There is little doubt that during the Kennedy presidency the United States pressured the Shah's regime to begin a program of dramatic, selective and controlled reforms. Many of the reforms in fact adopted by the Shah were identical to those recommended by the US Department of State"[110].

This view that American pressure was instrumental in forcing the Shah to initiate land reforms is supported by Abrahamin[111], who states that Kennedy offered $ 85 million in economic aid to Iran if the Shah named a pro-American P.M. and if meaningful steps towards land reform were taken by the monarchy.

Under this American pressure to reform, the Shah in 1961 named a pro-American P.M., Dr. Ali Amini to supervise the

launching of the White Revolution, a change in Iranian society sponsored from above. The idea behind this reform was to strengthen the monarchy by cultivating the support of the peasantry and the Iranian population in general. That support would hopefully be achieved through the 12 point economic and social development plan of the White Revolution[112].

Of all the elements of the White Revolution, it has been suggested that the land reform initiative had the greatest impact on the relations between monarchy and society, an issue which will be discussed in the section dealing with rentier Iran. The Shah for his part hoped that this revolution would help to increase the speed of modernization and make the Westernization of Iran more complete[113].

According to Looney[114], the objective of the land reform program was to create a rural middle class which the government would begin to use as a political base. For their part, Moshiri[115] and Graham[116] claim that the goal of the land reforms was to weaken potential opponents of the monarchy in Iran, notably the large landowners and the ulema. Indeed figures prior to the land reform indicate that 50% of the agricultural land in Iran was owned by the landed upper class, while religious holdings amounted to over 25% of all agricultural lands[117].

However, opposition to land reform was fierce and the Shah was unable to get the necessary legislation passed in parliament, largely dominated by the landed upper class. After elections in late 1961 failed to install a reform minded parliament, the Shah decided to dissolve the Majlis for two years and rule by decree. During those two years, the land reform process was launched. The dissolution of the Majlis by the Shah is of great importance to our argument for according to Abrahamin[118], it marks the end of the influence and authority of this institution and the return of one man rule in Iran.

Finally, the opposition of the ulema to the land reform which erupted in 1963 and which ended in bloody confrontation between police and demonstrators is also a highly relevant event for our thesis. Firstly it demonstrates the growing use of repression by the monarchy to control societal disturbances. Secondly because of his involvement in the confrontations, the Ayatollah Khomeini was propelled unto the Iranian political scene, eventually becoming one of the Shah's most vociferous and dangerous opponents.

By 1964-65, the date at which time oil income accounted for over 50% of government revenue (see table 3.1 page 71), Iran had become a rentier state. The Shah was the central power in Iran, his power more than ever reinforced by the military and secret police. All important decisions concerning security, development, economics, politics and society were made by the Shah, and only the Shah.

Key Variables for Pre-Rentier State Iran

(#1) Size, population and habitable area

Iran is a state in southwest Asia of some 630,000sq miles in area. The topography of Iran is one of a large central plateau surrounded on three sides by rugged mountain ranges. Iran is bordered by Iraq and Turkey in the west and Armenia, Azerbaijan and Turkmenistan to the north. Although Persian is the predominant and official language, there exist several large minorities in Iran with their own languages, such as Kurdish, Turkish and Arabic. The country includes large amounts of rugged terrain, lying within subtropical latitudes, with the northern regions being mountainous and receiving substantial rainfall and snow, and the south, periods of extreme heat.

The 1960 census showed over 26 million inhabitants in Iran, although 85% of the them lived on one third of the land. Until

recently the majority of the population was rural, with agriculture and textiles playing an important economic role. By 1956, 33% of the population was urban, rising only to 38% in 1966. Approximately 14% of the territory is under cultivation, with a further 15% potentially arable using irrigation. However the limited water resources and poor soil (up to 50% of Iran is desert, wasteland or barren mountain ranges) prevent further agricultural productivity[119].

In comparison to Saudi Arabia, Iran is a relatively large populous nation, possessing a territory which is rugged and harsh, with limited means of communication between the various regions of the country, with different ethnic and cultural groups, and in which the majority of the people are confined to subsistence agriculture in a feudalistic system. We would suggest that unlike its Saudi counterpart, the greater cultural and social complexity as well as a larger population contributed to the development of a more vibrant and diversified civil society in pre-rentier state Iran.

(#2) Resources other than rent producing resources

Oil is of course the most important resource in Iran today, but it has been suggested that in pre-rentier times the impact of oil on society was limited. Pre-rentier Iran was very much a feudalistic society, in which subsistence agriculture played an extremely important role. While most of the cultivated land belonged to a small group of landowners, Iran was largely self sufficient in terms of food needs and agriculture employed a substantial part of the workforce.

Another important provider of employment and a source of revenue for the state was the textile industry, which was renowned in the region for its products. Through the bazaaris (Iranian merchants), domestic goods were traded with the outside world. Until Reza Khan became Shah of Iran, agriculture

and textiles were the most important resources of the state.

Under the leadership of Reza Shah, development was aimed at producing better means of communication and transportation such as the building of a railway and roads. These projects facilitated the burgeoning growth of heavy industry in Iran. The development of cement factories, the extraction of mineral resources such as copper, coal and iron, as well as the production of bricks and flour were all achieved under the first Pahlavi Shah. By 1940, 64 state factories had been established in Iran, allowing manufacturing to contribute close to 5% of GNP, while in the 1920's it had nearly been zero[120].

Reza Shah was the first Iranian leader to attempt to increase the resource base of his country by attempting to develop alternative sources of productivity and revenue through the creation of a industrial and economic infrastructure. Most of the early industrial development of Iran was achieved through domestic taxation in order to lessen Iran's dependence on foreign powers.

The existence of a broad and plural economy in combination with a diversified civil society suggests two important differences from the Saudi case. Firstly, unlike the Saudi case, the early impact of oil revenue in Iran was limited, which implies that the ruling elites benefit derived from control of the resource was also limited. Secondly, a more developed and diversified economy suggests that other elites and groups would be more capable of defending their interests, because unlike their Saudi counterparts, they possessed a measure of economic freedom and were not dependent on the ruling elite for survival.

(#3) Political power distribution

The issue of who wielded power in pre-rentier Iran has been fundamentally affected by the interference and involvement of

foreign powers. Prior to Reza Shah, Iran had been split between Russian/Soviet and British spheres of influence, with only a buffer zone between the two nominally controlled by the Qajar Shah. The tribes in the north and south of Iran, both supported by the powers who controlled those respective regions, as well as the ulema, the bazaar merchants and landowners, were, under Reza Shah reduced to obeying the central authority imposed from Teheran.

The occupation of Iran in 1941 dismantled the strong central authority of Teheran and the Shah, resulting in the return of various groups ranging from the tribes to political parties. The monarchy at this time was only one of several groups seeking to expand its power. Until the coup of 1953, Iran was largely ruled by the Majlis, and its deputies, who were mostly merchants, landowners, ulema and industrialists, used the institution for their interests.

The 1953 CIA backed coup weakened the broader power sharing of the Majlis for the narrower authority structure of the Shah. From this point on, the Shah would gradually become the only real source of political power in Iran and would eventually possess much the same power that his father had wielded. Therefore Iran in pre-rentier days vacillated between the central authority of the Shah on the one hand, and a form of constitutional monarchy on the other.

Although the monarchy was several times weakened and threatened with extinction, it nevertheless survived for most of the pre-rentier years as one of the most powerful sources of political power, and by 1964, had become the predominate political power in Iran replacing the Majlis which had used foreign intervention to assume greater political powers. Ironically, that position was only achieved after the US, one of the occupying forces of WWII, reversed itself and began to support the very monarchy it had so greatly weakened.

(#4) Power transfer

Power transfer in pre-rentier Iran revolved around the use of force. Power in 1921 was transferred from one group to another after a military coup. Reza Khan used the military to secure his dominance over Iran and to remove the Qajar Shah. The occupation of Iran in 1941 marked another use of force to transfer power, only this time the force was used by foreign nations, the Soviet Union and Britain with US consent. Their occupation removed the authority and power of Reza Shah and transferred it to themselves and the local Iranian groups they supported (in the case of the Soviet Union it was the Tudeh party and the tribes in northern Iran, in that of the British the National Front party and the tribes in the south, as well as the ulema[121]). These parties were among the scores of factions which dominated the Majlis during and after occupation.

Although Reza Shah had abdicated in favour of his son, the monarchy and the military it controlled would remain a minor player in Iranian politics until the 1953 CIA backed coup, when once again force and foreign influence would play a major role in transferring power and authority away from Mossadiq and the Majlis to the Shah and the monarchy. The rule of the monarchy would continue until the 1979 revolution when violence again reshuffled the distribution of power in Iran.

Thus episodes of transfer of political authority in pre-rentier Iran have been largely determined through violence, domestic or foreign. The monarchy has perpetuated itself by the transfer of the crown from father to son with the support of the military, while deputies of the Majlis owed their position to the foreign powers and economic groups they represented.

Political power and its transfer in pre-rentier Iran has been confined to elitist groups, usually associated with military and economic interests, such as the monarchy, the

landed upper class, bazaaris or the ulema. However, the use of force has been the predominate mechanism of political power transfer in Iran, even in cases where the victorious elite or group did not itself directly control the instruments of violence.

(#5) Political Institutions

One could certainly argue that the monarchy in itself represents an institution in Iran. For over 2500 years of its history, there existed in Iran some form of monarchy, although varying in degree of authority and control. Thus rule by a sovereign was considered until recent times a perfectly normal form of government.

The emergence of the Majlis as an alternative or challenger to the monarchy pre-dates the era covered in this paper. In 1906, the Qajar Shah of the time, representative of a feeble and corrupt family, ruler of a weakened Iran dominated by foreign powers, had been forced to accept the creation of a constitution proposed by the intellectuals, ulema and landowners of the time. The constitution called for the creation of a constitutional monarchy with two separate chambers of parliament, a Majlis and Senate[122].

The deputies to the Majlis would be elected on the basis of territorial representation, while half of the members of the Senate would be elected, the other half chosen by the Shah. The purpose of the Majlis was to control the monarchy, limit the spending of the state and seek ways to reduce the influence of foreign powers in Iran. Ultimately it sought to reduce the function of Shah to head of state and allow the Majlis greater importance in deciding the affairs of state.

This brief constitutional system lasted until the coup of Reza Khan in 1921. The new Shah forced the Majlis to obey the monarchy. Amendments to the constitution were made allowing for

the throne to pass on to the heirs of Reza Shah, as well as removing limits on the authority of the Shah vis-à-vis the Majlis.

The military occupation of Iran in 1941 and the abdication of Reza Shah allowed the Majlis to regain some authority. The Majlis and not the Shah chose the P.M., and its independence from royal authority was confirmed when in 1944 it forbade any negotiations with outside powers concerning oil grants without its express approval[123]. Under the leadership of Mossadiq, it imposed restrictions on royal powers, imposed taxes on royal holdings and almost went as far as to dissolve the monarchy.

The effective power of the Majlis would last until 1961 when the Shah, unable to pass his reforms because of the reluctance of the Majlis, dissolved the body for two years. By 1963 when the Majlis was reconvened, the Shah had managed to launch most of the programmes in his White Revolution and had managed to break the independent will of the Majlis, who from that point on would never pose a serious threat to the power of the monarchy[124].

Thus pre-rentier Iran saw the struggle between the monarchy and the Majlis for control of political power. Ultimately, it would be the monarchy which would impose its will upon the institution of the Majlis. However, it is important to note that the Iranian Majlis, unlike its Saudi counterpart, was far more institutionalized and formalized and had on several occasions not served the interests of the monarchy.

(#6) Elements of social organization and repression

Early pre-rentier Iran contained a mixture of tribally based groups, bazaar merchants, ulema and peasant workers dominated by large landowners, all revolving around a monarchy and a common religion. The tribal facets of Iranian society seem to have been limited to particular regions, notably the north and

minorities in Iran. Pre-rentier Iran finds the limited autonomy of these tribes maintained alive artificially by foreign powers (Russia and Britain) who wished to limit the power of the central authority in Teheran.

During the days of Reza Khan, social organization was based on obedience to the crown, obedience coming from military repression, but also a desire by many Iranians to see the Shah succeed in removing foreign influence from Iran. With foreign occupation, Iran reverted more to a series of formal associations between the population and the deputies of the Majlis, who had inherited much of the political power lost by the Shah. Weakened central authority also caused a rebirth among certain tribal elements (especially in the Soviet occupied zone) for autonomy and outright independence from Teheran.

The return of military power and central authority after the 1953 CIA backed coup returned Iran to obedience to the Crown save for an important difference. While both Reza Shah and his son depended on the use of force to maintain the rule of monarchy, the growth in oil revenues by 1964 provided the Shah with an alternate method of maintaining royal authority.

Thus there are two important considerations to take into account. Firstly, pre-rentier Iran was a society based largely on submission to the crown through the use of coercion. Both Shahs used coercion as their main tool of political and social control, although the White Revolution demonstrated a willingness to find new ways of securing the domination of the monarchy. Secondly, the struggle of the monarchy against other elites such as the Majlis deputies, the landed upper class, the ulema and others clearly demonstrates the existence of a dynamic and autonomous civil society, which is lacking in the Saudi case[125].

The Al Sauds largely used cooption for securing elite

support, but the Iranian Shahs were more inclined to use coercion. One interpretation for the greater use of coercion in the Iranian case could be the result of the more dynamic and diversified civil society. Unlike the Saudi case where cooption of tribal leaders virtually assured the Al Sauds of elite support, the Iranian civil society, by virtue of its diffusion and diversification, suggests that elite cooption would be more difficult to achieve.

(#7) Influence of foreign powers

This element has played a very important role in the pre-rentier history of Iran. Iran has suffered through several periods of foreign military occupation, essentially being divided between two powerful nations, Russia/Soviet Union and the United Kingdom. There are however two important points which should be addressed concerning foreign influence. The first concerns the period of Reza Khan. The foundations of the strong Pahlavi state lie in the period when Reza Khan shaped Iran into a state much more obedient to Teheran than to Moscow or London. Apart from the use of the military to support the monarchy, the strength of this first Pahlavi Shah lay in the belief of Iranians that this Shah was a nationalist ready to remove foreign occupation and influence from Iran. This suggests that foreign influence served to strengthen the desire of the monarchy and its people for an independent and free Iran.

The second important point concerns the return of the monarchy to its role of authority in Iran after the 1953 CIA backed coup which removed Mossadiq from power. Because of the obvious involvement of the west, especially the United States, the monarchy after 1953 was never seen by the vast majority of Iranians as a completely sovereign institution. Iranians saw a return to the foreign dominated monarchy that had existed

during the Qajar Shah. The growing links between the Shah and the US after the coup did nothing to remove that belief. Furthermore, it has been suggested that this belief was instrumental in helping to cement the alliance between the various groups seeking to remove the monarchy, the end result being the Islamic revolution in 1979.

Foreign influence has played an extremely important role in Iranian political development. While at one time, foreign occupation and influence may have served to strengthen the role of the monarchy in Iran, the overall impact suggests one of delegitimization and isolation of the Crown from its subjects, as the post 1964 events will demonstrate.

Iran as a rentier state

As 1965 passed, Iran had truly become a rentier state in the sense that oil revenues now accounted for the largest part of government revenue and that they played a more important role than ever in the expansion and development of Iran. While 1965 is the date this thesis has chosen to define Iran as a rentier state, it is important to note that rentier type policies were already being implemented prior to 1965, as demonstrated by the White Revolution which was initiated in 1961.

While the first few years of the land reform seem to have been a success, ultimately the situation of most peasant families did not greatly improve for two reasons. Firstly, the state failed to provide the new land owners with credit and technical assistance required to correctly run an agricultural enterprise, forcing many out of business. Secondly, by 1968, most peasants became disillusioned with the monarchy when they were forced to hand over their newly acquired land in return for ownership shares in large agro-business ventures promoted by the Shah and the US[126]. These new farms used modern machinery, employed less workers, and thus contributed to the

movement of workers to the cities.

The Shah through his land reform program had managed to reduce the power of the large landowners, replacing it with royal and government control. However, in an effort to not completely alienate the landed upper class, the Shah sold them state owned factories and shares in government business, thus helping to reinvest the money made during the land redistribution[127]. This policy also served to secure to a certain degree the loyalty of the landed upper class and the aristocracy by tying their economic future to the successful implementation of the Shah's economic and social development plans. However, it has been suggested that the main goal of land reform, to win the support of the peasants, had by 1968 completely failed[128]. Thus a large segment of the rural population felt betrayed by the Shah and would provide one of the sources of revolt against the monarchy.

The religious establishment was also targeted by the White Revolution, and a systematic effort to reduce the authority and influence of the ulema was launched. Land endowments of the ulema, known as 'waqf' were transferred into government hands. Under a growingly repressive regime, religious leaders who were critical of the Shah were subjected to jailings, harassment and in some cases sent into exile, as in the case of Khomeini, one of the more virulent opponents of the Shah.

According to Ramazani[129], the ulema vehemently opposed land redistribution because it removed an important source of revenue for the religious establishment as well as reducing its influence in the rural areas of Iran. However, land reform was only one of the quarrels the ulema developed against the monarchy. The exile of the Ayatollah Khomeini in 1964 had actually been the result of a serious clerical disagreement over the granting of full diplomatic immunity to US military personnel stationed in Iran. The granting of this immunity was

seen by the ulema as a return to the franchises granted foreign powers throughout Iran's history and proof of the Shah's dependence on the US[130].

Thus one interpretation of post 1964 government attitudes towards the religious establishment is one of confrontation rather than cooption. There seems to be a systematic effort by the Shah and his government to reduce the influence and authority of the clergy in all aspects of Iranian life and replace it with government institutions and agencies.

The rising tide of economic activity and national prosperity was to be achieved in part through the White Revolution, but also through the use of increasingly impressive economic development plans aimed at building an infrastructure, industry and sound economy in Iran. These development plans would naturally be financed with increasing oil revenue. A development plan originally launched in 1962 and lasting to 1967 called for over $2.73 billion in spending. The 1968 to 1973 development plan spent over $6.75 billion on infrastructure and economic expansion[131]. The impact of this spending fueled the expansion of the Iranian economy, which during the period 1965 to 1971 grew at an annual rate of 11.1%[132].

With the loss of agricultural employment in rural areas caused by restructuring came the massive movement of workers towards the urban centres where new sources of employment could be found. That drain of workers from the countryside to the cities was further ignited by the dramatic increase in world oil prices in 1973-74, when the price of a barrel of Iranian crude rose from $2.60 US to $11.90 US per barrel. In response to the extraordinary increase in government revenue obtained from the sale of oil, the development plan for 1974-1979 was revised and fixed at $69.6 billion, an increase of 90% over earlier estimates[133].

The dramatic increase in government spending on the economy saw among other things, an increase in the number of factories operating in Iran. From 1963 to 1977, the number of small factories (up to 49 workers) jumped from 1502 to 7000. The number of medium factories (50 to 500 workers) increased from 295 to 830, while the number of large factories (500 or more workers) increased from 105 to 159[134]. A better standard of living increased the number of personal passenger cars, which jumped from 278,000 in 1970 to 516,000 in 1975[135]. The number of radios rose from 2 million to 4 million, while during the same period the number of television sets jumped from 120,000 to 1,700,00[136]. With nearly 20% of the 1974-1979 development plan devoted to increasing the availability of affordable housing, the 710,000 construction workers benefitted from the economic boom, their numbers rising nearly to a million by 1977[137].

As rural to urban migration continued, the situation in all of the major Iranian cities began seriously to deteriorate as massive government spending overheated the economy and led to inflation and a rising cost of living. While inflation had been relatively low during the 1960's (between 1 to 4% per year), the 1970's saw increases of 6.50% in 1972, 14.3% in 1974, and 27.3% in 1977[138]. The cost of living index which was 100 in 1970 had by 1976 risen to 190[139]. The problem was only compounded by the lack of adequate housing for the majority of arriving workers. According to Abrahamin[140], the number of families living in one room dwellings increased from 36% in 1967 to 43% in 1977.

By 1975 it has been suggested that the rise in inflation and cost of living was negating a lot of the economic progress made in Iran up to that time. The regime began to blame the inflation on the business community, which it accused of profiteering. A anti-inflation campaign was thus launched, in

particular against the Bazaar merchants.

The Bazaar merchants in 1975 continued to control as much as half of the country's handicraft production, two-thirds of its retail trade and three-quarters of its wholesale trade[141]. They had largely remained independent from the government thanks to their reliance on commerce and trade. Greater government interference with the Bazaar system coincided with the creation of the Resurgence party in 1975. This political party created by the Shah officially made Iran a one party state, and all those who were true patriots and supporters of the Shah were asked to join.

The Resurgence party set up branches in the Bazaar, and according to Abrahamin[142] forced the Bazaar merchants to make donations to the party. The presence of the state party in the Bazaar also led to the introduction of a minimum wage, as well as government pressure to force Bazaar merchants to register their employees with the Ministry of Labour and pay their contributions to the medical insurance system. Furthermore, the formerly independent Chamber of Guilds was placed under the control of government officials.

In terms of fighting the inflation believed to be caused by the Bazaaris, the government imposed strict price controls on many basic commodities and imported large amounts of wheat, sugar and meat to undercut the local Bazaar merchants. The Resurgence party organized 10,000 students into vigilante groups to comb the Bazaars in search of profiteering merchants. Even SAVAK, the Shah's dreaded secret police was involved, reportedly sending 8,000 merchants to jail, banning 23,000 traders from their home towns and levying fines on another 250,000[143].

Kamrava[144] believes that the Shah's harassment of the Bazaaris was initiated to break their independent economic power as well as reduce their conservative influence in

society. The Bazaaris had remained close allies with the ulema, the alliance being based on religion as well as the merchants payment of religious tithes to the ulema. By donating funds to the ulema to finance their anti-government activities as well as providing contributions and wages to striking workers, the merchants were offering crucial support to the anti-Shah forces.

While the increasingly impressive development plans and the White Revolution can be interpreted as the Shah's attempt to buy the support of Iranian society, the evidence suggests that coercion was by far the most widely used mechanism of societal control of the regime. The Shah became a keen participant in the Nixon doctrine in 1972, and was even encouraged by the US to maintain a strong and authoritarian regime for the sake of maintaining peace in the Middle East. The goal of the Nixon Doctrine was to make Iran a regional superpower, and the US was only to happy to supply Iran with all the modern military equipment it would need[145].

The decision to use force as a means to implement government policy has already been demonstrated in the land reform programs. According to Bill[146], the US in 1971 had no objections to the Shah's use of coercion as his main instrument of political control. The US had always supported Iran militarily since the end of the second World War, giving Iran some $1.4 billion in military aid. But after the Shah's association in the Nixon doctrine and the 1973-74 increase in oil revenue, Iran during the period of 1973 to 1978 would purchase some $43 billion in arms and military equipment, including some of the most advanced weaponry of the time[147].

From an army of 200,000 men in 1963, the Iranian military would grow to some 410,000 men by 1977, making it the fifth largest army in the world. The budget of the military in 1963 was some $293 million, ten years later it had risen to $1.8

billion and by 1977 would be $7.3 billion[148]. In fact it has been suggested that the military was the most pampered segment of Iranian society. Officers were given attractive salaries, generous pensions, modern medical facilities, comfortable housing, special low priced department stores and the chance to travel abroad. Furthermore, senior officers were given the opportunity to run state owned enterprises.

Evidence indicates that even in periods of great economic growth and employment (1970-1974), the military and its cousin, SAVAK, were constantly involved, using force to coerce real and potential opponents of the monarchy, notably the clergy. By 1975, rapidly rising inflation had worsened the economic situation of Iran and everything seemed to indicate that more coercion would be needed to maintain order. But once again as has happened so many times in Iranian history, foreign influence would profoundly affect the course of events.

With human rights abuse well documented in the Communist bloc, international organizations such as Amnesty International, the International Commission of Jurists and the UN affiliated International League of Human Rights began to condemn and attack the Iranian government for its abusive use of force. While damaging to the Shah's regime, Abrahamin[149] believes it was the growing criticism on the part of the United States, the Shah's closest ally, which had the greatest impact on state-society relations in Iran.

In 1975, the chairman of the House of Representative's Subcommittee on International Organizations declared that the Iranian regime could not be considered stable until it permitted popular input, created proper parliamentary structures, and allowed the freedom of the press, discussions and assembly[150]. It has been suggested that members of both the US Senate and Congress as well as senior government officials began to wonder about the wisdom of shipping weapons to Iran

given the uncertain political situation.

The Shah came under even greater American pressure to relax the police controls in Iran during the 1976 US presidential elections. During the campaign, Jimmy Carter championed human rights and specifically named Iran as one of the countries where America could do more to protect civil and political liberties[151]. President Carter continued his pressure on Iran to allow greater political freedom, and by 1977, the number of open letters from Iranian students, ulema and intellectuals to the monarchy complaining about police brutality, the harsh economic situation and the desire to return to Islamic traditions had become common.

While popular opposition was largely nonconfrontationalist to that point, a chain of events was suddenly launched in January 1978 which would ultimately lead to the end of Pahlavi rule in Iran. When a Iranian newspaper article appeared openly insulting the exiled ayatollah Khomeini, the ulema and their supporters took to the streets of the holy city of Qom to protest the defamation. That protest was quelled by the use of deadly force[152].

Following the Shi'ite custom of commemorating the dead after a forty day period, further anti-government demonstrations took place in the other major cites of Iran. As the military and police used deadly force to silence the protesters, the cycle of violence spread across the country, each death at the hands of the security forces being a reason for further protest. By September 1978 the Shah had decreed martial law in all of Iran but to no avail. In December 1978, the military refused to stop a demonstration in Teheran, and by January of 1979, the Shah having no remaining source of authority, left Iran, appointing a member of the opposition, Shahpour Bahktiar, as PM. The end of the monarchy in Iran had come.

Iran and the characteristics of rentierism

Concerning the impacts on the state, Iran clearly fits the model of rentierism. Firstly, the rent in Iran was controlled by the government, which was entirely under the authority of the monarchy, in this case the Shah. Since government in Iran after the 1953 CIA backed coup had reverted to monarchical control, all rents from oil became the preserve of the Shah, to be used in any manner which he saw fit. All important decisions, ranging from the military to the use of oil revenue was decided by one man, the Shah (as vividly portrayed by Hoveyda[153]).

The decline of the extractive functions of the state also seems to have been accelerated as oil revenue became the predominate source of funds for the state. In 1954, indirect and direct taxes accounted for 40% of government revenue, while oil accounted for 11%. By 1976, indirect and direct taxes accounted for only 20% of government revenue while oil accounted for 76%[154]. This independence from domestic sources of revenue certainly enabled the Shah not only to launch his reform programs, but also to work towards reducing the influence of other elites (clergy, landed upper class and Bazaaris) and the opposition to his regime. Whereas in the days of Reza Khan, the state relied on income taxes and duties on products, the new Iranian regime increasingly relied on oil revenue[155].

Concerning the impacts on state-society relations a somewhat mixed picture emerges. There seems to be little doubt that the Shah used oil revenue for the purpose of cooption, or at least to gain popular support. The use of oil revenue to finance large scale development programs such as the land reforms, the creation of new employment opportunities and the development of industry and manufacturing reflected the Shah's desire to secure the support of most Iranians.

However, this chapter has suggested that oil revenue played an even greater role in the creation of a police state controlled via a large and well equipped military as well as a ruthless and efficient secret police. Both these agencies worked to reinforce the rule of the Shah by seeking to weaken or destroy those groups who could put an end to Pahlavi rule[156]. Examples such as the government campaign against the clergy and the landed upper class or the attack on the Bazaaris can be interpreted as the monarchy's desire to coerce rather than coopt.

The growth of bureaucracy as a way to coopt society is also present in the Iranian case. The growth of the middle class was dependent on the expansion of government at all levels, and offered to most of those employed a means of economic mobility. From 1952 to 1977 the number of workers employed in the Iranian government jumped by 532,000 workers, not including employment in many of the industries closely associated with government, such as utilities and communications[157]. As illustrated earlier, the military was also an important provider of employment, which could also serve a cooptive function .

Finally as mentioned earlier, Iran gradually depended more and more on oil revenue rather than on domestic taxation for the funds needed for the operation of the state. Such a dependence on foreign revenue allowed the Shah to execute the social and economic programs he desired, with little or no input from important social groups. This was a drastic contrast to many of the earlier Shahs who had depended on taxes and duties from merchants and large landowners. Freed of that dependence, the Shah could proceed confident that oil revenues would allow him the flexibility and independence to act on his own[158].

In the sphere of impacts on the economy, the oil revenue seems to have had many negative effects as well as positive

ones. While this thesis has demonstrated a general increase in the standard of living and growth in industry and commerce, other areas such as agriculture suffered from having to compete with cheap foreign food imports, as well as being seen as less important by decision makers in the overall scheme to make Iran an industrialized nation. Thus in 1967, agriculture accounted for nearly 23% of Iran's total GDP, while ten years later that figure had fallen to 9.5%[159].

Likewise, increased domestic consumption led to greater dependence of foreign imports, causing the balance of trade to seriously decline (In 1970 Iran's trade deficit was $ 382 million, by 1975 it had reached nearly $ 3 billion[160]). This growing dependence not only affected the economy of Iran, in that money was being spent on products from abroad rather than domestic ones, but it also served to weaken the base of many traditional Iranian industries, such as those represented by the Bazaaris, who had to face large foreign competitors with little or no government support.

Furthermore the rapid growth of inflation due to massive injections of money and foreign goods contributed to a decline in the economic well being of most Iranians by 1975. While wage increases were quite high, they failed to keep up with the rise in prices for housing, goods and services. According to Looney[161], the rising cost of living played an important part in fuelling the anger that led to the revolution.

Thus after examination, Iran certainly seems to have most of the characteristics of rentierism. However, the important element I think must be stressed in the Iranian case is the regime's very high dependence on coercion rather than cooption to meet its goals. This chapter has advanced the belief that foreign (American) influence is at least partly responsible for the tilt towards coercion. Why then did rentierism fail in Iran and why did coercion ultimately prove to be insufficient ? I

believe three important factors bear mentioning, two originating from the pre-rentier structure, the other the result of particular conditions in the rentier era caused by these pre-rentier factors.

The Shah's move towards greater coercion can be partly explained by his extremely weak claim to legitimacy in Iran. The negative reactions to the CIA backed coup in 1953 never seem to have left the Shah throughout his reign. Indeed Hoveyda[162] believes that the 1953 coup was the main reason for the Shah's inability to secure the support of his people.

The weak legitimacy of the monarchy suggests a first factor for the failure in Iran, that of foreign involvement and interference. Apart from seriously weakening the legitimacy of the monarchy in 1953, this chapter has demonstrated that foreign, especially American, pressure was instrumental in launching the land reform program, which ultimately caused a confrontation with the landed upper class and the ulema as well as creating a mass of disillusioned rural workers.

The existence of these other elites (landed upper class, ulema, merchants, etc) suggests another factor for the failure of the monarchy. Compared to the Saudi case, Iran had a much more developed and extensive civil and economic society, with various autonomous elites and groups. Neither Shah attempted to coopt these elites and groups as the Al Sauds did in Saudi Arabia. The Pahlavi monarchy went from tolerance to outright confrontation, seeking to destroy these opponents. Thus we would suggest that the Saudi technique of elite cooption was unfeasible in the Iranian case because there existed numerous and autonomous groups and elites within civil society. These groups and elites could more easily defend their interests as well as challenge those of the monarchy.

Both these factors indicate notable differences between Iran and Saudi Arabia in the pre-rentier era. We believe that these

differences are responsible for the failure of rentierism in Iran. The third factor which we suggest was responsible for the failure of rentierism in Iran is the decline in economic prosperity after 1974 following the initiation of massive industrialization.

This author interprets the worsening economic situation in Iran as a by-product of the two pre-rentier factors just mentioned. Because the Iranian economy and society was larger, more developed and diversified than in Saudi Arabia, the ability of the Shah to coopt other elites and groups was much more limited. Furthermore, weak legitimacy and foreign pressure to maintain a strong authoritarian state implied much greater emphasis on coercion rather than cooption. Combined with industrialization, it led to massive waste on the military, direct challenges on the economic power of other elites as well as grandiose schemes aimed at securing popular support[163]. The net result was increased regime opposition, a declining economic situation and a increased reliance on coercion to maintain social stability, eventually leading to a complete breakdown in state-society relations. Therefore, we believe that these factors are instrumental in explaining the failure of rentierism in Iran.

Table II

Percentage of Iranian Government Revenue Derived from Sale of Oil

Year	% from oil Revenue
1959	26.1 %
1962	32.2 %
1964	52.6 %
1969	51.2 %
1972	58.9 %
1974	86.4 %
1979	63.7 %

Figures calculated from budget figures.
Sources: Robert E. Looney, *Economic Origins of the Iranian Revolution* (Pergamon Press, 1982), p 223. Economist Intelligence Unit, Quarterly Economic Review, *Annual Supplement, Iran 1977-1979.*, p 19.

Chapter 4 Venezuela, the Challenge of Democracy

As mentioned in the introduction of this thesis, the Venezuelan case represents another rentier state enigma because of its democratic system of government[164]. We believe that a competitive political system is not compatible with the pattern of politics we call rentierism. Thus this chapter will attempt to demonstrate the reason why Venezuela failed to develop rentierism, a failure which this author sees as the direct result of the evolution of the political system in pre-rentier Venezuela. We will document the gradual emergence of democracy and civilian rule as well as the relaxation of military control, which would ultimately lead Venezuela to a democratic form of government before its evolution into a rentier state.

Pre-rentier Venezuela

Since its independence in 1830, Venezuela has been ruled by successive military governments. In 1908 General Juan Vincente Gomez became the de facto ruler of Venezuela, a position he would hold until 1935. The year 1908 is the beginning point of this historical analysis because it marks an important turning point in the evolution of the Venezuelan political system.

While the rule of Gomez is characterized in Venezuelan politics as one of the most brutal in Latin American history, it is relevant to this thesis because of the impact it would have on the development of democracy in Venezuela. Thus three important points about the Gomez era must be stressed. The first concerns the military which in those days was little more than a force of 'goons' ready to act in the name of the dictator[165]. Under Gomez the military began to evolve into a professional force which would serve as the instrument to realize the dream of Simon Bolivar[166] to create a strong, centralized and unified Venezuelan state. Later it would be

that same military, having become more and more professionalized, which would allow the democratic process to take root.

The creation of that strong and centralized state is the second important point about the Gomez era. Power in Venezuela had been largely dispersed among regional "caudillos", or warlords with personal armies, and militias. Gomez used the military to remove these warlords and set up a strong centralized government in Caracas. The removal of regional warlords and the creation of a strong centralized state gave Venezuela some measure of stability which I would suggest made the development of democracy and civilian rule more feasible[167].

Thirdly, the rule of Gomez marks the commencement of the commercial exploitation of oil in Venezuela. Revenue obtained from the sale of oil is extremely important because it indicates the birth of the prominence of oil revenue in Venezuelan politics. While oil revenue accounted for only 1% of government revenue in 1920, by 1940 that figure had already risen to 29%[168].

The transformation of the military continued after the death of General Gomez in 1935, when General Lopez Contreras and then General Medina Angarita ruled the country until 1945. These generals brought with them the conviction that the armed forces should evolve into something more than a tool for the control of the state as it had been under Gomez. In keeping with that conviction, junior officers were sent to be educated in America and Europe, while in general, efforts were made to make the military more professional and better trained. The young officers brought back with them new ideas concerning the relationship between government and the military[169].

Among these ideas were the concepts of civilian rule and democracy, concepts which must have seemed foreign to many Venezuelans since in the century and quarter of its existence

the country had been blessed with one year of civilian rule[170]. Believing that the senior generals were unwilling to promote a real pluralist system, reform minded officers formed a clandestine organization in 1945 called Union Patriotica Militar (UPM). The goal of this organization was to remove General Angarita and replace him with a civilian government which would work to make Venezuela more prosperous.

The officers approached the newly created political party Accion Democratica[171] (AD) of Romulo Betancourt with an offer to take charge of government. Agreement was reached and on October 1945, a coup was launched, removing General Angarita from power and creating a seven man junta composed of four members of AD, two members of the military and a non-partisan civilian. Betancourt was named the junta president.

The election of a constituent assembly was set for 1946, with representation on a proportional basis and universal suffrage for those 18 and over. The freedom granted by the AD government in preparation for this election led to the creation of over 13 political parties, among which the Comite de Organizicion Politico Electoral Independiente (COPEI) and the Union Republicana Democratia (URD)[172] parties posed the greatest challenge to AD. However, the election confirmed the strong domination of AD with over 78% of the vote[173].

In 1947 the election of the first freely elected president of Venezuela took place. The AD candidate, Romulo Gallegos won the election on the basis of a 70% majority[174]. The seven man junta led by Betancourt was officially dissolved. **Thus in 1947 Venezuela had real system of competitive elections with civilian rule.** During its rule, AD facilitated the formation of trade unions. At the time of the revolution in 1945 there were only 252 legalized unions, but by 1948 they had risen to 1014[175].

The Trieno (the AD years of 1945-1948) represents another

important step in the formation of the democratic system in the Venezuelan case. It is the first example of a freely elected President in Venezuelan history. Diego Abente[176] believes, that the encouragement and freedom of political participation allowed by AD was instrumental in transforming the Venezuelan polity beyond recognition. Not only does this period see civilian rule, but it also demonstrates the emergence of a democratic system with serious and multiple parties competing in free elections as well as the growth of trade and labour unions.

However, in November of 1948, President Gallegos was confronted by hardline senior military officers demanding the return of political authority to the military. When he refused to comply, the Defense Minister Delgado Chalbaud arrested the president, and ordered the arrest of all government leaders, especially members of AD[177]. Accion Democratica was outlawed and its leaders arrested. Other political parties were warned that any form of opposition would be severely dealt with. A new junta was formed and headed by Chalbaud.

In November of 1950, General Chalbaud was assassinated by a group of men presumed to be linked to Chief of Staff Perez Jimenez. With Chalbaud gone, Jimenez became the new dictator of Venezuela, but to preserve appearances, he nominated a figurehead president, Suarez Flamerich, to rule until 1952 at which time he promised fair and free elections for the presidency of Venezuela.

In November of 1952 elections took place for the presidency of Venezuela. While AD and the communist party remained outlawed, COPEI and URD, the two other well organized political parties were allowed to prepare for the election against the political party of Jimenez, the Frente Electoral Independiente (FEI). Results from the election showed that the URD candidate, Jovito Villaba had clearly won the majority of the votes. To

prevent this, the military halted the public announcement of returns, changed the number of votes in favour of the FEI, and announced that Jimenez was now the constitutionally elected president of Venezuela[178].

President Jimenez's regime of terror would continue unabated, with the bulk of the terror being directed by the Seguirdad Nacional, the state secret police. In 1957, the promised period for new elections for the presidency, Jimenez announced that the elections would be replaced with a plebiscite to decide if he should remain as president of Venezuela[179]. The outcome of the plebiscite was of no surprise of course, as Jimenez was overwhelmingly voted back into office thanks to massive electoral fraud.

Opposition to military government had by 1957 begun to grow because of the fraud, corruption and violence associated with Jimenez and his closest associates. Furthermore, a growing current within the military pointed to a desire to remove Jimenez, in part because of his use of the secret police to supervise the military and control its officers[180]. However, Kolb[181] suggests that the three year rule of AD in 1945-1948 had been sufficient to establish within the military the beginnings of a democratic tradition among the most intelligent and liberal-minded officers.

Thus late in 1957, a group called Junta Patriotica (Patriotic Junta) was formed clandestinely by pro-democratic officers opposed to Jimenez. By early 1958, this group had gradually secured the support of the majority of those now opposed to military rule, that is, the church, the businessmen, the masses and the remaining political parties and members of AD. After two days of intense fighting between the army and demonstrators, the soldiers refused to obey Jimenez, forcing the general to flee the country[182].

Fearing that democracy had an uncertain hold on politics in

Venezuela, the three leading parties, AD, COPEI and URD met at the home of the COPEI leader Rafael Caldera to sign a pact, known as the Pacto de Punto Fijo. This pact between the three parties called for initial cooperation and sharing of power so that democracy and civilian rule could be firmly installed in the Venezuelan system of politics[183].

To allow democracy a chance to take root, the pact of Punto Fijo stipulated that the interests of all sides should be considered and dealt with. The armed forces were promised better training, equipment and economic conditions if they remained neutral in the political arena. The Church was promised greater independence and subsidies. The business sector was promised a say in any matters concerning their interests. Finally the political parties agreed among themselves to share power and form a cabinet of coalition and consultation, whatever the outcome of the elections[184].

The 1958 elections saw AD and its leader Romulo Betancourt win the elections with a majority of the vote, but in keeping with the pact, a coalition government was created with the various parties and interest groups represented at cabinet level. The year 1958 is also important for other reasons, for it marks the first time that at least 50% of government income comes from oil revenue, making Venezuela a rentier state (see table page 97).

The preceding pages have been an attempt to convey to the reader that democracy and civilian rule and its application in the Venezuelan context are constant themes in the pre-rentier era. It has been suggested that the evolution of thinking within the military was an important factor in allowing democracy and civilian rule to take root in Venezuela. In both the cases of democratic rule which were to follow (1945 and 1958), liberal-minded officers removed the senior generals from power. Thus unlike the Saudi case, this suggests that there

existed a willingness within a majority of the ruling elite to offer greater political authority to other groups in society.

Even during periods of harsh military rule, as under Jimenez, the growth and consolidation of democratic principles in Venezuelan politics can be seen. Although civilian rule was curtailed, Jimenez still allowed elections and political parties to operate. I would suggest that support for democracy and civilian rule within the officer cadre was such that even Jimenez had to create a pluralistic facade. Indeed according to Kolb[185], a great many officers and soldiers were admirers of AD leaders Betancourt and Gallegos, and they yearned for a return to constitutional and representative government. Thus the creation of the Junta Patriotica by pro-democratic officers can be interpreted as a negative reaction to the fraudulent plebiscite of 1957 and the unwillingness of Jimenez to allow a democratic system.

Likewise, the period just covered also demonstrates the emergence of political parties and labour unions, especially after the three year AD regime which suggests that there existed support for civilian rule and democracy within civil society. Furthermore it also suggests that when compared with the Saudi case, Venezuelan civil society was much more developed and diversified. Not only did this enable concepts such as civilian rule and democracy to take root, but it also created parties and unions willing to apply these concepts in the real world.

Thus the point we want to make here is that although 1958 is the year civilian rule and democracy returns as well as being the year Venezuela becomes a rentier state (according to our 50% criteria), the foundations of a competitive political system were already well established in the pre-rentier era. Even if it were assumed that rentierism could occur at 30% or 20% of government revenue from rents, we do not believe that

the results would be different. The emergence and growth of democracy and civilian rule within the ruling elite (the military) and within a more developed and diversified (when compared to Saudi Arabia) civil society prevented rentierism from emerging in Venezuela.

Key Variables for Rentier State Venezuela

(#1) Size, population and habitable area

Venezuela, located in the northeastern part of South America, is some 352,150sq miles stretching along the Caribbean Sea to the Atlantic Ocean, bordering the nations of Columbia, Brazil and Guyana. Venezuela is divided into five distinct regions, the Guyana Highlands, the Orinoco Lowlands, the Northern Mountains, the Maracaibo Basin and the Caribbean Islands.

The Guyana Highlands make up 45% of Venezuelan territory, and is sparsely populated and poor, largely made up of dense tropical forests. The Orinoco Lowlanus make up 33% of the territory. The climate in the lowlands alternates between six months of heavy rainfall inundating the majority of the region, to six months of extreme heat and dry grounds. The Northern Mountains are home for two-thirds of Venezuelans, but only making up 12% of the territory. Largely devoted to agriculture, this region is the wealthiest of Venezuela, and home to the capital, Caracas. The Maracaibo Basin makes up 10% of Venezuelan territory and is largely a swampy belt of lowlands. The Basin is also the location of Venezuela's most important oil fields and reserves. Finally Venezuela has some 72 islands of which Margarita is the largest and best known[186].

The population of Venezuela is made up of a mixture of Whites, Indians, and Blacks, with the majority being of mixed descent, all sharing a predominantly Hispanic tradition. The

majority (90%) are Roman Catholic[187]. The population in 1920 was 2.8 million, rising to 3.9 million in 1941 and 5 million in 1950[188]. The rate of urbanization in 1950 was of 31.5%[189] due to the relative importance of agriculture in pre-rentier days, although no more than 2% of the land is under cultivation and 20% is suitable for pasture[190].

The physical and demographic attributes do not seem to offer an explanation for the non-emergence of rentierism in the Venezuelan case. However, it is possible that when compared to the Saudi case, the greater geographic and climatic diversity may have contributed to the creation of a more dynamic and diversified civil society in Venezuela.

(#2) Resources other than rent producing resources

Venezuela's greatest resource in pre-rentier days was undoubtly agriculture and livestock which employed most of the population and provided the necessary foreign currency needed to purchase goods from abroad, especially finished products and machinery[191]. However, the agricultural sector would increasingly become less and less of an important factor because of a world decline in prices, causing its share of the GDP to fall from one-third in 1920 to less than one-tenth in 1950[192].

Industrialization did not commence until the end of World War Two, being limited at that time to small scale industries such as textiles and leatherworks. Eventually small industries producing cotton goods, paper, glass and soap were created, forming the base of a burgeoning manufacturing sector in Venezuela[193]. From a manufacturing output index of 100 in 1938, Venezuela's manufacturing output would rise to 350 in 1948, 800 in 1953 and 1446 in 1957[194].

The only other resources capable of influencing the economic development of Venezuela in pre-rentier days was iron and gold.

Large deposits of iron were uncovered early in the century by American companies, and one of them, Bethlehem Steel, set up a steel production plant in Venezuela in 1933. Gold deposits were uncovered in the Guyana Highlands, but due to their difficult access, were never fully exploited by the pre-rentier Venezuelan governments[195].

By comparison, even in pre-rentier days the importance of oil for the Venezuelan economy begins to become obvious. In 1920, oil revenue accounted for only 1% of total government revenue, but by 1930 oil revenue accounted for 22% of government revenue. In 1940 it accounted for 29% of government revenue and by 1950 nearly 47% of government revenue came from oil[196].

An examination of this variable suggests that the pre-rentier economy of Venezuela was more developed and diversified than its Saudi counterpart. Although oil revenue increasingly assumed importance in the pre-rentier economy, we would argue that the more pronounced dispersion of economic activity not only contributed to the emergence of a dynamic civil society in Venezuela, but it also prevented oil revenue from taking on too great an importance and hence, limited the cooptive capacity of the ruling elite.

(#3) Political power distribution

One would be very tempted to say that the military plays the predominant role throughout the pre-rentier history of Venezuela and that all other political actors pale in importance when compared to that institution. There are however two elements which should be considered for this variable.

The first is the lack of homogeneity within the military. Most military regimes were overthrown by officers only to be replaced by other military regimes. Some military leaders (Gomez and Perez) advocated power solely for the military,

while others were willing to share or hand over political authority to civilian groups.

This leads to the second element, that of the growing realization by most members of the military that civilian rule and democracy was the best alternative for political stability. The rule of General Angarita and the return of officers from studies abroad, the trial run at democracy with AD during the Trieno of 1945 to 1948, the removal of Jimenez and his regime of terror and the return to democracy with the approval and help of the military suggests that the idea of civilian rule had become implanted in the ethos of the armed forces and the population in general.

Furthermore the emergence of political parties and unions tends to confirm this development. Although political parties remained largely dependent on military acceptance for their survival, their evolution and growing importance in the Venezuelan political system ultimately led the military to seek conciliation or alliance with them.

Thus although pre-rentier political power distribution in Venezuela was initially concentrated in the hands of the military, an evolution towards a competitive political system nevertheless took place. That evolution seems to have been the result of a shift within the military towards a greater acceptance of civilian rule and democracy as well as the existence and growth of domestic political parties willing to support the concept.

(#4) Power Transfer

Related to the previous variable is the way power is transferred in pre-rentier Venezuela, our fourth variable. Here too there is an evolution. There is no doubt that prior to 1958 the use of a military coup to initiate a change in the governing leadership had been the most widely used method of

power transfer, even when one military regime replaced another.

But it is important to stress the change that occurs in the manner leadership is transferred beginning with the election of 1948. Granted the previous seven man junta had come to power during a coup, but the first truly free elections in 1948 mark a new beginning in the process of power transfer in pre-rentier Venezuela. There seems to be acceptance by most actors in society, including the military, that free and fair elections leading to a democratic government is the way to proceed.

Even during the Perez Jimenez years, the dictator attempted to use elections and plebiscites to consolidate his rule, going as far as taking the title of President. This is in sharp contrast with earlier military regimes which did not even try to create a democratic facade. The impact and evolution of democratic ideas was such that it seems that even hardline military regimes were not immune.

Thus, while episodes of power transfers in the early pre-rentier years of Venezuela are strictly the affair of coups and use of force, a notable shift towards democracy and the right to rule based on popular approval marks the latter years of the pre-rentier period. This shift seems to be the result of awakening political activity as well as gradual military acceptance of civilian rule and democracy.

(#5) Political Institutions

Pre-rentier Venezuela certainly had several institutions capable of exercising political leadership and authority, but for most of this era, they were neglected or prevented from fulfilling their real potential.

The Venezuelan Constitution of 1811, modeled after that of the United States, created a Congress made up of a Chamber of Deputies and a Senate. Although theoretically able to pass laws

and legislate, this particular body had very little authority and was subject to control by the military for most of the pre-rentier years. The Executive, under the control of the president was also theoretically endowed with powerful mechanisms of political authority, but we find that its powers were also limited by military in the pre-rentier era.

After 1958 however, the balance of power institutionally shifts in favour of the civilian Congress and executive and away from the military, as this chapter will later demonstrate.

The only institution in pre-rentier Venezuela which seems to have possessed any kind of autonomy or authority is the military, which can be considered the only effective political institution for most of the pre-rentier era. However, by 1958, a transformation was well under way whereby civilian institutions such as the Congress and the Executive were replacing the military as the dominant institutions in the Venezuelan political system. In comparison to the Saudi case, the existence of more modern institutions can be interpreted as a confirmation of the more developed nature of the Venezuelan civil society, which I have suggested promoted the emergence of democracy and civilian rule in the pre-rentier era.

(#6) Elements of social organization and repression

An evolution is also present in this particular variable. A shift in the way people relate to their rulers and the way rulers control their societies occurs in the pre-rentier period.

Venezuelan society experienced in the early pre rentier days a lack of formal associations with their rulers. The Gomez regime had destroyed the traditional parties which represented the commercial and agricultural interests of the regional warlords. Obedience to the military was the predominant goal

of the period, with force and coercion being openly used as instruments of political control.

The new generals Contreas and Medina initiated a change in the relationship between society and rulers. According to Antonio Gil Yepes[197], the military administrators gradually substituted the principle of a social order based on terror and disorganization with a pluralist order rooted on respect for legal principles and the channeling of political pressure. This period also saw the legalization and creation of trade unions and political parties, especially that of AD in 1941.

When the Trieno of 1945-48 comes to power, support for a pluralist regime is already established in Venezuela[198]. The Trieno confirms the transition to a democratic form of government and formal associations between government and society, based on the participation of Venezuelans in the electoral system. This period sees the creation of more political parties (URD and COPEI) and trade unions. Although curtailed during the rule of Jimenez, the desire of Venezuelans for a state-society relationship based on democracy and civilian rule was reconfirmed.

We would like to highlight the two important aspects of social organization. Firstly, pre-rentier Venezuela experienced the birth and emergence of multiple political parties, unions and interest groups. When compared to the Saudi case, this demonstrates the existence of a vibrant and dynamic civil society which we would suggest blocks the effective use of social control mechanisms associated with rentierism. We believe the second factor further confirms that. Pre-rentier Venezuela experienced a transition from undemocratic military rule, in which repression and coercion were the instruments of political control, to a system of formal associations between government and society, in which leaders were elected by the people. Hence the strength and independence of the Venezuelan

civil society seriously reduced the chances of ruling elite domination.

(#7) Influence of foreign powers

Venezuela has always been in the shadow of the United States since the early part of the century because of its position as largest oil producer in the region. Likewise, great efforts have been made by successive Venezuelan governments to obtain the diplomatic recognition of Washington and encourage the process of American investment in Venezuela.

Indeed, American influence in Venezuela has been largely limited to its involvement in the establishment of modern industries and the lobbying of the Venezuelan government to allow US subsidiaries to operate without government control. According to Kolb[199] American interests in pre-rentier Venezuela have long centred around the notion that (1) these industries must remain under US corporate control and that profits continue to accrue to US companies, and (2) that Venezuela not fall into the Communist camp.

Successive military dictators in Venezuela have worked very hard to maintain a policy of meeting the requirements of the US. This can partly explain why the US was unwilling to defend the freely elected Gallegos government in 1948 and ultimately recognized the military takeover of Venezuela. The policy of AD during its three year stint in power was to extract as much as possible from the American oil companies without resorting to direct nationalization. This infuriated the US oil companies operating in Venezuela, who made their displeasure known to the US State Department[200].

While neither the US or any other foreign power has intervened directly in the affairs of Venezuela, as had been done in the case of Iran, Kolb[201] suggests that the degree of indirect influence from the outside, especially from the US has

played a substantial but contradictory role in Venezuelan politics. On the one hand American views and ideas on politics and economics have been projected into Venezuela, helping to shape the development of a political democracy and capitalist economy. On the other hand the US has maintained a policy of protecting its interests in Venezuela and will accept any regime, even a military one, if that goal is achieved.

Venezuela as a Rentier-State

The purpose of this section is to demonstrate to the reader that although Venezuela is a rentier state according to our definition, rentierism does not emerge in this particular case. Since the very purpose of rentierism is to keep one group in power by use of the oil revenue, the following pages will highlight specific examples of power transfer between groups, in this case by elections. By documenting these transfers we will establish that one group has not been maintained in power. Furthermore, by showing the use of oil revenue for purposes of development and expansion as well as the consolidation of a pluralistic system, it will be possible to explain how this rentier state can exist without employing rentierism.

The election of 1958 in which AD leader Betancourt won a majority, but formed a coalition government is considered to be the true beginning of democracy in Venezuela. In those early years of democratic rule, all parties[202] worked to bring the peasants and organized labour into the political process, giving them a stake in helping to maintain democracy and civilian rule. Peasant and labour associations were affiliated with the major parties, thereby giving them a say in decision making. Furthermore, to secure labour support, the coalition government announced a emergency plan consisting of massive public works and wage subsidies[203].

Likewise, contacts with the business sector were

strengthened under the Betancourt adminstration thanks to good relations between the government and FEDECAMARAS, the largest private sector federation composed of the leading commercial, industrial and agricultural segments of the Venezuelan economy[204]. Having secured the support of the labour sector, the AD coalition government sought to do the same with the business sector. The government thus consented to pay Jimenez's debts to the private sector, amounting to some $1.4 billion US[205]. We would suggest that the success in satisfying both labour and business was the result of increasing oil revenue which allowed the state to offer financial incentives to these groups.

More important was the successful conversion of the military to a neutral political role. During the Betancourt administration which lasted until 1963, Venezuela was subjected to a wave of terrorism and armed guerilla supported by members of the outlawed Communist Party and disenchanted military officers. Betancourt convinced the military to adhere to its role as guardian of democracy in Venezuela by giving it a mission to accomplish, the elimination of the terrorist groups. At the same time the government sought to improve conditions within the military by granting pay raises, special loans to buy homes and better training, all aimed at raising the prestige of the armed forces and instilling a sense of obligation towards the civilian government in power[206].

Thus the Pact of Punto Fijo created a government, in which all important national elements, ranging from the military to the peasants, were assured that their interests would be respected, that they would have an important say in anything directly affecting their interests, and that they would have direct communication with the cabinet and government. The result was that for the first time in the history of Venezuela, the incumbent president, Romulo Betancourt, was succeeded by another freely elected presidential candidate, Raul Leoni.

According to Terry Lynn Karl, oil revenue is the main reason a pluralist system, which the Venezuelans have come to call "Venedemocracia", was able to maintain itself after 1958. Oil revenue acted as a magnet to maintain support for the democratic system by offering advantages to all.

" Specifically, pact-making rested on the capacity to grant extensive state favours, contracts, and infrastructure to entrepreneurs while charging the lowest taxes on the continent, permitting some of the highest profits, and supporting a mode of collective bargaining that resulted in the highest wages, price controls, and food subsidies in Latin America. Oil revenues meant that a democratic transition could take place with very few losers."[207]

The 1963 elections saw AD win again but with a far smaller percentage than in 1958. AD got 32.7% of the vote, COPEI 20.8% and URD 17.4%[208]. President Raul Leoni continued the coalition government with COPEI and URD, but by 1968, both parties had decided to play the role of opposition in view of the 1968 elections in which they hoped to win the presidency. The fragile compromise created between the various political entities and the government during the Betancourt adminstration was nearly destroyed when the Leoni administration proposed a tax reform package.

Indeed, in 1966 the AD government proposed a revision of the tax system aimed at increasing personal and corporate income taxes, and lessening the dependence of government on revenue from oil[209]. An increase of 7% in taxes requested by the government was fiercely opposed by a majority of the business community as well as the population in general, which enjoyed among the lowest tax rates in world (2.2% personal income tax, 16.3% corporation)[210]. The strong opposition to the bill forced the government to pass a watered-down version of the tax reform.

The Leoni presidency is important to this thesis for two important reasons. Firstly it represents a consolidation of the

pluralist system with the first succession of one freely elected president by another. Secondly, the struggle over the tax reform proposals showed how precarious that consolidation could be when the government attempted to implement changes without the agreement of the interested actors.

While the spirit of compromise had been shaken by the Leoni administration, the will to preserve the democratic system remained as the 1968 elections showed. For the first time, another political party, COPEI, under the leadership of Rafael Caldera, won a free presidential election, albeit without a majority. Caldera refused to form a coalition government and as a minority government was forced for most of his term to rule by forming coalitions based on specific issues, constantly struggling to get the AD dominated Congress to pass his legislation[211].

The Caldera presidency is another important event that highlights the reason for the failure of rentierism to emerge in the Venezuelan case. For the first time in Venezuelan history, one group (COPEI) succeeded another (AD) through free democratic elections, with oil revenue openly being used to cement this form of power transfer. This of course is completely contrary to the principles of rentierism, where oil revenue is to be used to keep one group in power and prevent any challenges to that supremacy. While the elections of Leoni and Caldera suggest that rentierism does not emerge in this case, Venezuela nevertheless exhibits certain characteristics of rentierism which will be examined later.

The elections of 1973 allowed AD to return to power under the leadership of Carlos Andres Perez with 48% of the popular vote. Together with COPEI, they accounted for over 80% of the total vote[212]. Venezuela's political system had seemingly transformed itself into a two party system. The Perez adminstration was quickly swamped with excess funds when in

1974 the price of oil suddenly jumped from an average of $2.01 per barrel in 1970 to $14.26 in 1974[213]. The increased revenues from oil raised expectations among all Venezuelans. Plans for the development of heavy industries ranging from shipbuilding to steel and petrochemical plants were formulated. A general wage and salary increase, and a guaranteed minimum wage were also passed by the Perez government, as well as more funds for technical training of workers.

More importantly in the eyes of Venezuelans, the Perez government nationalized the iron industry in 1975, to be followed by the oil industry. The government gave a compensation of $1 billion US to the foreign oil companies and allowed them to continue their operations in Venezuela under the auspices of PETROVEN, the newly created Venezuelan oil company[214]. According to David Myers[215], the AD government tried to extend its economic largesse on an equitable basis to a large number of people, yet he believes that many Venezuelans still felt that they had not yet gotten their fair share of this wealth, and therefore made their displeasure known in the 1978 presidential elections.

Promising better management and efforts to reduce corruption and inefficiency which had marked the Perez government[216], COPEI was reelected on a platform of greater fiscal conservatism, winning the 1978 elections with 46.6% of the vote compared with AD's 43.4%. The new COPEI government, headed by Luis Herrera Campins took office in 1979 and set out to try and impose some control over government spending while at the same time attempt to improve the life of all Venezuelans.

No sooner was an austerity package introduced than a second oil boom occurred, increasing government revenue by some Bs 20 billion out of an annual budget of Bs 50 billion[217]. In response to the increased revenue, the Herrera administration decided to embark on an expansionist phase. The euphoria was short

lived as oil prices once again plunged in 1983, by which time Venezuela suffered from a stagnating economy, rampant corruption, massive capital flight and an international debt of some $35 billion[218]. The way was open for AD to once again win the election and return to power under Jaime Lusinchi, who in 1988 would himself be replaced another AD leader, Carlos Andrez Perez, the current President of Venezuela.

The intent of this section on Venezuela as a rentier state has been to demonstrate to the reader the vitality of the democratic system after 1958. During the period under discussion, Venezuela experienced its first democratic transfer of power from one candidate to another (Leoni replacing Betancourt), its first democratic transfer of power from one party to another (COPEI leader Caldera replacing AD President Leoni) and the first democratic return to power of a previous ruling party (AD leader Carlos Andres Perez replacing COPEI President Caldera).

As we have argued earlier, the foundations of this democratic society can be found in the pre-rentier era. We have shown the consolidation of democracy and civilian rule in the rentier era. Based on this evidence, it seems fairly easy to conclude that rentierism cannot exist in such an environment. The multiple transfers of power documented are completely contrary to the idea and principle of rentierism, where oil revenue is to be used by the ruling elite to ensure its domination. While we believe maintenance of ruling elite domination is the *sine qua non* of rentierism, the Venezuelan case, although clearly not elite dominated as are the Saudis, nevertheless shows several other characteristics of rentierism which will now be examined.

Venezuela and the characteristics of Rentierism

Concerning impacts on the state, Venezuela does not conform to the characteristics of rentierism. A single ruling elite which controls the rent is absent in the Venezuelan case. Those who rule Venezuela control the rent, but who has the right to rule is determined through a free and competitive electoral process, thus greatly reducing the likelihood that any single group will retain rule.

In the period covered here, no elected president has served two successive terms in office, and the task of leading government has been shared between COPEI and AD based on decisions by the Venezuelan voters. Thus in the case of Venezuela, the rent is controlled by the party in power, which having been elected for a five year term must, at the end of its mandate, secure a majority in the presidential elections or lose its position as both ruling party and controller of the rent.

The second impact of rentierism on the state is the declining use of state extractive and redistributive functions. On this point the evidence points to Venezuela conforming to the characteristics of rentierism to a certain degree. Venezuela seems to have benefitted from exceptionally low levels of income taxes on both individuals and corporations throughout its modern history. Several attempts at increasing levels of income tax (Leoni administration 1966, Perez administration 1975) have been met with strong protest by both business and civic groups, resulting in greatly weakened tax reform packages. Because of increasing oil revenue, Venezuela has passed only minor tax increases, and only after a hard struggle. Overall, it is oil revenue and not taxes in Venezuela that have provided the bulk of government revenue as table 4.1 on page 97 clearly indicates.

Concerning impacts on state-society relations, rentier state Venezuela again presents us with somewhat of a mixed picture. Both AD and COPEI have used increasing oil revenues to try and improve the living standards of the majority of Venezuelans. Improvements in health, education, training, the building of infrastructures, industrial and manufacturing complexes have provided incomes and employment to many Venezuelans. These development programs enable the ruling party to try and buy the support of the Venezuelan population for the next general election.

However, Venezuela can not completely conform to this particular characteristic of rentierism because no amount of government spending or cooption by economic means can insure an electoral victory. Whereas rentierism encourages the absence of political pluralism, the entire Venezuelan system is based on competing parties, each party aiming to please particular groups of voters, each offering its particular goals and objectives.

Unlike the patrimonial system where only the ruling elite offers rewards to groups and elites for their support, all political parties in the Venezuelan political system can offer rewards to their supporters during the electoral process. This reduces the incentive to support only one party. Furthermore, the electoral system forces the parties to discipline themselves and obey regulations governing the elections. We would suggest that this discipline reduces the "cooptive power" of rents by putting all parties on an equal footing and by preventing the overt use of rents as a mechanism of securing popular support.

In a sense, the Venezuelan case could be considered a form of reverse rentierism. Instead of oil revenue being used to maintain the domination of a ruling elite, the Venezuelan example suggests that oil revenue can be used to consolidate

the democratic process through pact making and alliances. Thus this form of rentierism occurs not to keep one group in power but rather to ensure that all groups have the chance to achieve that goal.

As David Myers puts it;

" Billions of dollars in petroleum revenue have enabled AD and COPEI to accustom Venezuelans to the highest level of service delivery available in Latin America, and their success is one reason why, in public opinion poll after public opinion poll, the overwhelming majority of Venezuelans answer that democracy is the form of government that best serves the interests of all the people"[219].

The use of government employment as a means of cooption is a well established facet of rentierism, and some evidence of its existence in the Venezuelan case is present. Both AD and COPEI have attempted to recruit and place members of their parties within the bureaucracy, but efforts to reduce political patronage by passing a merit-based civil service law, although delayed until 1970, seems to have reduced the importance of this form of cooption[220]. However, even after the civil service law was passed, groups who contributed to electoral campaigns expected to be thanked with managerial jobs in the growing number of state corporations or have a direct say in policy making[221]. While this may be considered by some as a form of clientism or even of corruption, it is no different from some of the similar problems which exist in other democracies.

Such practices may help to consolidate specific areas of support within the population, but the usefulness of civil service employment as a form of cooption by the political parties is nonetheless limited by the democratic aspects of the Venezuelan political system in which all voters have a say as well as the growing non-politicization of the bureaucracy thanks to a merit-based rather than connection-based hiring system.

On the issue of declining extractive and redistributive

functions of the state, the Venezuelan case again differs somewhat from the model of rentierism. In the model, the absence of or low income taxes are presumed to be the result of an implicit agreement between the population and its rulers. That agreement stipulates that in exchange for low or no taxes, society in general agrees to refrain from demanding greater political participation. Such an agreement ultimately works in favour of keeping one group in power for it limits demands for greater sharing of political power. In the Venezuelan case the fierce opposition exhibited during periods of tax reform in Venezuela is more likely the result of a feeling that the revenues generated from oil are sufficiently great to permit low taxes.

In many ways Venezuela displays elements of rentierism, but it lacks the crucial and deciding characteristic, the ability of one particular group to remain in power and control the rent, thus creating a condition where it can perpetuate itself and prevent challenges to its exclusive control of political authority.

There is little doubt in our mind that the principal reason for the non-emergence of a pattern of rentierism in the Venezuelan case is the evolution and growth of democratic principles and their consolidation in the pre-rentier era. By the time Venezuela became a rentier state, the very foundations of a democratic society had been laid. By seeking coalitions and consensus, the democratic experience has taken hold in Venezuela to this day.

Table III

Percentage of Venezuelan Government Revenue Derived from Sale of Oil

Year	% from oil revenue
1910	0.0 %
1920	1.0 %
1930	22.3 %
1940	29.6 %
1950	47.0 %
1958	54.4 %
1962	52.5 %
1964	65.2 %
1968	66.0 %
1970	60.1 %
1974	85.6 %
1978	64.3 %
1981	76.5 %
1982	59.9 %
1984	58.9 %

Source: Judith Ewell, *Venezuela: A Century of Change* (Stanford University Press, 1984), p 229. Franklin Tugwell, *The Politics of Oil in Venezuela* (Stanford University Press, 1975), p167.

Chapter 5 Analysis and Conclusion: The Foundations of Rentierism.

In our introduction we stated that the literature on rentier states makes the assumption that rentierism is a natural by-product of the rentier state. However, we have suggested that not all rentier states use or are successful in using rentierism. Thus this thesis has challenged the literature's assumption by analyzing the experience of three different rentier states in an attempt to understand what factors facilitate or inhibit the emergence and successful strategy of rentierism.

Therefore we have asked three important questions. Why has rentierism been successful in the Saudi case ? Why did rentierism fail in Iran ? and why did rentierism not emerge in the Venezuelan case ? To answer these questions, we have focused on two particular goals: (1) to show that the three case countries are rentier states but that they are different because they do not all exhibit the symptoms or characteristics of rentierism (or have failed in its application) and (2) that it is possible to explain these differences by analyzing key factors in the pre-rentier era of each particular case. Based on the results, we believe it is now possible to offer plausible explanations for these differences.

Saudi Arabia : The Embodiment of Rentierism

Why did rentierism emerge and why has it been successful in the Saudi case ? We have suggested that several factors in the pre-rentier era facilitated the successful emergence of rentierism. The most important seems to be the existence of a patrimonial system and what we have called the triad of Al Saud legitimacy. In the pre-rentier era, the patrimonial system with its dependence on blood and family relations allowed the Al

Sauds to secure the support of a majority of the other groups and elites in society, the tribal leaders, the ulema and the merchants. However, we suggested that the support of other elites and groups was only possible with the triad of legitimacy composed of: (1) religious support, (2) marriages of alliance and (3) tribal subsidies.

Religious support provided the Al Sauds with an army and a form of state philosophy with which to rally support. Patrimonial links with the Al al-Shaikh (family of Abd al-Wahhab and most prominent religious family in Saudi Arabia) strengthened religious support for the Al Sauds. Marriages of alliance allowed the Al Sauds to expand the patrimonial system by creating new family ties with a majority of the tribes. In so doing, the other tribes could have access to the benefits and advantages of being part of the Al Saud family, the tribal subsidies.

The tribal subsidies represent the cornerstone of the patrimonial system for they provide the impetus for other elites and groups to join the Al Sauds. Only by being connected to the Al Saud family could one get access to gifts, loans or subsidies. There is however another factor which may help to explain why the Al Sauds were successful in expanding the patrimonial system and in consolidating their ruling elite position in society. That factor is the small and rather undeveloped Saudi civil and economic society.

In contrast to the two other cases, the Saudi pre-rentier civil society possessed very few elites or groups. Combined with the limited economic activity, we have found that there were few if any groups with sufficient economic resources to challenge Saudi power. Therefore we have suggested that the limited economic activity and the tribal nature of Saudi civil society facilitated the patrimonial consolidation of Al Saud rule. The limited number of autonomous elites and the

concentration of economic resources in the hands of the ruling elite meant that Saudi society became dependent on the Al Saud family.

That dependence was further reinforced when oil revenue quickly became the predominate economic resource of the nation. As the Saudi chapter demonstrated, control of oil revenue has allowed the Al Sauds to maintain their hold on power by actively using oil revenue for purposes of cooption and to placate demands for greater distribution of political power. This suggests that the tribal and patrimonial structure of the Saudi state and society was particularly well suited to the subsequent neo-patrimonial consolidation of Saudi rule through the use of petrodollar financial resources. Thus we conclude that specific conditions in pre-rentier state Saudi Arabia facilitated the emergence of rentierism.

Iran: The Fractured Society

Why did rentierism fail in Iran ? This thesis has suggested that three factors were instrumental in the failure of rentierism in Iran. Two factors are the result of specific conditions in the pre-rentier period while the third factor occurs in the rentier period but is largely the result of the two preceding factors.

The first factor highlights an important difference from the Saudi case. Unlike Saudi Arabia, Iran possessed a much larger, more vibrant and mature civil society as well as a more developed and diversified economic base. The result was that pre-rentier Iran had stronger and more autonomous elites and groups which could directly challenge the authority and supremacy of the monarchy. Elites such as the ulema, the landed upper class and the merchants had access to independent economic resources and were therefore not as dependent upon the ruling elite as Saudi elites were.

The second factor which we have suggested contributed to the failure of rentierism in Iran is the interference and intervention of foreign powers. Its most damaging impact seems to have been the 1953 CIA backed coup which returned the Shah to power and the delegitimization of the monarchy it caused. We have also suggested that foreign influence was instrumental in forcing the Shah to adopt economic and political policies which ultimately threatened the existence of other elites and forced them to confront the monarchy, as in the case of the White Revolution.

These two factors forced the Shah to adopt a different approach to consolidating Pahlavi rule from that used by the Al Sauds. Since the Shah faced a broader and more independent group of elites, his ability to coopt was much more limited. Furthermore, his dependence on foreign support forced him into confrontations with other elites while pressuring him to make Iran the regional military superpower. The result was a much greater emphasis on coercion rather than cooption as the predominate instrument of political control.

The different approach forced on the Shah created what we have suggested is the third factor contributing to the failure of rentierism in Iran, the declining economic situation of most segments of Iranian society after 1974 caused by the rapid expansion of the economy. The limited capability of cooption and the increasing reliance on coercion combined with large scale industrialization led to massive waste in the military, direct challenges to the economic power of other elites as well as a host of grandiose schemes aimed at securing popular approval. The net result was the squandering of oil revenue and spiralling inflation which decreased economic benefits to most Iranians while increasing regime opposition. In response to the opposition, coercion increasingly became the only viable instrument of political control. That control was eventually

lost after foreign powers forced the Shah to reduce the coercive nature of his rule, allowing the forces of revolution to sweep the Pahlavi monarchy away.

Venezuela: The Challenge of Democracy

Why did rentierism not emerge in the Venezuelan case ? We have suggested that several factors played an important role in forming a competitive democratic system well before Venezuela became a rentier state, thereby both negating the purpose of rentierism and preventing its emergence.

Like Iran, Venezuela possessed a much more developed and vibrant civil society than did Saudi Arabia. We have documented the emergence and creation of numerous political parties and unions which is clearly lacking in the Saudi case. More important, we have shown that pre-rentier Venezuela developed a competitive electoral system based on civilian rule and the principles of democracy well before becoming a rentier state. We have suggested that the existence of such a system is not conducive to the emergence of rentierism because of the competitive nature of the political process. Competition allows all parties to offer economic rewards, reducing the incentive to support incumbents. More important, the competitive electoral system disciplines the parties and imposes on them rules and regulations preventing the blatant use of, in this instance, oil revenue for purposes of cooption. Thus the vibrant Venezuelan civil society and the support for a competitive political system is one factor contributing to the non-emergence of rentierism.

Another factor reflects the more developed nature of Venezuelan civil society. The ruling elite (the military) gradually shifted its attitude towards civilian rule and democracy. While early regimes favoured political control solely for the military, we have documented a shift towards

acceptance of a competitive electoral system by a majority of the armed forces. We have suggested that this shift was partly the result of junior officers being exposed to democratic ideas while studying abroad, notably in Europe and the USA.

Thus unlike the ruling elites in the two other cases, the Venezuelan ruling elite removed itself from power and allowed other groups and elites the opportunity to compete for political position.

A final factor which we suggested played a role is a form of "reverse rentierism" in the rentier state era. Unlike the Saudi case, where oil revenue was widely used to consolidate the rule of the Al Saud family, oil revenue in the Venezuelan case seems to have been used to solidify the democratic system. We have suggested that oil revenue was used to offer incentives and economic gains to the various groups and elites in Venezuelan society so that they would continue to support a democratic system with civilian rule.

As noted at the outset of this thesis, the literature on rentier politics suggests that rentierism is an integral part of every rentier state. This study has demonstrated that rentierism is not and must not be considered to be the expected pattern of politics of all rentier states. We have found that rentierism is largely dependent on two pre-rentier state factors which we would suggest are instrumental in the successful emergence of rentierism.

The first factor is the existence of some form of patrimonial system within the ruling elite. Because the patrimonial system only allows those with the right "connections" to have access to gifts, subsidies and other favours, it creates a stimulus for other groups and elites to associate themselves with the ruling elite. We would suggest that this type of system diminishes the possibilities of

political challenges while increasing the dependence of other groups and elites towards those in power.

Having said that, we believe that the effectiveness of a patrimonial system is largely dependent on our second factor, the status of the civil society and level of economic development. If the civil society is weak or undeveloped and there are few autonomous sources of economic activity, as in the Saudi case, the ability of other elites and groups to challenge the supremacy of the ruling elite is greatly reduced. This leads to a form of dependence which we would suggest facilitates the successful emergence of rentierism.

However, if civil society is relatively developed and there exist alternate sources of economic activity, it is possible for elites and groups to develop autonomously from the ruling elite. As the Venezuelan and Iranian cases have shown, the position of the ruling elite was constantly challenged by groups and elites in civil society. This suggests that if there is a patrimonial system, it would be much less likely to succeed in coopting other elites and groups; hence the chances of rentierism emerging or being successful are greatly reduced.

Therefore the two goals of this thesis have been met. We have (1) shown that not all rentier states exhibit the characteristics of rentierism and (2) that the successful emergence of rentierism is largely dependent on specific pre-rentier state factors. We believe that the findings of this thesis will lead to a better understanding of rentier states and the patterns of politics they employ.

We have carefully examined the literature to assemble a series of characteristics of rentierism which should allow for a quicker and better understanding of the impacts of rentierism. More important, we have presented pre-rentier state factors which we suggest are likely to result in the successful emergence of rentierism. The analysis of these pre-rentier

state factors should facilitate the detection of rentierism in other rentier state cases. Thus we hope that these pre-rentier state factors will serve as a guide to those wishing to understand and further the study of rentierism.

Introduction notes

[1] See Hazem Beblawi and Giacomo Luciani, *The Rentier State* (Croom Helm, Vol II, 1987), p 11.
A rentier economy is defined as;
"..either an economy substantially supported by expenditure from the state while the state is itself supported from rent accruing from abroad; or more generally an economy in which rent plays a major role".

[2] Other examples of rentier states that seem to fit the model of rentierism are Kuwait, United Arab Emirates, Bahrain, Qatar, Oman and to a certain extent Libya.

[3] See David W. Pearce, *The MIT Dictionary of Modern Economics* (MIT Press, 3rd Edition, 1989), p 120.
Since this thesis will be dealing with rent obtained from the sale of oil we can apply the term in the following manner;
"Economic rents from petroleum exploitation are the returns accruing to investors over and above those necessary to sustain (1) ongoing production from existing fields, (2) the development of new but discovered fields, and (3) new exploration" See Alexander Kemp, *Petroleum Rent Collection Around the World* (Institute for Research on Public Policy, 1987), p 313.
We propose to use the concept of rent rather than profit because of what Beblawi calls the lack or absence of productive outlook originating from rent. He mentions that most social scientists suspect a difference between "earned" income and effortless "accrued" rent. The three states to be studied in this thesis all derive a majority of their revenue from the sale of oil. However, the difference between the costs of oil extraction and sale price means enormous revenues for the state. This has led Beblawi to suggest that this windfall wealth is almost a form of unearned income and that for lack of a better concept, rent is the most appropriate concept for understanding these states. See Hazem Beblawi "The Rentier State in the Arab World" in *The Arab Gulf Economy in a Turbulent Age* (Croom Helm, 1984), p 86.

[4] Hazem Beblawi and Giacomo Luciani, *The Rentier State*, p 11-12.

[5] See Rex Brynen, "Economic Crisis and Post-Rentier Democratization in the Arab World: The Case of Jordan", forthcoming in the *Canadian Journal of Political Science.* See also Kiren Aziz Chaudry, "The Price of Wealth: Business and State in Labour Remittance and Oil Economies" in *International Organization* (Vol 43, Winter 1989), p 101-145.

[6] Figures for Venezuela show that in 1970, oil sales accounted for over 60% of government revenue, 85% in 1974 and 72% in 1980. Iran's government received 59% of its revenue from oil in 1972, 86% in 1974 and 71% in 1979. Saudi Arabia received 78% of government revenue from oil in 1975, 89% in 1977 and 97% in 1979. Figures obtained from *The Economist Intelligence Unit Country Reports*, Iran Annual Supplement 1978 to 1980, Saudi Arabia Annual Supplement 1978 to 1980, and Venezuela Annual Supplement 1978 to 1980.

[7] Homa Katouzian, " Oil and Economic Development", in George Sabagh *The Modern Economic and Social History of the Middle East in its World Context* (Cambridge University Press 1986), pp 50-53.

[8] Phillip Rawkins, "Nation-Building and the Unsteady State: The Arab Gulf States in the Late 1980s", in *Middle East Focus* (Spring 1989), p 6-7.
In his look at the Gulf States, Rawkins suggests that;
"Government is viewed by the ruling families essentially as a modern mechanism through which to redistribute a proportion of national wealth to ensure that the population's basic needs and material aspirations are met".
As will be shown later in this thesis, this view on the role of government plays an essential part is securing the position of the ruling elite.

[9] Kireen Chaudry, " The Price of Wealth: Business and State in Labour Remittance and Oil Economies", in *International Organization* (Winter 1989), 43, 1, pp 101-145.

[10] Hazem Beblawi, "The Rentier State in the Arab World", in *The Arab Gulf Economy in a Turbulent Age* (Croom Helm, 1984), pp 87-88.
When Beblawi looks at the rentier state he mentions that few people are engaged in the generation of the rent, the majority being only involved in the distribution and use of it. However he goes further stating that,
"..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".
That importance will become evident when we look at the impacts on state-society relations.

[11] Lisa Anderson, "The State in the Middle East and North Africa", in *Comparative Politics* (1987), pp 9-10.

[12] Phillip Rawkins, "Nation-Building and the Unsteady State : The Arab Gulf States in the Late 1980s", *Middle East Focus*, Spring 1989, pp 7-8.

[13] Chaudry, "The Price of Wealth", pp 113-115.

[14] Hazem Beblawi, " The Rentier State in the Arab World" in *The Arab Gulf Economy in a Turbulent Age* (Croom Helm, 1984), pp 88-91.

[15] Phillip Rawkins, "Nation-Building and the Unsteady State", pp 6-18.
Rawkins suggests that the use of oil revenue for cooptive purposes is essential to maintain the ruling elites position. The use of government spending and employment minimizes popular discontent and works to meet the basic social and economic requirements of the population.

[16] Hazem Beblawi, " The Rentier State in the Arab World" in *The Arab Gulf Economy in a Turbulent Age* (Croom Helm, 1984), see p 89.
Beblawi suggests that control of the rent by the ruling elite leads to the following result;
"Rent that is held in the hands of the government has to be redistributed among the people...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 government at the top of the pyramid, acting as the ultimate support of all other rentiers in the economy".

[17] Shireen Hunter, "The Gulf Economic Crisis and Its Social and Political Consequences", *Middle East Journal* (1986) Vol 10, No 1, pp 600-611.

[18] Michael Chatelus, "Policies for Development : Attitudes Towards Industry and Services", in Giacomo Luciani *The Arab State* (University of California Press, 1990) pp 104-105, 127.

[19] Mahdavy, "The Patterns and Problems of Economic Development in Rentier States: The Case of Iran", in M.A. Cook *Studies in the Economic History of the Middle East* (London, 1970), pp 436-437.

[20] Ayubi, "Arab Bureaucracies: Expanding Size, Changing Roles", in Giacomo Luciani *The Arab State* (University of California Press, 1990), pp 136-144.

In his look at the rise of bureaucracy in the Middle East, Ayubi argues:

"For the rulers of the oil-rich states, the bureaucracy serves as a respectable and modern looking method of distributing part of the oil revenues. Unlike traditional, straightforward handouts, bureaucracy provides a more dignified way of disbursing largesse, camouflaged in the language of meritocracy and national objectives". See Ayubi, p 137.

[21] Beblawi has also examined the topic of bureaucracy in the rentier state as he has this to say:

"The government not only distributes benefits and favours 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". See Beblawi, " The Rentier State in the Arab World", p 91.

[22] Chaudry, "The Price of Wealth", p 101-145.

[23] Rawkins, " Nation-Building and the Unsteady State ", p 6-20.

[24] Beblawi, " The Rentier State in the Arab World", p 85-98.

[25] See Chatelus and Schemeil, "Towards a New Political Economy of State Industrialization in the Arab Middle East", in *International Journal of Middle East Studies* (1984) Vol 16, No 2, pp 251-264.

[26] Chatelus, "Policies for Development", pp 99-128.

[27] Mahdavy, "The Patterns and Problems of Economic Development in Rentier States: The Case of Iran", pp 429-467

[28] David Myers, " Venezuela: The Politics of Liberty, Justice and Distribution", in Howard Wiarda and Harvey Kline *Latin American Politics and Development* (Westview Press, 1990), p300.

[29] David Lane suggests that the term civil society identifies a division between state and society that allows for the association of individuals independent of the state. Thus the essence of civil society is the right to free association of individuals. He contends that there are important areas of social relations that stand between the economy and the state and that are relatively independent of them. See David Lane, *Soviet Society Under Perestroika* (Unwin Hymin, 1990) p 89-90.

[30] Max Weber had this to say about patrimonialism:

"The object of obedience is the personal authority of the individual which he enjoys by virtue of his traditional status. The organized groups exercising authority is, in the simplest case, primarily based on relations of personal loyalty, cultivated through a common process of education. The person exercising authority is not a "superior", but a personal "chief". His administrative staff does not consist of officials, but of personal retainers. Those subject to authority are not members of an association, but are either his traditional comrades or his subjects. What determines the relationship of the administrative staff to the chief is not the impersonal obligations of office, but personal loyalty to the chief". See Max Weber, *The Theory of Social and Economic Organization* (Translated by A.M. Henderson & Talcott Parsons, The Free Press of Glencoe, 1947), p 341.

Saudi Arabia Footnotes

[31] Mordechai Abir, *Saudi Arabia in the Oil Era* (Westview Press, 1988), p 12.

[32] Ibid., p 64.

[33] The first Saudi state, lasting from 1745-1818 had been led by Muhammad ibn Saud until Egyptian forces acting under orders from the Turkish Empire had defeated the Sauds. A second Saudi state, lasting from 1843-1887 had also been defeated by a rival tribe from the north of the peninsula, the Al Rashid. Thus the reconquest of Riyadh by Ibn Saud is considered by historians to be the third attempt by the Al Saud family to dominate the Arabian peninsula and the beginning of the modern day Saudi kingdom.

[34] In 1744, the Al Saud family had allied itself with the family of a religious zealot, Abd al-Wahhab. Wahhab subscribed to the most conservative of the four recognized schools of Islamic jurisprudence, the Hanbali school. This school of jurisprudence advocates strict adherence to the *shari'a* or the Islamic law. Abd al-Wahhab's belief in independent thinking and his desire to purge Islam of its medieval accretions and restore the authentic beliefs and practices of the Prophet aroused fear and anger among the religious and political leaders of the time. This forced al-Wahhab to seek an alliance with the house of Saud, a union which continues to this day. By associating themselves with the family of Wahhab, the Al Sauds were elevated above other tribes by their close association with Islam, a fact that would be extremely important in securing control over the Arabian peninsula. See Richard Johns and David Holden, *The House of Saud* (Holt, Rinehart and Winston, 1981), p 20. See also John Shaw and David Long, *Saudi Arabian Modernization The Impact of Change on Stability* (Praeger, 1982), p 88.

[35] Tim Niblock, "Social Structure and the Development of the Saudi Arabian Political System", in Tim Niblock *State, Society and Economy in Saudi Arabia*. (Croom Helm, 1982), p 84.

[36] Ibn Saud was able to field loyal and effective troops when the 'ikhwan' were created. The ikhwan were bedouin who accepted the teachings of Wahhabism and agreed to give up their nomadic way of life in order to fight for God. This conversion of nomadic tribes into religious warriors was achieved through the cooperation of Ibn Saud and the 'ulema' or religious leaders. Because of the link between the house of Saud and that of

Wahhab, it was therefore possible to enlist the support of these religious warriors into Ibn Saud's campaign for control of the Arabian peninsula. Ibn Saud was seen by the ikhwan as God's chosen instrument in the battle to spread the word of Islam.

[37] The holy soldiers of Ibn Saud continued their quest to impose their view of Islam on others, notably against their Iraqi and Jordanian neighbours. In 1929, facing growing opposition outside of Arabia, the Ikhwan began to attack tribes in the Nejd. Seeing a challenge to his leadership, Ibn Saud mounted an army and defeated the Ikhwan. Those who had remained loyal to him became his personal guard, while the Ikhwan movement was completely disbanded. See Johns and Holden, *The House of Saud*, p 88-93.

[38] Johns and Holden, *The House of Saud*, p 14.

[39] Tim Niblock, "Social Structure and the Development of the Saudi Arabian Political System" in Tim Niblock *State, Society and Economy in Saudi Arabia* (Croom Helm, 1982), p 91.

[40] Johns and Holden, *The House of Saud*, p 85. See also Philby, *Sa'udi Arabia* (Benn, London, 1955), p 328.

[41] Tim Niblock, "Social Structure and the Development of the Saudi Arabian Political System", p 96.

[42] Johns and Holden, *The House of Saud*, p 151.

[43] Economist Intelligence Unit, Annual Supplements 1971-1973. p 2-4.

[44] There are no early population figures for Saudi Arabia. The only official census took place in 1974. Estimates of Saudi Arabia's population today range from between 6 to 10 million. Therefore it is safe to assume that early pre-rentier Saudi Arabia did not have a large population. We would guess that it was in the 2 to 3 million figure. See Don Peretz, *The Middle East Today* (Prager, 1983), p 466. Cottrell, *The Persian Gulf States* (John Hopkins University Press, 1980), p 545-594.

[45] Don Peretz, *The Middle East Today* (Praeger, 1983), p 466.

[46] Ibid., p 473.

[47] Niblock, "Social Structure and the Development of the Saudi Arabian Political System", p 79-81.

[48] Ibid., p 93.

[49] Johns and Holden, *The House of Saud*, p 77.

[50] Tim Niblock, "Social Structure and the Development of the Saudi Arabian Political System", p 91.

[51] Ibid., p 91.

[52] Summer Scott Huyette, *Political Adaptation in Saudi Arabia : A Study of the Council of Ministers* (Westview Press, 1985), p 49-50.

[53] Ibid., p 57-58.

[54] Tim Niblock, "Social Structure and the Development of the Saudi Arabian Political System", p 89-90.

[55] Huyette, *Political Adaptation in Saudi Arabia*, p 55.

[56] Ibid., p 56.

[57] Summer Scott Huyette, *Political Adaptation in Saudi Arabia: A Study of the Council of Ministers* (Westview Press, 1985), p 131.

[58] Don Peretz, *The Middle East Today* (Praeger, 1983), p 467.

[59] Huyette, *Political Adaptation in Saudi Arabia*, p 52.

[60] Peretz, *The Middle East Today*, p 465.

[61] Mordechai Abir, *Saudi Arabia in the Oil Era* (Westview Press, 1988), p 67.

[62] The lack of distinction between state and personal wealth for the Al Sauds was the result of the evolution of the Saudi kingdom. Through conquest and tribal linkages, they had become the dominant family in Arabia. The claim on state wealth by the Al Sauds seems to have not been contested in part because of the support of tribal, ulema and merchant leaders and perhaps also because it was being used to strengthen the links between the tribes as well as the continuation of religious expansion and commercial trade. The use of increasing oil revenue later was a continuation of that policy. Indeed, estimates for 1953 indicated that half of the government budget was being used for tribal subsidies and royal family expenses. See Johns and Holden, *The House of Saud*, p 161.

[63] Ibid., p 172.

[64] The removal of Saud from government decision making and his replacement by Faisal may have been a result of the senior princes belief that Saud was an incompetent manager. Indeed, by 1958, Saudi Arabia was some $480 million in debt and could only get loans from Aramco, the US oil company. A suitable excuse to remove Saud came when it was discovered that he had financed an assassination attempt on Egypt's Nasser. See Abir, *Saudi Arabia in the Oil Era*, p 68.

[65] Lackner, *A House Built on Sand* (Ithaca Press, 1978), p 62.

[66] Peretz, *The Middle East Today*, p 472.

[67] The emergence of the liberal princes and the ideal they espoused can be linked to the growing social discontent in Saudi Arabia after 1947, caused by the mismanagement of the rapidly increasing oil revenue. The royal family and its associates, as well as the merchants, profited from increased imports and luxury consumption. But the majority of the population, involved in agriculture, handicrafts and pastoralism saw very little of the oil revenue and no significant improvements in their way of life. Many blamed the royal family for not spreading the oil revenue. See Huyette, *Political Adaptation in Saudi Arabia*, p 70.

[68] Niblock, "Social Structure and the Development of the Saudi Arabian Political System", p 99-100.

[69] Huyette, *Political Adaptation in Saudi Arabia*, p 127-128.

[70] Abir, *Saudi Arabia in the Oil Era*, p 95.

[71] While the Al Sauds sought to secure popular support with economic benefits and promises of more liberalizing politics, control of the instruments of coercion was reinforced. Under Faisal's leadership, military spending was quickly expanded as the crisis with Egypt and Yemen had shown the armed forces to be ill equipped to deal with major threats. The National Guard, made up mostly of loyal tribal elements was reinforced and strengthened to act as a watchdog and counter balancing force to the military. The reason for this was the mistrust the Royal family had for the military after several abortive coups in 1969-1970, in which pro-Nasser officers were involved.

Faisal set about to ensure the maintenance of Al Saud domination in the armed forces. Members of the Royal family were pressed into service in the military, especially the air force, to act as the eyes and ears of the Al Sauds and to help

make the military more loyal to the regime. It was thus hoped that active royal family presence in the military would significantly reduce the possibility of a coup against the monarchy. See Johns and Holden, *House of Saud*, p 462.

[72] Kireen Aziz Chaudry, " The Price of Wealth", p 126-127.

[73] Abir, *Saudi Arabia in the Oil Era*, p 152-158.

[74] Shaw and Long, *Saudi Arabian Modernization*, p 23-32.

[75] Abir, *Saudi Arabia in the Oil Era*, p 159.

[76] Chaudry," The Price of Wealth", p 126.

[77] Huyette, *Political Adaptation in Saudi Arabia*, p 30.

[78] Chaudry, " The Price of Wealth", p 126.

[79] Abir, *Saudi Arabia in the Oil Era*, p 141.

[80] Chaudry, " The Price of Wealth", p 127.

[81] Ibid., p 128.

[82] Ibid., p 128.

[83] Abir, *Saudi Arabia in the Oil Era*, p 123.

[84] James Buchan, " Secular and Religious Opposition in Saudi Arabia" in Niblock *State, Society and Economy in Saudi Arabia* (Croom Helm, 1982), p 109

[85] Figures calculated from Ragaei El Mallakh, *Saudi Arabia, Rush to Development* (John Hopkins University Press, 1984), p 265-266.

[86] Hossein Askari, *Saudi Arabian Economy: Oil and the Search for Economic Development* (Jai Press, 1990), p 6.

[87] Ramon Knaverhase, *The Saudi Arabian Economy* (Praeger, 1975), p 102.

[88] Hossein Askari, *Saudi Arabian Economy: Oil and the Search for Economic Development*, p 12.

[89] Huyette, *Political Adaptation in Saudi Arabia*, p 106.

[90] Shaw and Long, *Saudi Arabian Modernization*, p 66-71.

[91] Amin Saikal, *The Rise and Fall of the Shah* (Princeton University Press, 1985), p 14.

[92] It has been suggested that one reason for the change of attitude on the part of the British was their desire to see a stable regime in Iran so that the Royal Navy and its new oil powered warships could have access to the Iranian oil supply. Peter Avery, *Modern Iran* (Praeger Publishing, 1965), p 212-214.

[93] Ervand Abrahamin, *Iran Between Two Revolutions* (Princeton University Press, 1982), p 136.

[94] Avery, *Modern Iran*, p 273.

[95] Abrahamin, *Iran Between Two Revolutions*, p 136-140.

[96] Ibid., p 138.

[97] Reza Shah's first tangle with the ulama had occurred while he was still Minister of War. At the time, he had expressed a desire to follow in the footsteps of Ataturk in Turkey and make Iran a Republic. However, strong negative reaction from the Iranian ulama had forced Reza Khan to reconsider that alternative. See Avery, *Modern Iran*, p 266.

[98] Ibid., p 289-292.

[99] The Shah had continually sought to find a third power which could act as a counter balance to the influence and pressure exerted by Britain and the Soviet Union. The United States was approached on several occasions, but remained noncommittal. Germany however, was willing to provide help to Iran and sent experts in commercial, industrial and educational applications. Economic ties with Germany grew to the point that in 1939, 41% of Iran's trade was with that country[10]. See Saikal, *The Rise and Fall of the Shah*, p 24.

[100] The Marxist Tudeh party was officially formed in 1941, but which had existed in an underground form since 1937, followed a pro-Soviet line of communism. During the years of Majlis rule, the Tudeh gained popularity, even challenging the leadership of Mossadiq's National Front. After the 1953 coup the Tudeh was hunted down by the Iranian secret police and almost entirely suppressed. Most Tudeh members were intellectuals and salaried middle class workers, but the rank and file was mainly urban wage-earners. Abrahamin, *Iran Between*

Two Revolutions, p 281-325. Mehran Kamrava, *Revolution in Iran : The Roots of Turmoil* (Routledge, 1990). p 52-56.

[101] The National Front was established in 1949 when intellectuals demanded greater accountability of the monarchy to the constitution. Headed by Dr. Mohammad Mossadiq, the National Front was in fact a coalition of various smaller political parties and interest groups who believed in nationalism and the 1906 constitution calling for a constitutional monarchy. The groups involved were the Iran Party, the Iranian National Party, the Toilers Party and the Society of Muslim Warriors. Individually these parties were small, but combined they allowed Mossadiq to control the Majlis in 1951 and pass the nationalization bill of the Iranian oil industry. After the 1953 coup however, the National Front was suppressed and never regained its former influence. Abrahamin, *Iran Between Two Revolutions*, p 251-258. Kamrava, *Revolution in Iran: The Roots of Turmoil*, p 52-56.

[102] Saikal, *The Rise and Fall of the Shah*, p 41.

[103] With the Shah gone, Mossadiq forced the Majlis to grant him greater powers, especially concerning the military. Upon achieving that goal, he dissolved parliament. Mossadiq essentially ruled Iran through mobs in the streets of Teheran who supported his demands for greater power. In an effort to remove the monarchy completely, Mossadiq had transferred the bulk of royal lands to the state, cut the palace budget, placed royal charities under state control and named himself Minister of War.
See Mossallanejad, *The Political Economy of Oil*, p 15.

[104] Avery, *Modern Iran*, p 426, P 439.

[105] James A. Bill, *The Eagle and the Lion : The Tragedy of American-Iranian Relations* (Yale University Press, 1988), p 100.

[106] Abrahamin, *Iran Between Two Revolutions*, p 421.

[107] Bill, *The Eagle and the Lion*, p 100.

[108] Ibid., p 114.

[109] Don Peretz, *The Middle East Today* (Middle East Institute, 1983), p 496.

[110] Bill, *The Eagle and the Lion*, p 149.

[111] Abrahamin, *Iran Between Two Revolutions*, p 422.

[112] The White Revolution can best be represented as an attempt on the part of the Shah to carry out a systematic process of centrally controlled general mass mobilization and selected socio-economic reforms, in support of his leadership and rule. Officially launched in 1963, it emphasized 12 points of economic and social development. (1) Land reform ; (2) nationalization of forests and pastures; (3) public sale of state owned factories; (4) profit sharing in industry; (5) revision of the electoral law to include women; (6) establishment of a literacy corps; (7) a health corps; (8) a reconstruction and development corps; (9) rural courts of justice; (10) nationalization of waterways; (11) national reconstruction; (12) educational and administrative revolution. Peretz, *The Middle East Today*, p 518-519. Saikal, *The Rise and Fall of the Shah*, p 80.

[113] Kamrava, *Revolution in Iran: The Roots of Turmoil*, p 97-101.

[114] Robert Looney, *Economic Origins of the Iranian Revolution* (Pergamon Press, 1982), p 518.

[115] Farrokh Moshiri, "Iran: Islamic Revolution Against Westernization" in Goldstone, Gurr and Moshiri *Revolutions of the Late Twentieth Century* (Westview Press, 1991), p 120.

[116] Robert Graham, *Iran, The Illusion of Power* (Croom Helm, 1978), p 40.

[117] Peretz, *The Middle East Today*, p 496.

[118] Abrahamin, *Iran Between Two Revolutions*, p 446.

[119] Richard Nyrop, *Iran, A country Study* (American University, 1978)

[120] Ibid., p 224-310.

[121] Saikal, *The Rise and Fall of the Shah*, p 28-29.

[122] George Lenczowski, *Iran Under the Pahlavis* (Hoover Institution Press, 1978), p 434.

[123] Ibid., p 444.

[124] Ibid., p 446.

[125] When compared to its Saudi counterpart, Iranian civil society certainly seems much more complex and diversified. In the Iranian pre-rentier state period there existed several political parties, notably the Tudeh and National Front, which was itself a union of several political groups. The ulema and the landed upper class controlled a majority of the agricultural lands and were thus major economic powers, as were the Bazaaris merchants. Improvements in education and the growth of bureaucracy and the military by the first Pahlavi Shah created a small but growing Iranian bourgeoisie. Iran civil society also possessed intellectuals such as Jalal Al-e Ahmad, Mehdi Bazargan, and Abolhassan Banisadr who would later be involved in the Islamic Revolution. The existence of a more complex and diversified civil society suggests that the emergence and successful use of rentierism would be more difficult. For more information on the cited Iranian intellectuals see Mehran Kamrava *Revolution in Iran The Roots of Turmoil* (Routledge, 1990), p 68-78.

[126] Mossallanejad, *The Political Economy of Oil*, p 77-78.

[127] Saikal, *The Rise and Fall of the Shah*, p 86.

[128] One estimate of the effect of the land reform indicated that even after land redistribution took place, over 96% of all farmers still did not have access to electricity, that for every two families that received land, one received nothing, and that for every one family that did obtain adequate land (estimated at 7 hectares), three families obtained less than enough to become independent commercial farmers. Abrahamin, *Iran Between Two Revolutions*, p 447. According to a UN survey, no more than 15% of the country's peasants got enough land to support themselves or to increase their standard of living substantially. Peretz, *The Middle East Today*, p 519.

[129] R.K. Ramazani, *The United States and Iran. The Pattern of Influence* (Praeger, 1982), p 75.

[130] Further ulama opposition was raised with the creation of a Religious Corps under government control. The Corps, created in 1971 was present throughout Iran to provide religious instruction, health and development activities, as well as to promote government policies. Kamrava states that the purpose of the Religious Corps was to further reduce the independence of the ulama by blocking their access to rural masses and by reinterpreting Islamic values to suit government policy. Likewise, the creation of a Literacy Corps was aimed at diminishing the importance of the ulama in education. Kamrava,

Revolution in Iran, p 101. Bill, *The Eagle and the Lion*, p 157.

[131] Ramazani, *The United States and Iran*, p 65.

[132] Kamrava, *Revolution in Iran*, p 105.

[133] Ibid., p 105.

[134] Abrahamin, *Iran Between Two Revolutions*, p 430.

[135] Peretz, *The Middle East Today*, 519.

[136] Abrahamin, p 428.

[137] Kamrava, p 107.

[138] Looney, *Economic Origins of the Iranian Revolution*, p 142.

[139] Abrahamin, p 497.

[140] Ibid., p 447.

[141] Ibid., p 443.

[142] Ibid., p 498.

[143] Ibid., p 498.

[144] Kamrava, *Revolution in Iran*, p 121.

[145] Fereydoun Hoveyda, *The Fall of the Shah* (Weidenfeld & Nicolson, 1979), p 61.

[146] Bill, *The Eagle and the Lion*, 186.

[147] Tim Luke, "Dependent Development and the OPEC States: State Formation in Saudi Arabia and Iran Under the International Energy Regime" in *Studies in Comparative International Development* (Vol 20, No 1, 1985), p 47.

[148] Abrahamin, p 435.

[149] Ibid., p 499.

[150] US Congress, Subcommittee "Human Rights in Iran" (Washington D.C., 1977), p 25.

[151] Abrahamin, p 500.

[152] In January 1978 an article in the "Ittila'at" newspaper attacked Khomeini by name, alleging that he had forged his Iranian nationality to hide his Indian ancestry and that during the White Revolution he had worked for a foreign power to undermine the monarchy. Ironically, Kamrava believes that this personal attack only served to identify Khomeini as the leader of the anti-Shah forces. See Mehran Kamrava, *Revolution in Iran: The Roots of Turmoil* (Routledge, 1990), p 90. Goldstone, Gurr and Moshiri, *Revolutions of the Late Twentieth Century* (Westview Press, 1991), p 128.

[153] Fereydoun Hoveyda, *The Fall of the Shah* (Weidenfeld and Nicolson, 1979)

[154] Afsaneh Najmabadi, "Depoliticisation of a Rentier State: The Case of Pahlavi Iran" in Beblawi and Luciani *The Rentier State* (Croom Helm, 1987), p 215.

[155] Mossallanejad, *The Political Economy of Oil*, p 53.

[156] Farid A. Khavari, *Oil and Islam: The Ticking Bomb* (Roundtable, 1990), p46.

[157] Kamrava, *Revolution in Iran*, p 108.

[158] Najmabadi, p 214.

[159] Homa Katouzian, "Oil and Economic Development in the Middle East", in George Sabagh *The Modern Economic and Social History of the Middle East in its World Context* (Cambridge University Press), p54.

[160] Ibid., p 55.

[161] Looney, p 140.

[162] Hoveyda, *The Fall of the Shah*, p 157-158.

[163] An example of one of these grandiose schemes was the Shah's desire to make Iran self sufficient in energy needs by building several nuclear reactors. Costing far more than oil burning plants, the nuclear plants also needed an army of foreign technicians and large supplies of spare parts made only in the industrialized nations of Europe and America. Instead of making Iran self sufficient, the nuclear energy program only highlighted Iran's dependence on the West and wasted precious resources which could have been put to better use. See Ezat Mossallanejad *The Political Economy of Oil*, p 85-86

[164] This thesis has proposed a model called rentierism, where the ruling elite uses the rent to coopt other elites and groups in society so as to insure its dominant position. Two of the most important characteristics of rentierism are control of rent by the ruling elite and use of that rent for purposes of cooption. Furthermore the literature suggests that rentierism will always occur in rentier states. The Venezuelan case is an enigma because it is a rentier state where rentierism does not and can not function because the power of the ruling elite is limited by the pluralist system. As this chapter will demonstrate, the pluralist system puts limits on the cooptive use of rents, but more importantly forces the ruling elite to seek popular support in elections thereby reducing the possibility that one elite can maintain rule. I would suggest that these restrictions prevent rentierism from operating in the Venezuelan case.

[165] Glen Kolb, *Democracy and Dictatorship in Venezuela: 1945-1948* (Connecticut College and Archon Books, 1974), p 11.

[166] Venezuela's Simon Bolivar was a "crillo" (Caucasian born in the Spanish colonies) who led the movement for the independence of the Spanish colonies in the early 1800's. Bolivar wanted to create a strong centralized state encompassing the new independent nations of South America. Although he did not succeed, Venezuela would eventually replace its regional orientated "caudillos" system for greater centralization of authority in Caracas which Bolivar advocated. David Myers, "Venezuela: The Politics of Liberty, Justice and Distribution" in Wiarda and Kline *Latin American Politics and Development* (Westview Press, 1990), p 289.

[167] I have suggested that centralization in the Venezuelan case was more likely to lead to the development of democratic ideas because it gave the state some measure of stability when compared to the factional fighting that had existed under the "caudillos". It seems to me that concepts of democracy and civilian rule would be much less likely to emerge when society is constantly involved in regional disputes and civil wars. In the Venezuelan case, centralization brought about a certain degree of stability and order which I believe allowed society to tackle other issues, such as democracy and civilian rule.

[168] Franklin Tugwell, *The Politics of Oil in Venezuela* (Stanford University Press, 1975), p 167.

[169] Glen Kolb, *Democracy and Dictatorship in Venezuela*, p 11.

[170] David Myers, "Venezuela: The Politics of Liberty, Justice and Distribution", p 283.

[171] AD or Accion Democratia was officially established in 1941, but had existed in a clandestine form since 1936 under the name Partido Democratico Nacional or PDN. Headed by men such as Romulo Betancourt and Romulo Gallegos, AD was nationalist, multiclass, populist and slightly left of centre in its outlook.

[172] COPEI was founded during the Trieno in January 1946. COPEI was a Christian socialist party promoting conservative and Catholic influence in society. Its leader Rafael Caldera became president of Venezuela in 1968. URD was legalized in December 1945. Headed by Jovito Villalba it offered a social democratic platform similar to COPEI. URD has been the least successful of the three major parties although it was believed to have won the 1952 presidential elections which Perez Jimenez fraudulently overturned.

[173] Kolb, *Democracy and Dictatorship in Venezuela*, p 25.

[174] Ibid., p 27.

[175] Ibid., p 30

The Trieno and AD government of 1945-1948 enabled the formation of a variety of unions throughout the country. The AD Minister of Labour at that time, Raul Leoni used the executive authority of the government to legalize and allow the formation of these unions. Among the largest was the Confederacion de Trabajadores de Venezuela (CTV) and the Federacion Campesina Venezolana (FCV). In comparison to Saudi Arabia I would suggest that the number and variety of unions formed during those years confirms the existence of a diversified and dynamic civil society in pre-rentier Venezuela. Furthermore the AD government of the time actively promoted unionization which the Al Sauds did not. These are important differences which I believe contributed to the non-emergence of rentierism in Venezuela.

[176] Diego Abente, "Politics and Policies: The Limits of the Venezuelan Consociational Regime" in Donald Herman *Democracy in Latin America: Columbia and Venezuela* (Praeger, 1990), p 135.

[177] Kolb, p 48.

[178] Ibid., p 115.

[179] Judith Ewell, *Venezuela: A Century of Change* (Stanford University Press, 1984), p 108.

[180] Terry Lynn Karl, "Petroleum and Political Pacts: The Transition to Democracy in Venezuela", in *Latin American Research Review* (Vol 22, No 1, 1987), p 78.

[181] Kolb, p 120.

[182] Terry Lynn Karl, "Petroleum and Political Pacts", p 79.

[183] Judith Ewell, *Venezuela: A Century of Change*, p 126.

[184] Although the Pact of Punto Fijo may seem at first glance to be making the electoral process irrelevant by forcing the signatories to form a coalition government, its ultimate purpose was to allow political parties the time and opportunity to develop and eventually have a stake in maintaining the pluralist system. Thus this coalition system was meant to secure a broad spectrum of support for democracy in the first few years following military rule. In fact in 1960, URD left the government over a foreign policy issue and in 1968 COPEI formed a non-coalition government after winning the presidential elections. According to Terry Lynn Karl, by granting concessions and accepting compromises, AD (which was the most powerful of the three parties at the time) gave the other parties the opportunity to grow and build a base of support, giving them the potential to win future elections. Terry Lynn Karl, "Petroleum and Political Pacts", p 82-83, p87-88.

[185] Kolb, *Democracy and Dictatorship in Venezuela*, p 106.

[186] David Myers, " Venezuela: The Politics of Liberty, Justice and Distribution", p 286-288.

[187] Ibid., p 288.

[188] Thomas Weil, *Area Handbook for Venezuela* (US Government Printing Office, 1971), p 55.

[189] Antonio Gil Yepes, *The Challenge of Venezuelan Democracy* (Transaction Books, 1981), p 24.

[190] Edwin Liewen, *Venezuela* (Oxford University Press, 1961), p 121.

[191] Ibid., p 121.

[192] Terry Lynn Karl, "Petroleum and Political Pacts", p 68.

[193] Edwin Liewen, *Venezuela*, p 130.

[194] Terry Lynn Karl, "Petroleum and Political Pacts", p 72.

[195] Edwin Liewen, *Venezuela*, p 115-120.

[196] Franklin Tugwell, *The Politics of Oil in Venezuela*, p 167.

[197] Antonio Gil Yepes, *The Challenge of Venezuelan Democracy*, p 41.

[198] Ibid., p 45.

[199] Glen Kolb, *Democracy and Dictatorship in Venezuela*, p 53-55.

[200] Ibid., p 55-56.

[201] Ibid., p 124-125.

[202] Following the victory of AD in 1958 all political parties worked to organize the peasants and labour. The Communist Party however continued to be banned. Judith Ewell suggests that the main reason the Communists were excluded from the political process was because of the fear of Betancourt and the leaders of the other parties that including the Communists in the Pact of Punto Fijo would damage the stability of the agreement without adding much strength. See Judith Ewell, *Venezuela*, p 125.

[203] Terry Lynn Karl, "Petroleum and Political Pacts", p 80.

[204] Judith Ewell, *Venezuela*, p 133-134.

[205] Terry Lynn Karl, p 81.

[206] This assimilation of the military into a non-political role proved to be successful for the AD government. Uprisings in 1960 and 1961 by Communist and military rebels were put down. A coup attempt in 1962 by groups within the military were also quelled, allowing the democratic government the chance to take hold in the political system. See Judith Ewell, *Venezuela*, p 131-132.

[207] According to Karl, oil in the Venezuelan case provided the political and economic space for eventually accommodating divergent interests. For example while the interests of labour and business are often in conflict, oil revenue allowed both sides to be satisfied by government spending programs and employment opportunities. This suggests that oil revenue was instrumental in helping the post-1958 pluralist system survive and consolidate. Oil revenue offered incentives to most groups and interests, preventing factional fighting which could have caused political instability. Terry Lynn Karl, "Petroleum and Political Pacts", p 87.

[208] Antonio Gil Yepes, *The Challenge of Venezuelan Democracy*, p 53.

[209] The desire to lessen the dependence on oil revenue reflected the belief of a small group of bureaucratic "politechnicians" who wanted to make the Venezuelan tax system more modern and fair. The leader of this group was the Finance Minister Hector Hurtado during the Trieno (1945-1948) who later was the Planning Minister for President Leoni in 1963. Hurtado believed that most of the oil revenue would eventually end up in the stream of general public spending; therefore he advocated the creation of an investment fund to channel the oil revenue. By shifting the financing of the budget to the non-oil sector of the economy, the oil revenue in the investment fund could be used for major development projects which would really push Venezuela forward.
See Diego Abente, "The Political Economy of Tax Reform in Venezuela" in *Comparative Politics*, (Vol 22, No 2, Jan 1990), p 201.

[210] Judith Ewell, *Venezuela*, p 159.

[211] Diego Abente, " Politics and Policies: The Limits of the Venezuelan Consociational Regime", p 140.

[212] Ibid., p 141.

[213] Judith Ewell, *Venezuela*, p 194.

[214] Ibid., p 195.

[215] David Myers, *Venezuela: The Politics of Liberty, Justice and Distribution*, p 293.

[216] The presidency of Carlos Andres Perez faced problems of inflation, corruption, waste and foreign loans. On an index of 100 in 1970, the general price index had risen to 119.7 in 1974, the first year of the Perez administration. In 1978, the

last year of the Perez administration, the price index had reached 153.0. Corruption also became a problem. Among the many scandals, the case of the refrigerated ship, the Sierra Nevada, was best known for it directly implicated president Carlos Perez who was accused of having pocketed $ 8 million in overpayments for the vessel. Perez also launched a massive development plan calling for steel, petrochemical, oil refining and shipbuilding plants. These massive undertakings not only led to waste, but the cost was even greater than what Venezuela was earning, so foreign loans were needed to keep the projects going. By the time Luis Herrera Campins assumed office, Venezuela had a foreign debt of some $ 12.2 Billion US. These reasons may explain why AD was voted out of office in 1978. Judith Ewell, *Venezuela: A Century of Change*, p 204. See also Robert J. Alexander, " Venedemocracia and the Vagaries of the Energy Crisis" in Donald Herman *Democracy in Latin America: Colombia and Venezuela* (Praeger, 1990), p 182-183.

[217] Daniel Hellinger, *Venezuela. The Tarnished Democracy* (Westview Press, 1991), p 123.

[218] David Myers, *Venezuela. The Politics of Liberty, Justice and Distribution*, p 294.

Although the Herrera administration promised greater financial restraint, the increase in oil prices allowed the government to continue most of the development projects started under the previous administration, but more foreign borrowing was needed to cover the costs, hence the $35 billion foreign debt in 1983.

[219] Ibid., p 310.

The recent coup attempts suggests that there is greater frustration with the economic situation in Venezuela but I do not think it reflects the military's desire to return to power. In fact those elements within the military which staged the coup did not succeed because the majority of the military remained loyal to its role as guardian of democracy in Venezuela. Furthermore there was very little popular support for the coup which I believe indicates the attachment of Venezuelans to the pluralist system.

[220] Judith Ewell, p 143.

[221] Ibid., p 198.

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