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Knowledge for All

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### Workshop 2

## *The Transformation of Rentier States and the Provision of Public and Common Goods*

### Workshop Directors

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### Abstract

Recent academic debates including panel discussions at the 2010 Gulf Research Meeting have highlighted the changing nature of the rentier state in a region where predominantly hydrocarbon economies have become increasingly diversified.<sup>1</sup> Over the past decade, the classical rentier economies analyzed during oil boom of the 1970s and early 1980s and the bust years that followed through the late 1990s<sup>2</sup> have developed into more complex regimes of wealth creation in which rents increasingly coexist with other forms of revenue.<sup>3</sup> Diversification in terms of revenue not only involved an increase in downstream activities that remained dependent on oil and gas. It also extended into other sectors that could be sustained without the continuous flow of hydrocarbons and, in some cases, it also involved exploiting opportunities offered by regional and global integration for portfolio and foreign direct investment through government and quasi-government companies. In short, classical rentier economies have turned into economies with rentier elements of variable size and shape.<sup>4</sup>

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<sup>1</sup> See, for instance, the workshop 'Natural Resources, Accountability and Democracy' convened by Gerd Nonnemann and Richard Youngs

<sup>2</sup> Hazem Beblawi and Giacomo Luciani (eds), *The Rentier State*, London, Croom Helm, 1988

<sup>3</sup> Giacomo Luciani, 'From Private Sector to National Bourgeoisie', in Paul Aarts / Gerd Nonnemann (eds), *Saudi Arabia in the Balance*, London, Hurst, 2005; Gerd Nonnemann / Richard Youngs, *workshop description 2010*; M.L.Ross, 'Does Oil Hinder Democracy?', in: *World Politics*, 53, 325-61

<sup>4</sup> E.g. Eckart Woertz, 'The Gulf Economies in 2008', in: Gulf Research Center (ed), *Gulf Yearbook 2008-9*, Dubai, 2009

It should be assumed that the growing complexity of rentier economies entails new opportunities and constraints for these redistributive states to which the rents accrue. On the expenditure side, changing levels and origins of resources may positively or negatively affect their allocation to old or new policy areas and sectors in which the state seeks to invest itself. On the revenue side, there may be new possibilities, perhaps even needs especially during economic downturns, to raise or supplement income through taxation, fees, duties, appeals to corporate social responsibility and the like. As all policies directed at specific government functions such as defense, health or education or economic sectors like tourism, real estate and infrastructure also affect social groups, they are liable to prompt political responses in terms of exit, voice and loyalty that strengthen or undermine the norms, understandings, and coalitions that underpin political regimes.<sup>5</sup>

## Workshop Description and Rationale

The proposed workshop will primarily analyze the impact that economic transformations in the Gulf countries in the past decade have had on welfare policies in the broader sense including the structure and form of redistribution and the provision of public and common goods.

Although the workshop thus focuses on “independent” variables at the level of *policies* it also seeks to discuss concomitant changes at the other two levels of political analysis which are those of *politics* and *polities*. Changing social and welfare policies may indeed reflect new patterns of deliberation and decision making involving new actors, norms and rules. Put differently, outputs in the form of policies may inform about the political process leading to these outputs and therefore the *politics* governing the selection and treatment of inputs such as demands, interests, and values. By extension, the changing *politics*, in particular their more or less participatory nature, may reflect changes at the level of the political regime or *polity* at large. The primary focus on specific policies as independent variables should therefore be considered not only an end in itself but also a means to explore these broader issues.<sup>6</sup>

Contributions may concentrate on new empirical materials including innovative fieldwork and comparative analysis. However, participants are invited to critically examine the links between changes affecting the provision of public goods and the factors that transform the rentier economies as such.<sup>7</sup> Alternatively, contributions may

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<sup>5</sup> E.g. B. Smith, ‘Oil wealth and regime survival in the developing world, 1960-99’, in: *American Journal of Political Science*, 48, 232-46; B. Geddes, Authoritarian Breakdown: Empirical Test of Game Theoretic Arguments, unpublished manuscript, University of California Los Angeles, Dept. of Political Science, 2000; M. Gasirowski, ‘Economic Crisis and Political Regime Change: An Event Analysis’, in: *American Political Science Review*, 89 (1995), 882-97

<sup>6</sup> Independently of the ultimate nature of welfare regimes in the Gulf countries, the approach in this respect follows G. Esping-Anderson, *The Three Worlds of Welfare Capitalism*, Princeton, N.J., Princeton University Press, 1990

<sup>7</sup> Papers may discuss broader debates about linkages between economic transformations and welfare regimes that are not specific but potentially relevant to rentier economies, e.g.: P. Pierson, *Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment*, Cambridge, Cambridge

challenge the presumed link between economic change and social policies and suggest alternative explanations. Participants are welcome to engage in fruitful comparisons with other countries that strengthen their arguments. The growing importance of the non rentier aspects of the Gulf economies clearly broadens the scope of comparison, as does the equally growing awareness of rentier features found in economies that traditionally have never been seen as rentier economies. Current debates about reshaping social protection and redefining the provision of public goods in Europe, the US and beyond may thus be relevant for analyzing developments in the Gulf States.<sup>8</sup> The workshop may thereby help to understand factors of change that are specific to the countries concerned and factors of change that are more general or universal in nature.

More specifically, contributions to the workshop may concentrate on the following aspects of the *problématique*, which of course should be read as suggestions rather than limitations excluding other issues.

1. The (re)definition of public and common goods in Gulf countries

Standard definitions notwithstanding, the concept of public goods remains as contested as many other concepts used in the social sciences. Disagreement about its boundaries and contents may be influenced by local historical contexts and their differences with regard to conditions prevailing in Europe and North America which had a particularly strong influence on the social sciences. At the same time, however, numerous actors in the Gulf countries are familiar with the intellectual and political debates that had been initiated elsewhere; frequently also they have appropriated, shaped and enriched these debates on the basis of their own traditions and experience. The workshop may thus explore different definitions of public goods, their relative weight in previous and current debates, as well as competing concepts and norms that influence relevant policies or their absence.

2. The provision of public and common goods in the ‘classical’ rentier economies

Numerous myths, caricatures and generalizations have formed contemporary views of state-society relations in the classical rentier economies that emerged after the substantial increase in hydrocarbon revenues in the 1970s and early 80s. Government provision of social services and public goods in this period needs to be examined critically on the basis of empirical evidence and analyzed in ways that help to identify the social groups that benefited from these policies. No doubt access to public goods was also influenced by norms, rules and activities that had already been in place when the distribution of rents began to dominate political economies. The workshop may discuss these earlier arrangements in the light of definitions of public goods as well as

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University Press, 1994; I.Mares, *The Politics of Social Risk*, Cambridge, Cambridge University Press, 2003

<sup>8</sup> E.g. R.R.Kaufman / A. Segura-Ubierno, ‘Globalization, Domestic Politics, and Social Spending in Latin America: A Time Series Cross Section Analysis, 1973-97’, in: *World Politics* 53 (2001), 553-87; Stephan Lessenich, *Die Neuerfindung des Sozialen: der Sozialstaat im flexiblen Kapitalismus*, Bielefeld, Transkript, 2008; Jacob Hacker, ‘Privatizing Risk without Privatizing the Welfare State’, in: *American Political Science Review*, 98(2004), 243-60; Asya El-Meehy, ‘Your Big Dream Starts... With A Small Loan: Egypt’s Politics of Retrenchment in the Neoliberal Era’, in: *Comparative International Development*, forthcoming

explore continuities and change, path dependencies, innovations, the emulation of foreign models, etc.

### 3. Public and common goods in today's complex and differentiated rentier economies

Increasing revenues from sources other than rents may affect the provision of public goods funded through rents. For instance, additional revenues from 'productive' activities in manufacturing industries or the service sector may have a cumulative effect and improve the provision of public goods to more or less specific groups of beneficiaries including employees who are offered employer funded insurance schemes. Conversely, such additional revenues may encourage governments to reduce rent based funding of social services and welfare policies or to redirect them to marginalized groups. Different schemes may apply to different constituencies entailing or reinforcing new societal cleavages. Accordingly, the workshop may examine the effects of economic diversification on the provision of public goods in general and to specific social groups.

### 4. Provision of public and common goods across political economies

The access to public goods may be increasingly reorganized in line with the evolving norms and converging forms that have acquired international acceptance in the age of globalization. Emphasizing for instance individual responsibility, privatization of risk and transparency in accounting, these norms may have a particular effect on the provision of public goods funded out of non-rent revenues. However, in periods of declining rents, economic adjustments and (relative) austerity, they may also be applied and referred to more generally. The workshop would particularly benefit from comparisons with rentier economies or economies with rentier aspects in other parts of the world, including the global north; 'advanced' economies with no or negligible rentier aspects; and other economies in the Middle East, in particular those benefiting from the transfer of rents.

### 5. The *politics* of the provision of public and common goods

The partial or combined provision of public goods by a variety of actors, including non state actors such as private sector companies where governments own a significant or controlling share of funding-availability or decision-making power, may result in new efforts to coordinate efforts and policies and therefore in more plural and inclusive patterns of decision making. The authoritative allocation of resources by governments may be replaced by negotiated efforts involving government ministries, public authorities, private companies, non-government actors, etc. The workshop may examine new policies on the output side in the light of changes on the input side that include the number and nature of participants as well as the diversity of interests and values they represent. The workshop may also examine the legislative and governance reform that accompany or result from the changing the input and output mix in the provision of public and common goods.

### 6. The effects of the provision of public and common goods on *polities*

The politics of the provision of public goods as well as changes affecting the provision of these goods may have effects on the political regimes concerned. Should relevant policies involve a growing number of funders or other actors, the concomitant increase in participation might affect policy making and governance more generally and thereby challenge authoritarian modes of decision making. Similarly, the redefinition of public goods or of conditions governing access to these goods may have important distributional effects, benefiting some social groups while harming others. Though depending on factors such as organizational capacities or foreign participation, new (im)balances between winners and losers may result in collective action, demands for political reform, new patterns of participation or growing apathy and political marginalization.

The workshop aims at producing an edited volume on the provision of public and common goods in the changing political economies of the Gulf. At the same time, it seeks to foster continued conversations and discussions among its members and other specialists and students interested in promoting research on the issues at hand and the transformation of political economies in the Gulf States in general.

## **Workshop Director Profiles**

**Dr. Tarik M. Yousef** is the founding Dean of the Dubai School of Government. He joined the School from Georgetown University, where he held the positions of Associate Professor of Economics in the School of Foreign Service, and Sheikh Sabah Al Salem Al Sabah Professor of Arab Studies at the Center for Contemporary Arab Studies. An expert on the economies of the Arab world, he received his Ph.D. in economics from Harvard University with specialization in development economics and economic history. His current research interests include the study of youth inclusion in the Arab world, the political economy of policy reform and development policies in oil-exporting countries. Dr. Yousef's research and policy experience includes working as Economist in the Middle East Department of the International Monetary Fund, Visiting Senior Economist in the Middle East and North Africa Region of the World Bank, and Senior Advisor for the Millennium Project at the United Nations. At present, he is a Senior Fellow in the Wolfensohn Center for Development at the Brookings Institution and Senior Fellow in the Belfer Center for Science and International Affairs at the Harvard University's Kennedy School of Government.

**Dr. Eberhard Kienle** is the Director of Research at the Institut d'Etudes Politiques in Grenoble. Prior to this he was the Program Officer Governance and Civil Society at the Ford Foundation, Cairo and was the Chairman of the Near and Middle East Society. He was also a Senior Lecturer in SOAS. He received his PHD in Politics from the Freie University in Berlin. He is a Board Member for various institutions, including the Bertelsmann Transformation Index and the German Institute for Global and Area Studies. He is also the Co-initiator of the Middle East and Euro-Med political economy network.