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23 October 2014

Online at <https://mpra.ub.uni-muenchen.de/59501/>
MPRA Paper No. 59501, posted 01 Nov 2014 09:43 UTC

The Rentier State/Resource Curse Narrative and the State of the Arabian Gulf

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Abstract

This paper proposes that the Rentier State and Resource Curse theories be considered as two elements of the same paradigm which, despite a growing body of contrary empirical evidence, retains a hegemonic influence in political economy discourse. It will be suggested that a number of reasons account for this, not least, the nature and subject of the “rent” itself. Contemporary notions of rent as essentially constituting unearned and thus unwarranted income, are divorced from a more contextually accurate ‘ground rent’ charge levied for extracting depletable sovereign resources is one. Another is the extent to which the political demonisation of OPEC, combined with the West’s concerted policy response of seeking to liberalise the world oil market in the 1980s and 1990s, is abstracted from the discourse. Moreover, by demonstrating that there is little evidence of the deterministic poverty inducing and deleterious socioeconomic outcomes in the ‘archetypal candidate’ countries of the Arabian Gulf, the utility per se of the RS/RC narrative as a conceptual and/or analytical framework is questioned.

Keywords: Economic Development and Natural Resources; Middle East; Oil Rent; Rentier State; Resource Curse.

JEL: O13, N55, O53, Q32, Q43, Q48.

Introduction

Books, journal articles and media contributions utilising the concept of the ‘rentier state’ in relation to what are generally considered to be the adverse socioeconomic consequences of national income derived from abundant extractive industry export earnings, the ‘resource curse’, continue to proliferate. According to Karl (2007, p. 37), more than any other group of countries, it is those which are dependent on oil that demonstrate, “perverse linkages between economic performance, poverty, bad governance, injustice and conflict.” She adds that the causal relationship is so persistent, that it represents a “constant motif” of economic history. Moises Naim (2009), Editor in Chief of the influential US journal *Foreign Policy*, concurs, arguing there is little scope for escape as any attempts to build successful sovereign wealth and oil-stabilisation funds rarely work because they get raided or are squandered in poor investments. British economist John Kay (2009), writing in the *Financial Times*, states that when the appropriation of the wealth of others is illegal it is called theft or fraud but, when it is legal it is called rent-seeking and, the latter drives the “paradoxical resource curse.” He contends that such resource wealth mostly reduces standards of living because it diverts effort and talent away from wealth creation.

The reason for why the rentier state and resource curse discourses can be considered to constitute parts of a single paradigm is because only states with abundant mineral resources have the capacity to be cursed by such endowments and, only states with such endowments are capable of deploying and thus exhibiting rentier characteristics. This contention is underpinned by the marked level of symbiotic referencing between the respective literatures. If viewed as unitary, there will inevitably be some inconsistencies yet, these are already to be found within each of the extant schools of thought: unstable and prone to conflict vs. autocratic but stable; underinvestment in non-mineral sectors vs.

overinvestment (e.g., ‘white elephant’ projects); poverty inadequate welfare provisions vs. overpaid sinecures and cradle to grave largesse.

Within the narrative considerable attention is given to the six Arabian Gulf countries, who have been termed the “archetypal candidates” (Niblock & Malik, 2007, p. 15) that together represent the example “par excellence” of resource-rich rentier states (Beblawi, 1990, p. 89). It follows then that the paradigm’s causal relationships and predictive elements are most likely to be in evidence within the region. In spite of some revisionism during the past decade, utilisation of RS/RC descriptives have been reenergised by the popular uprisings in the Middle East and North Africa in 2011 (see e.g. Davidson, 2012; Financial Times, 2011; Ross, 2011; Ulrichsen, 2011; UNDP, 2011). Initial analyses of the perceived antecedents of the “Arab Spring” and forecasts of imminent regime change in the Arabian Gulf, were not however, all that dissimilar to those penned 20 years ago when, unlike now, oil prices were at their nadir (see e.g. Aburish, 1995). As Fandy (2004, p. 675) observes, rentier state theory dominates Arabian Gulf studies and is “no longer deterred by alternative hypotheses or data.” In short, it remains the conventional and convenient recourse for assessing this region’s economic and socio-political developments.

The purpose of this article is twofold. Firstly to contend that the RS/RC paradigm’s continued popular currency is to an extent, located in its value-laden content, in which strong ideological influences, arising from the historical and conjunctural circumstances of its emergence are identifiable. The West’s continued dependence on Middle Eastern oil—which once they had unfettered access to and control over—may well lay at the heart of its longevity. When a price-determining form of absolute rent started to emerge in the world oil industry in the mid-1960s, it was not viewed as a legitimate form of ‘ground’ or ‘scarcity’ rent, but lambasted as an ‘excessive’, ‘unearned’ form of differential rent. The sharp increase in this rent was not viewed in terms of newly independent nations seeking a better return on

‘their’ depletable raw resource assets but instead, the machinations of a monopolistic ‘cartel’. Inadvertently perhaps some of the scholarly work on RS/RC contributed to the zeitgeist of the times: oil was a disease and high rents could and would result in negative outcomes. Secondly, and fully accepting the periods of stagnation and real declines in GDP (which themselves more to do with ‘external’ factors which are generally omitted from RS/RC models), this article shows that the countries of the Arabian Gulf have nevertheless performed comparatively well in relation to their resource-poor neighbours. In light of this, working towards a more contextually relevant analytical framework through which to assess and gauge the economic and socio-political trajectories of the Arabian Gulf is considered to be of merit. Such a framework would not pass judgement on resource endowments per se as natural mineral resources can act as a “springboard for development” as easily as they can be used to put off socioeconomic structural reforms. Such a framework would ideally acknowledge the rights of developing and transitional economies to fully exercise their proprietorial resource rights, including the imposition of some variant of ground rent charge.

The Paradigm

Rentier states derive a large fraction of their fiscal revenue from external rent typically in the form of royalties, profit taxes or production sharing agreements with foreign mineral-extracting companies and consequently, are alleviated from the need to tax citizens (e.g., Beblawi & Luciani, 1987; Karl, 1997; Ulfelder, 2007). Citizens are ‘rewarded’ for quiescence—no taxation without representation—by generous welfare subsidies and thus, ‘capitalistic entrepreneurialism’, ‘hard work’ and the imperative to develop indigenous human capital, give way to society-wide ‘rentier mentality’ (e.g., Beblawi & Luciani, 1987; Minnis, 2006). Economic performance is weak if such countries are compared to resource-poor ones. Non-hydrocarbon sector investment, if it takes place, is often inefficient, unsuccessful and designed only to remunerate those supportive of the status quo (e.g., Amuzegar, 2001; Auty,

1990; Gelb, 1988). Oil-dependent rentier states are particularly vulnerable to the resource curse, from which possibilities of escape are limited (e.g., Karl, 1997, 2007; Ross, 2001, 2012).

Countries considered to suffer from the resource curse are said to exhibit a negative correlation between some measure of natural resource abundance/dependence and per capita GDP growth (e.g., Papyrakis & Gerlagh, 2004; Sachs & Warner, 1995). Such outcomes are more pronounced with 'point' resources such as hydrocarbons and minerals, compared to 'diffuse' ones such as cash crops (Isham, Woolcock, Pritchett, & Busby, 2005). The mechanisms whereby the resource curse works include, inter alia, the enclave effect, large fluctuations in inflation rates and underinvestment in indigenous human capital (e.g., Amuzegar, 1982; Beblawi, 1990; Gelb, 1988; Gylfason, 2001). Afflicted countries have a tendency for authoritarian regimes and are more prone to violence, including civil war (e.g., Collier & Hoeffler, 1998; Ulfelder, 2007).

One of the earliest uses of the term 'rentier state' in relation to oil exporting developing countries appeared in a 1970 paper by Hossein Mahdavy, it highlighted a series of problems including that of having an overvalued exchange rate and becoming over reliant on imports for consumption purposes. Mahdavy's (1970, p. 434) analysis was not however a deterministic one as, the economic problems in his view, were solvable by way of direct government investment in the 'correct' type of industries and services in tandem with investment in education and training. In fact if the resource-rent was used wisely such countries would have an advantage over their resource-poor counterparts. The seminal rentier state work however was that of Beblawi and Luciani (1987). A key differentiation between these contributions and Mahdavy's (1970) thesis was that the 'State' characterised as being 'Rentier' is no longer synonymous with 'nation' or 'economy' but the 'State Apparatus'. The 'Rentier State' was now clearly counterposed to an ideal type 'Production State' (implicitly

the governmental institutions of the industrialised West) insofar as the former is predominantly engaged in 'allocating' the 'unearned' oil rent largesse to its citizens, until 'the last drop of its oil is exported' while the latter, pursues the aim of self-sustaining economic growth (Luciani, 1990, p. 83).

Although the dichotomy is not explicitly phrased in terms of 'consumption' versus 'investment', it is clear from a variety of sources that this is the crux of the matter. For Beblawi (1990, p. 86), the citizens of rentier states also become infected by rentierism. After explaining that for social scientists and economists there is a difference between earned income and effortlessly accrued rent, he states that for rentiers there is a, "marked absence of a productive outlook in their behaviour" and also that a break in the work-reward causation is also to be observed (Beblawi, 1990, p. 98). Similar views were voiced by Minnis (2006, p. 992) who, with specific reference to the countries of the Arabian Gulf, states that, the nexus between academic achievement, work and indeed, risk-taking of any sort, is problematic because the link between these and future economic reward is broken. Recently, the emphasis upon the 'distributionalist' tendencies of rentier states has focussed on the elected but so-called 'populist' governments of South American oil and gas exporters (notably: Venezuela, Ecuador and Bolivia) a commonplace critique is their prioritisation of 'social spending' and a lack of 'economic' investment (see e.g., Weyland, 2009).

Perhaps the earliest work on the (oil) resource curse was that of Amuzegar (1982), in particular it was critical of the economic policy decisions taken by the Arabian Gulf countries during the 1970s. Although he did allude to the fact that the value of the rent was partially influenced by 'external' factors, his work, along with that of others, did not factor in, or give adequate weight to, the fact that at that juncture many had only gained independence a decade or so previously and thus were heavily influenced directly or indirectly by the advice given by Western 'oil experts' and policymakers (Commins, 2012; Rich, 1991). The resource

course literature only grew voluminous following the work of Sachs and Warner (1995) who collected data for a large number of countries and estimated a multivariate cross-section regression equation in an attempt to explain average economic growth over the period 1970–1990. In short, they found that there was a significant and negative correlation between a high dependence on resource rent and GDP growth. They concluded that natural resource wealth creates excess demand for non-traded goods resulting in higher prices, including input costs and wages, which squeeze profits in traded activities such as manufacturing. Suffice to say here, for a number of ‘external’ reasons, oil rents were much higher in the 1970s compared to the 1980s and this may well have been why a large number of models computed in the 1990s and early 2000s did find evidence for comparatively poor growth in mineral exporting developing countries vis-à-vis those that were net resource importers during those decades.

Rent

For the classical economists—interested as they were in the forces determining the division of national income between workers, capitalists and landowners—the concept of rent was grounded in the contemporary socioeconomic reality: essentially it was simply the share of the income received by landowners. As far as Ricardo was concerned, the level of rent was determined by the expansion of cultivation into increasingly less productive arable lands. Where competitive conditions prevailed the price of a kilo of produce was determined by supply and demand for it at the margins of cultivation. As there would only be one price, rent was price-determined. While recognising such ‘differential’ rent, Marx rejected the implicit notion of rent free land, that is, the land at the very margins. He argued that no landowner would let his land without demanding some minimum payment from the capitalist tenant farmer who wished to lease it. As such, an additional amount of ‘absolute’ rent (i.e., ground rent) would be demanded and the imposition of this meant that rent was to a degree price-determining.

Nevertheless, the bearing of ground rent on economic transactions was considered by many at the time to be of declining socioeconomic importance: the development of capitalism would see the increasing power of the capitalist class and the concomitant decline of the landed elite. In time, many in the Neo-Classical school came to view rent as the return to any factor of production which exceeded the return which was required to maintain that factor in employment. As a consequence, the connection between the concept of rent and landownership was subsumed by the growing influence of the static neo-classical general equilibrium theory (see e.g., Fine, 1990, p. 43). Arguably, the ‘rentiers’ who were the target of both Lenin and Keynes, were not the owners of landed mineral property rights, but rather the finance capitalists.

With the emergence and expansion of an international oil industry in the years following the First World War however, ground rent took on a new, and hitherto unanticipated significance. The penetration of Western oil capital into the embryo states of the Middle East established a new and modern nexus of economic and political relationships. Although in some respects the relationship mirrored that between the landed elites and capitalist farmers, the difference was the ‘landlords’ were now the oil-rich host countries and the ‘tenants’ were the industrialised world’s International Oil Companies (IOCs). For a while the economic, political and ideological resonance from this new development in the world economy remained relatively subdued. In no small part because the host countries remained under Western control, either direct or indirect, and were thus obliged to accept whatever ‘eminent domain’ rights they were permitted. It was the political awakening of the countries of the ‘Third World’ in the early 1960s that radically altered the status quo and brought the issue of rent to the fore.

It was indeed an enormous shock when, during a mere twenty-year period (1960-1980), ground rent began to constitute a challenge not only to the assumptions of orthodox,

neo-classical economic thought, the profit margins of IOCs and other multinational companies but also, the governments of the industrialised world. The initial academic response was to resurrect Hotelling's concept of 'scarcity' or 'resource' rent. Sub-surface minerals were considered to be a 'fixed stock' subject to depletion and the owner of the minerals had to determine the optimum rate of depletion thus, there exists a 'scarcity rent' over and above the marginal cost of production reflecting the owner's depletion costs (see e.g. Solow, 1974). It was however argued that any 'scarcity rent' in whichever way calculated would by no means account for the huge increase in the price of oil (see e.g. Adelman, 1990). Instead the answer to the 'puzzle' could more satisfactorily be explained by the familiar notion of monopoly.

As Marx's empirically-grounded concept of 'absolute' rent had been buried, leaving only 'differential' rent, which itself had been divorced from any legitimate connection with landed property rights, oil-rent progressively took on a number of value-laden attributes (e.g., 'monopoly profit' and 'unjustified income'). The term rentier is arguably pejorative, based as it is on contemporary definitions of rent as being 'unearned income'—an excessive remuneration to a factor of production—and thus in some quarters and contexts, perceived as unwarranted and inherently counterproductive. It is interesting to note that the word 'rentier' derives not from 'rent' but is a loan word from French in which the 'rente', with which it is cognate, means 'a private income' or 'a government stock'. 'Rentier', in either language, can be defined as a person living more or less exclusively from interest payments.

Oil Rent

Although it is the (oil or other mineral) rent which is supposedly the key variable for the whole theoretical apparatus, it receives curiously little attention per se in the RS/RC discourse. The general treatment has been simply to refer to 'oil shocks' which emanate from somewhere outside of the relevant frame of reference. It is noteworthy that Mahdavy (1970,

p. 466) did in fact consider the presence of IOCs in developing countries to be a cause for the absence of economic linkages between the mining sector and the remainder of the domestic economy yet this is still partially an ‘internal’ variable. What is notably missing from much of the analysis, are the other major actors in the formation of the oil rent – the major oil consuming countries, their governments, oil companies and the apparatus of energy and economic institutions which they control. It will be argued that the periods of economic difficulties including absolute declines in GDP, has less to do with the kind of ‘internal’ factors, typically put forward by RS/RC theorists, but is more obviously explained in terms of the ‘external’ factors, not least Kissinger’s ‘political’ war on OPEC and the ‘liberalisation’ of the world oil market from the early 1980s onwards.

The process, which encompassed the creation of OPEC in 1960, the UN declaration 1803 of 1962 (which declared the developing countries’ permanent sovereignty over their natural resources) and the UN declaration of a New International Order in 1974, resulted in the world’s oil and mineral producing nations progressively adopting policies which today would be called “resource nationalism”. In short, and for a period of time, a bold new class of ‘landlord’ states came into being. The response was not long in coming. In his memoirs, Kissinger (1999, p. 688) records that both the Nixon and Ford Administrations had no higher priority than to, “bring about a reduction in oil prices by breaking the power of OPEC,” and that this strategy reflected not only economic analysis, but even more, “political and indeed, moral conviction.”

There are in fact cogent reasons for why oil and mineral abundant countries should exercise their function as landlords, prioritise the interests of their citizens and set a minimum charge below which they will not lease their depletable resources. If some IOCs refuse to invest, the *in situ* resource is not going to disappear and in reality there will always be some companies which will agree to stricter contractual terms (as the recent experience of

Venezuela itself has demonstrated). If the oil companies have a ‘reservation utility’ (i.e., their ‘normal’ rate of profit) then, so should the governments of oil-rich countries. Such a state of affairs is similar to the situation in the USA where the prevailing form of mineral governance, on land, centres upon the private ownership of the sub-surface minerals (Mommer, 2002). Indeed, the legitimacy of these landlords to charge an *ad valorem* royalty payment which can vary between 12.5 per cent and 20 per cent, is not typically questioned. While careful to caution that the efficacy of distributionist policies remains unclear, Hertog (2014) points out that recent resource funded government led growth in a number of South American “petro-populist states” may be reflected in the HDI education and health indices which have improved more so for Ecuador and Venezuela in recent times than they have for their resource-poor neighbours.

Yet the West’s political response to the re-emergence of price-determining ground rent in the 1970s was to mount a concerted political, organisational and ideological attack on the governments of these newly rich and powerful actors in the world economy—consider the extent that the association between the word ‘cartel’ and the abbreviation OPEC is today ingrained; yet atypically for a cartel, to varying degrees of efficiency, the organisation represents the interests of their respective citizenries. As Hanieh (2011) argues, one of the key oversights of the RS and RC discourses is the lack of attention given to the role Western powers have played. An omission all the more glaring because of the central role of the state at both the producing and consuming ends of the global oil production network chain means that this resource is subjected to and government by geo-political concerns to far higher a degree than is any other commodity (Bridge, 2008, p. 413).

By way of a wide spectrum of government-backed agencies and consultancy firms, including the establishment of the International Energy Agency, the Western powers began to promote the notion that a reliance on high oil rents was socially and economically

disadvantageous. Noel (2002) contends that President Reagan's government set out to aggressively implement the policies of the US National Petroleum Council (NPC) whose report of 1982 called for the opening-up (or reopening) of the oil resources of the developing countries to the IOCs. Pursuing this strategy, which met with more initial success in the non-OPEC member countries, the US advocated the abandonment of granting financial assistance to improve the technical efficiency of state oil companies and instead to finance the services of consultants, predominantly from the USA and the UK, whose advice generally favoured the establishment of a 'liberal' international petroleum order. Over the next decade or so, many developing countries accepted the 'marketisation' of their petroleum resources and those who had previously nationalised their subsoil resource endowments, reopened them to the IOCs. In short, the state in projects – via state oil companies – was reduced or suppressed, the autonomy of investors was strengthened. Contracts included clauses that (a) protected overseas investors and (b) stipulated that the settlement of any differences would be international arbitrated.

If the rationale behind the NPC report of 1982 was to create a truly competitive world oil market—one in which price was reduced to considerably nearer marginal cost—then it was largely successful; especially for those at the consuming end of the oil production network. In effect it was advocated that priority should be given to ensuring that (Western) companies would not be deterred, let alone prohibited, from investing by guaranteeing them at least a 'normal' profit. Royalties, charges on production, not profit, were concomitantly criticised for being 'non-neutral' (Mommer, 2002, pp. 101-103). One of the most important findings of Noel's (2002, p. 54) research is that between the early 1980s and the late 1990s, the average percentage of profits paid by US oil multinationals to their host countries in the form of royalties and petroleum taxes fell by around 20 per cent. Between 1985 and 2000, the USA signed 45 bilateral investment treaties involving oil and other minerals (Noel, 2002, p.

87). Following the breakup of the Soviet Union, the US signed both multilateral (the “Energy Charter”) and bilateral deals (e.g., with Azerbaijan) which, explicitly focussed on facilitating the entry of IOCs into previously closed petroleum regions. This forestalled any possibility of these newly independent countries joining OPEC.

The ultimate consequence of the concerted drive to liberalise and re-open these oil markets was that almost all oil-rich developing countries were caught in a downward spiral whose sequence followed the pattern: liberalisation of oil investment regimes → increased production → lower prices and fiscal weakening → further liberalisation of oil investment regimes → overproduction → even lower prices etc. During this period, the essence of this problem was that many governments were relinquishing their ‘proprietary’ role. In taking the advice of the oil-importing industrialised world’s energy agencies and IOC consultants, they began to put output maximisation and market share before their best self-interests as landlord states. Since 1998 however, the economic situation of oil and other mineral producing countries has been dramatically transformed. This can largely be attributed to three factors. First and foremost increased demand, most notably from Asia. Secondly, as a consequence of the protracted low prices that had prevailed in the previous decade, there had been little incentive to invest in exploration and also many fields that were simply uneconomic to extract from at such prices were mothballed. A third factor has been the re-emergence of ‘resource nationalism’. During the 2000s OPEC was much more united—largely as a result of Venezuela’s re-commitment to the organisation and also, Angola and Ecuador joined in 2007—and therefore, petroleum fiscal terms in its member countries were substantially strengthened (see e.g., Hertog 2014; Hoyos, 2008).

The Arabian Gulf

The rent derived from hydrocarbons is unquestionably important to the economies of the six Arabian Gulf countries (Rutledge, 2012) and as ‘archetypal candidates’, their recent

socioeconomic history is here juxtaposed against a group of neighbouring resource-poor countries (see Table 1). Such comparisons contribute to the assessment of whether the RS/RC paradigm's predictive elements are reliable. Broadly speaking the data shown in Table 2 and Table 3 are in line with those set out by Davis (1995) who, in contrast to Sachs and Warner (1995), found that such mineral-based economies performed significantly better on a range of economic and human welfare indicators in both 1970 and 1991 compared to non-mineral based counterparts. Of most note perhaps is the large differential in levels of per capita GDP. The Arabian Gulf's is one of the highest globally and is almost ten times higher than the average per capita income of the comparator countries (USD43,883 compared to USD4,395). While a crude measure of the average citizen's actual wealth and wellbeing this figure is not indicative of poverty. The Arabian Gulf, along with its oil reserves (see Table 1), has around 22 per cent of the world's proven gas reserves (BP, 2014, p. 22). Such resource endowments are the reason for those high per capita GDP figures.

Concentrating first on long-term growth rates and their volatility, it can be observed that this has been less favourable for the Arabian Gulf countries if compared to the resource-poor comparator countries (see Table 2). This, at first gloss, seemingly supports the contention that resource dependence leads to lacklustre growth. However, a number of qualifiers to this initial impression are warranted. The first thing to note is that in fact, of the 12 countries depicted, four of the top five performers over the 40 year period were Arabian Gulf countries. Also, most of these countries were already by 1970 comparatively much wealthier and developed in terms of their socioeconomic infrastructure (see e.g., Commins, 2012). In other words GDP expanded rapidly in the 1960s and considerable amounts of oil rent was used to improve the welfare of their citizens (e.g., the provision of universal access to clean water and sanitation). The decades in which the resource-poor countries grew more quickly were also the ones when the policy measures advocated by the Washington

Consensus were *en vogue*. Lastly, the conventional wisdom that GDP growth volatility leads to redundancies and welfare cuts does not hold for the Arabian Gulf. This is because fiscal commitments can be covered from drawing upon Sovereign Wealth Fund (SWF) assets (see Table 1).

Turning to the socioeconomic data (see Table 3), the Human Development Indicators (HDI)—the oldest of the various attempts to broaden the definition of human welfare away from a simple GDP per capita measurement—have received some criticism for including GDP per capita; as this may act to distort the picture. For this reason, the figures displayed show HDI ranks for both sets of countries with and without income factored in. In short, the Arabian Gulf countries do not seem to have suffered if compared to their resource-poor neighbours: life expectancy and literacy rates are notably higher (75.4 years and 72.1 years and 91.5% and 78.5% respectively). With regard to the Worldwide Governance Indicators (WGI), over the period 1996 to 2012 the Arabian Gulf countries recorded an overall improvement whereas, for each of the resource-poor comparators, there were marked declines. In terms of job creation, the region is ranked as highly competitive and, this has been consistent over time (see Table 2). Thus foreign investment is more likely in these countries compared to the neighbouring resource-poor ones. Together, the HDI and WGI figures add weight to the contentions of Basedau and Lay (2009, p. 18) that, oil-rich countries tend to have better state institutions than do their oil-poor counterparts.

Having said this, the Middle East as a whole is considered to fare particularly poorly in terms of civil liberties and political rights. Although there certainly was, and is, some discontent and disquiet amongst the citizens of the Arabian Gulf, this group of countries have not witnessed the violence and instability that has occurred in some of the resource-poor comparator countries. As has also been contended (e.g., Jones, 2011), reserves of oil wealth were undoubtedly used to forestall such (actual and potential) protests. Yet, the ability to

distribute such funds, implies that having such resource endowments are a cause of stability, not instability. Either way, Okruhlik (1999), argues that there is little evidence within the region that rent revenues act to relieve the state from democratic pressures; profits from hydrocarbons do not, in her view, translate into a politically quiescent population. Furthermore, modes of popular representation differ and many econometric models and global rankings omit or discount the variants that are practiced in the Arabian Gulf. Unlike the resource-poor counterparts, all six countries operate, with differing degrees of accountability, a form of what is known as “majlis-style” democracy (Forstenlechner, Rutledge, & Alnuaimi, 2012) and, the Gulf’s rulers are viewed as having considerably more legitimacy than do those ruling in other parts of the Middle East in the eyes of the respective citizenries (Burson-Marsteller, 2012; Gallup/Silatech, 2011, p. 56; Herb, 2012).

Revisionism

In terms of the paradigm’s ahistoric nature—whilst aspects of rentieristic policy can be observed both within the Arabian Gulf and other parts of the world and, these traits may wax and wane to some extent with the prevailing price of commodities—it should be recalled that a number of Western powers, in their voracious quest for raw resources during the first decades of the 20th century (e.g., the Sykes-Picot agreement), actually ‘created’ some of these states in the first place. They also had a vested interest in creating infrastructure centred upon the extraction and exportation of raw resources (see e.g., Commins, 2012; Rich, 1991). As a consequence it should not then be entirely unexpected that inter alia, some lacked the institutional structures to effectively deploy and invest the rents they received in the most productive ways. It is also incorrect to attribute conflict and instability to oil itself. ‘Oil’ for example, did not produce the regime of Saddam Hussain nor the ‘predatory state’ of Iraq, nor the tragic conflicts currently being witnessed between its constituent racial and religious communities but rather, the ‘predatory’ objectives of the imperial powers, before, during and

after the First World War certainly did lay the foundations for this dysfunctional state (Fisk, 2014).

In his review of three recent books on the subject of the Resource Curse, Conca (2013, p. 131) states that when taken together, it seems that, “Oil is a curse, except when it isn’t, and that ‘curse’ is probably the wrong metaphor in any case.” As Springborg (2013, p. 301) says in his review of a recent work by Luciani (2013)—titled interestingly: “Resources Blessed”—such a corrective effort is long overdue and that if its applicability to even the Arabian Gulf is now in doubt, it is “clearly time for rentierism to be reconsidered and revised.” With regard to the Sachs and Warner (1995) thesis that for developing countries having a resource abundance had a negative effect on growth, Lederman and Maloney (2007, p. 3), in contrast, find that dependence on natural resource exports by such countries in many instances has a positive rather than a negative effect on economic growth (see also: Brunnschweiler & Bulte, 2008; Stijns, 2005). Ross (2012, p. 215), is now more nuanced, “just because oil-rich countries collect less tax revenue does not ipso facto demonstrate that its government is weak or ineffective.” As Sachs (2007, p. 174) himself has recently put it, the curse that oil earnings do not translate into long term development is not a matter of fate and that oil can in fact act as a springboard to development. With specific reference to oil, Alexeev and Conrad (2009) conclude that the effect on long term growth for developing and transitional economies has, on balance, been positive. In their review of RS/RC works that investigated linkages between resource riches and poor governance econometrically, Wick and Bulte (2009), concluded that on balance most cast various doubts and thus taken together effectively, “seal the fate of the resource curse.”

Turning more specifically to the Arabian Gulf (as indicated in Table 2 and Table 3), these countries are more competitive, have a better infrastructure—considered a key precursor for economic development and diversification—and are more effectively governed

if compared to their resource-poor neighbours. The economic and social transformation now taking place in most constituent countries, especially Qatar and the UAE (see e.g., Government of Abu Dhabi, 2008; Government of Qatar, 2008) is pronounced. While ‘economic diversification’ may well currently be the catchphrase within the region, in a number of countries it is hard to deny that the rent is being used in ways other than simple short-term largesse. In spite of, or due to, high oil rents in the past decade, non-hydrocarbon GDP growth rates have been relatively impressive (IMF, 2011; Institute of International Finance, 2014). Ramady (2012) points out that there is now an unambiguous shift within the region to convert their hydrocarbon resources into value-added manufactured products by developing domestically, some of the world’s largest refinery and petrochemical projects. For an illustrative example, LNG production in Qatar extends to the creation of a global distribution and storage infrastructure in order for international customers to use this form of energy. The UAE is emerging as a global logistics and transportation hub: DP World is now the third largest port operator globally and Emirates airline is the fourth-largest airline in terms of international passengers carried.

According to Hertog (2010, p. 293) government-backed, commercially-run entities show that substantial levels of oil rent do not necessarily lead to “institutional stagnation or decay” as he suggests RS/RC theorists have posited, stressing that the pro-capitalist and politically autonomous GCC regimes have been able to “build a number of remarkable pockets of efficiency.” Hertog (2010) along with Gray (2011), both suggest that a more appropriate analytical framework in the regional context may be one that centres on State Capitalism. There is also a growing realisation amongst decision makers within the region that a greater degree of accountability (in the conventional Western sense) will be a necessary precursor for a viable knowledge-based economy (Al-Munajjed & Sabbagh, 2011; Forstenlechner et al., 2012). Moves in this direction are to be observed in the systemic

reforms to many of the region's educational systems. Western pedagogies centred around critical thinking as opposed to rote-based learning, delivered in the medium of English, are now being introduced into government schools (e.g., EIU, 2009; Forstenlechner & Rutledge, 2010).

Conclusion

The purpose of this article has been to argue that a key factor accounting for longevity and continued popular coinage of the RS/RC paradigm is the fact that, in the lion's share of the narrative, the resource in question is oil. What may once have been a useful working concept, has been rendered too general and amorphous, as a conceptual framework is unable to provide useful analytical insights or indeed offer empirically robust causal explanations. Rentier state theory began as an attempt to underline the economic problems which some oil-exporting countries were facing and suggest ways in which such problems could be alleviated (e.g., Mahdavy, 1970) but by the late 1980s (e.g., Beblawi & Luciani, 1987) onwards it had become more deterministic (and pejorative) in nature; the 'state' now included the institutions of government, commercial entities and the citizenry as a whole. More problematic still, afflicted countries were and still are deemed to have little chance of escape (e.g., Friedman, 2006; Karl, 1997).

It remains the case that nothing else combines oil's value and centrality to global commerce—the vast investments tied to its production, transportation and processing—and thus, the pronounced strategic geopolitical attention it receives from the governments of the oil-importing, industrialised is a given. In fact, this goes some way towards explaining the longstanding demonisation of OPEC and also adding context to the prevailing received wisdom that oil rent is in some way excessive, unearned and thus unwarranted and that, only by reducing it can oil-rich developing countries escape its deleterious effects. It should be

recalled that unlike their Asian oil-importing counterparts of today, the industrialised world once had rent free access to the oil they are now having to pay for.

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Table 1*A Comparison of Resource-rich and Resource-poor Middle Eastern Countries, Resource-wealth Indicators*

	Oil reserves			Indicators of resource wealth			
	Proven reserves (barrels, 2013)	Barrels per capita	Per national capita ^a	GDP per capita (USD, 2012)	Gov. reserves (including gold)	Gov. reserves, per capita	SWF assets (global rank)
Arabian Gulf	496,424,600,000	10,198	18,130	43,883	150,800,358,264	18,588	\$2.428bn (..)
Bahrain	124,600,000	94	212	23,040	5,527,718,607	4,149	\$11bn (29 th)
Kuwait	101,500,000,000	30,131	43,581	56,367	35,242,062,396	10,462	\$410bn (6 th)
Oman	5,600,000,000	1,542	2,361	23,624	15,951,037,506	4,391	\$19bn (25 th)
Qatar	27,300,000,000	12,588	196,107	92,633	42,082,172,851	19,405	\$170bn (10 th)
Saudi Arabia	264,100,000,000	9,161	12,628	25,946	737,796,506,890	25,592	\$743bn (4 th)
UAE	97,800,000,000	10,464	94,146	41,692	68,202,651,336	7,297	\$1,075bn (2 nd)
Comparator Countries	7,326,680,000	45	..	4,395	18,395,039,639	684	..
Egypt	3,900,000,000	48	..	3,256	16,536,237,510	202	..
Jordan	..	..	..	4,909	13,826,036,064	2,141	..
Lebanon	..	..	..	9,764	47,855,927,736	10,712	..
Morocco	..	..	..	2,902	19,257,711,886	583	..
Tunisia	425,000,000	39	..	4,197	7,550,027,746	694	..
Yemen	3,000,000,000	123	..	1,341	5,344,296,890	219	..

Note: Author's calculations based on datasets from: BP (2014); IMF (2014); Sovereign Wealth Fund Institute (2014); UNDP (2014); World Bank (2014). ^a Per 'national' capita figures are shown here due to the fact that in some Arabian Gulf states more than two thirds of the resident population comprise of non-national expatriate labour.

Table 2*A Comparison of Resource-rich and Resource-poor Middle Eastern Countries, Economic Indicators*

	Global Competitiveness, 1996–2013 ^a			GDP Growth Averages and Volatility, 1970–2012					
	Av. Rank	Range	Infrastructure	1970–2012	SD	1970s	1980s	1990s	2000s
Arabian Gulf	30.43	11–48	29.25	4.65	5.05	9.40	-0.14	3.62	5.67
Bahrain	39.75	35–48	29	4.58	7.13	8.58	0.07	4.68	5.45
Kuwait	34.50	30–39	52	2.26	16.39	0.52	-0.82	3.17	5.64
Oman	36.00	32–42	32	7.18	8.26	12.08	8.16	5.29	4.59
Qatar	20.75	11–32	28	7.00	7.53	6.50	0.69	6.86	12.43
Saudi Arabia	23.71	18–35	28	4.96	7.14	12.35	-0.64	3.08	5.15
UAE	27.88	19–37	6.5	6.00	8.58	12.91	1.50	4.76	6.21
Comparator Countries	82.22	32–145	85.5	5.02	2.04	5.43	5.82	4.57	4.90
Egypt	87.38	71–118	75	5.75	3.05	6.17	7.73	5.01	4.95
Jordan	57.63	46–71	59	4.94	5.84	6.35	3.64	4.22	6.43
Lebanon	93.75	92–103	122	4.50	23.19	3.28	0.37	9.93	4.59
Morocco	71.25	64–77	69	4.18	4.23	5.48	4.00	2.75	4.71
Tunisia	42.29	32–83	49	4.84	3.31	7.33	3.45	5.11	4.59
Yemen	141.00	138–145	139	..	..	..	..	8.41	5.10

Note: Author's calculations based on datasets from the IMF (2014) and, the World Economic Forum (2014). ^a The ranking shows the average of all WEF Global Competitive Index criteria combined for the years 1996–2013; the range shows the given country's highest and ranking; Infrastructure is one of the eight criteria and the median value is shown.

Table 3*A Comparison of Resource-rich and Resource-poor Middle Eastern Countries, Socioeconomic Indicators*

	Human Development Indicators, 2014			Worldwide Governance Indicators, 1996–2012				
	HDI Rank (w/o income) ^a	Life expectancy	Literacy rates	Control over corruption	Stability	Voice and accountability	Av. for the period ^b	% change over period
Arabian Gulf	.79 (.76)	75.4	91.5	68.9	60.2	23.6	57.83	2.87
Bahrain	.80 (.81)	75.2	94.6	66.9	37.5	22.1	55	-2.4
Kuwait	.79 (.73)	74.7	93.9	73.6	56.0	35.6	57	-8.5
Oman	.73 (.69)	73.2	86.9	68.0	74.3	23.3	61	-2.1
Qatar	.83 (.76)	78.5	96.3	78.4	81.9	29.3	66	20.6
Saudi Arabia	.78 (.77)	74.1	87.2	49.2	36.0	5.9	42	6.5
UAE	.82 (.78)	76.7	90.0	77.2	75.8	25.5	66	3.1
Comparator Countries	.64 (.68)	72.1	78.5	43.1	27.1	26.1	39.00	-12.28
Egypt	.66 (.70)	73.5	73.9	37.9	25.1	19.5	36	-15.6
Jordan	.70 (.77)	73.5	95.9	62.7	34.7	31.5	52	-22.7
Lebanon	.75 (.76)	72.8	89.6	29.3	14.7	35.4	35	-8.3
Morocco	.59 (.61)	72.4	67.1	51.2	33.8	30.9	45	-7.3
Tunisia	.71 (.75)	74.7	79.1	57.4	47.3	22.3	50	-5.2
Yemen	.46 (.47)	65.9	65.3	19.8	7.3	17.2	16	-14.6

Note: Author's calculations based on datasets from: UNDP (2014); World Bank (2013). ^a One shortcoming of relying solely on the combined HDI score—1.0 being most developed and 0.0 being least developed—is said to be that a given country's GDP may act to distort the more holistic level of development. ^b These are the amalgamated averages for each criterion used by the World Bank—higher values indicate better governance ratings; for the three discrete categories depicted, the figures are the combined percentile rankings for the years 1996 to 2012.