

## Structural Review of Rent Government and Its Effect on Democracy Process

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### Abstract

Rent state is one of the theories that many analysts and researchers working on matters regarding developing countries have used to justify the lack of political and economical development in countries relying on revenues obtained from external resources called rent. Specifically, this theory concerns with the states relying heavily on godsend revenues: revenues generally obtained from natural and underground resources for instance, oil. According to the theory, rent states tend to exhibit qualities of self-sufficiency by using the revenues accrued from these natural sources to stabilize themselves and their intimate companions in the political, economic and other areas of cooperation. In this paper, various works of writers and theorists of rent state have been analyzed with specific emphasis on the notion that the structure of rent governments is an important obstacle to the formation of a democratic and politically developed society. The paper further emphasizes that such conditions eventually result in the development of non-democratic and authoritative regimes in those countries regardless of the rent resource being employed. Consequently, the probability of political and economic corruption, and the jeopardizing of civil society organizations increases beyond limit, to a large extent, in order to preserve individual authority and control of the god-given wealth.

**Key words:** State; Rent states; Democracy

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### INTRODUCTION

Nowadays, one of the most important ideals of good governance is the proximity of the ruling system to the principles of democracy and respect for the rights of every individual of society. Therefore, the recognition of the basic democratic principles and the study of preventive factors can help a great deal to achieve these goals i.e. democratic society. In the case of rent states however, the state's use of revenues from natural sources (like oil) and their self-sufficiency from society has become one of the most important obstacles which keep at a distance strives towards the ideals of democracy. In other words, given the fact that rent states are able to finance state expenditures without having to rely on tax revenues or other domestic production sectors of the economy, the state tends to regard itself as not being accountable to society and hence puts no serious programs in place for political development. Thus studying the nature of rent states in relation to the adoption of democratic principles, and the discovery of existing relationships between these two is one of the most important matters for achieving a developed society backed by solid ideals of democracy and a well-informed civil society in this respect. In this study, the formation of rent states and their effect on such variables as the generated revenues on the one hand, and the level of political and social participation of society on the other are discussed.

The study is composed of two variables: the rent state and its structure being the independent variable, while democracy besides political development in the frame of civil society being the dependent variable.

### 1. SOME THEORIES ABOUT DEMOCRACY

**Democracy** is a shape of government in which people have equal statuses in the decisions that influence their

lives. Citizens allow participating equally directly or through elected representatives – in the proposal to be created of laws with development. It surrounds economic culture and social conditions that permit the equal practice and free of political self-determination (Liddell). Karl Popper mentioned democracy in contrast with tyranny or dictatorship, therefore focusing on opportunities for the citizens to manage their leaders and to expel them without the need for a rebellion (Jarvie, 2006).

There are several variants of democracy, but two forms are so important that each of them have concern how the people executes its will. Direct democracy is one form of democracy which society have and active participation in the decision making of the administration. Another model is representative democracy which has used in most modern democracies, the people remain the sovereign power but central power is exercised indirectly during elected representative (Aristotle, 2005).

The term “democracy” is occasionally used as shorthand for liberal democracy, which is a selection of representative democracy such as; human rights, equality before the law, the right to appeal elected officials for redress of grievances, political pluralism, civil liberty, due process and factors of civil society outside the state (Alan, 2003).

Democracy provides an adequate situation for groups minorities to be oppressed by the despotism of the majority in the absence of legal protections of individual or group rights. A vital part of an “ideal” representative democracy include of competitive elections to be procedurally and fair both substantively. In addition, freedom of speech, freedom of political expression and press are considered to be vital rights that allow society people to be sufficiently informed and able to vote according to their own interests (Barak, 2006). Democracy is emphasizing on notions of social contract, and the collective will of the citizens (Plattner, 2006).

## 2. SOME INVESTIGATION ABOUT RENT AND RENT STATE

### 2.1 Rent

David Pears (1992) defines rent in the dictionary of modern economy as “... a payment for a bill which is more for what is necessary to maintain the situation of current” (Pears, 1992). Tollyscen (1980) also defines rent as “gaining income surplus to the opportunity cost of used resources”. For Guido Ashoff (1989) rent is a return surplus to lost opportunity cost of owner of a production factor (Ashoff, 1989). However, when discussing the term rent in the context of political economy, the intention is geared towards revenue which is earned by the state from external sources (through the sale of raw materials and underground resources or through aid from other states etc.). In general, revenues from rent usually are neither linked with the

productive activities in the domestic economy, nor gained from a generative activity of the domestic economy. Instead, they are revenues which are usually extracted from the gift of the nature. In this way, it is evident that rent is a sort of revenue which is gained with no efforts and is used in contrast to concepts such as profits and wages, which are the consequences of economic attempts and activities. Seeking rent is possible only when there are artificial limits to access to market and competition; so any factor which turns competition into monopoly causes the development of rent (Meydari, 1994).

### 2.2 Rent State (Collector)

Another possible definition of a rent state is “... a state which receives major part of its revenues from external resources in the form of rents”. In other words, a state can be referred to as a rent state based on particular criteria, i.e. if it is the direct receiver of revenues from selling goods and services with prices much higher than the cost of their production.

In simple terms, a rent state can also be defined as “a state which is relying on export of one or some exporting products and is handling affairs with the mediation of some sort of lease fee which can behave, to some degree, independently from other main casts of the society” (Hajjariyan, 1995). Perhaps the most precise and comprehensive definition of rent state theory was put forward by Beblawi and Luciani (1987), which is summarized as follows:

1) For a state to be regarded as a rent state, rent must form major part of the state’s revenue. Beblawi and Luciani (1987) argued that for inclusion as a rent state, the country must earn at least 42 percent of its revenues from external rent.

2) Since rent has no links with the processes of production in the domestic economy, it should be provided from outside of the country.

3) In a rent state, only a small percentage of the labor force is engaged in producing the rent; and hence, the majority of society is the receiver or distributor of rent.

4) Rent state is the main receiver of external rent and plays the major role in its expending as well.

Accordingly, the majority of oil exporting states (which is the focus of this study), are qualified to be referred to as rent states. Alongside with these states, are the labor-exporting states. Labor exporting states are states which receive huge foreign exchange from the exports of labor. Good examples of labor exporting states are Egypt, Yemen, Pakistan and Jordan and are sometimes referred to as quasi-rent states or semi-rent states (Shekari, 2000). These states are referred to as quasi-rent states because the capital from outside does not directly come into the treasury of the state and the state is not the direct receiver of the rent. For example, Yemen which is an outstanding scenario of these types of countries has about 85 percent of its gross National product (GNP) obtained from laborers residing abroad (Beblawi & Luciani, 1987).

On the other hand, states receiving huge amounts of foreign aid like Israel and Egypt can be referred to as rent states in the case of direct or indirect aid received by the state and they can be called quasi-rent states if the external rent being received is less than 42 percent of the total national revenues. For instance, in countries like Israel, Saudi Arabia and Kuwait, more than 50 percent of the gross national production (GNP) is composed of rent and foreign capitals (Haji, 2000). Therefore, in general, a group of Middle-East and North-African states keep living on the aids from other countries and these aids have become the main sources of revenue of these states. Considering principles and features of rent states put forward by Biblawi, Luciani Beblawi and Luciani (1987), the foreign rent directly pouring into the treasury of these states neither have any serious links with their domestic economic activities nor the relation between the state and the community.

### 3. RENTISM

The governing pattern of rent states highlighted in the literature is rentism (Hamed, 1999). This particular method of governing policy has two main characteristics: first, the rent is controlled by governing state which also takes the full responsibility of redistributing the rents to the entire population; second, the governing elites use this rent to ensure collaboration and control of society so as to maintain political stability, hegemony and legitimacy of the nation state. Therefore, the literature concerned with rent states envisages that politics and government in all rent states are put in the framework of the rentism model. Also, the emergence of rent states generally have three main effects on state as identified in the literature, namely:

- a. Effect on the state itself.
- b. Effect on the economy.
- c. Effect on the relation between the state and the society (Luciani, 1990).

#### 3.1 Effect on the State

1) The independency of the state from the society: the independency of the state from society means that the state, under the shadow of receiving rents from outside. The first main effect of rent on the state is that it increases its independence from society; and hence, state uses this virtual independence to maintain and solidify its exclusive powers through its holding of monopolist power over the use of rents. According to Mohammad Ali (Homayoun) katouziyan (2012), these revenues cause unusual political and economic independence of the state from the generator forces and social casts when they increase to a large extent, contributing at least 10 percent of national production. Despite the fact that there tends to exist an internal independence of the rent state from the society, however, in the international arena, the state is extremely vulnerable to the slightest international changes

even though the rent state usually has no competitors. (Katouziyan, 2012).

2) State not Self-sufficient against Developing Democracy and Democratic Organizations. This feature has a close relationship with the first. That is, one of the main consequences of independence of state from society is that this independence in turn causes the state to gain monopoly power and does not see any need to involve societal groups and different casts. As such, the second effect of the rent over the state is that with the existence of rent, the ability and special work of extraction and redistribution of state agents weaken. In contrast to most states which are obliged to collect taxes from society and industries to continue their life, a rent state sees no real need to collect taxes. It is therefore quite clear that dependence on rent leads to a decrease in national pressure of state on the society since the state does not receive any tax from society. Even where taxes are levied, the amount is quite insignificant. On the relation between collecting tax and democracy, Luciani (1990) argued however, there may not be direct relation between collecting tax and democracy, but this is a fact that whenever the state basically relies on tax revenues, the demand for democracy will be an unavoidable affair. Hence, since rent states are capable of responding to the needs of the society without relying on the internal resource, it does not seem that democracy is an important issue to them (Luciani, 1990). Moreover, as the state's income from oil revenue increases, the government's costs for clientele's increase, which decreases potential pressures to get democratized; and although citizens have hidden motivations to form democracy, these motivations are suppressed by stapes's rewards (Waterbury, 1994).

3) Transformation of State into Rent Distributor. One the aftermaths of rent on state is the transformation of the state into a rent distributor in the society. Such states are referred to as allocative states. For these countries, oil revenues have provided fiscal independence of state from society and non-reliance on tax incomes and other state revenues. Also for these countries, the state is uniquely responsible for the allocation, distribution of these revenues; nonetheless, they usually are not willing to be respondent to society regarding how this distribution and allocation of rents is carried out (Katouziyn, 2011).

Likewise, the existence of rich natural resources in countries lacking organ stability and having an increase-friendly organic structure transforms the states of these countries from a governing state of which the main duty is exerting sovereignty, providing security, law implementation and creating stable conditions for citizens' activities into a state distributing the rent and profits accrued there from (Azghandi, 1999).

#### 3.2 Effect on Economy

##### 1) Creating Rent Morality in the Economy of Society

Rent causes some sort of rent morality dominance in a

country. The major feature of rent morality is that the proposition “Work and attempt is the cause of being rich”. Appear to undergo a kind of distortion. In such conditions, the incomes of individuals do not depend on labor and economic activity; rather, it is more dependent on chance and their positions in the bureaucratic structure of the state (Motevasseli, 1994). Rent morality in these countries automatically leads to a phenomenon which Michel Chatelus (1990) calls the “Circulating Economy”. In such regards, he argued, “Access to rent cycle is more important than access to production efficiency”. Anti production prejudices and inclinations both change economic behavior and causes alteration in choices and economic decisions. Individuals and companies’ economic behavior is formed in direction of competition for acquiring more rent in circulation. For this reason, productive activities do not have the benefit of their due efficiency (Chatelus, 1990).

## **2) Formation of Society and Consuming Economy**

A state which benefits from rent to a large extent, takes measure to ensure huge importation of consumption goods. Distinguished feature of such an economy is the huge consumption of goods against slight production in society. Rent states usually resort to enormous importation especially luxurious goods and food items to meet the increasing demand of the newly being wealthy society and consequently, the dependence of the state on this importation increases. Furthermore, accessibility to these imported goods which are usually cheap and with good quality delivers a fatal stroke to domestic productive activities (Haji, 1997).

## **3) Expansion of Public Sector of the Economy and Decrease of Private Sector Role**

Rent states spend these rents in domestic economy. State in addition to huge investment in domestic economy and with free and cheap services, causes increase in public costs; even though it ideally supposes to have a basic role in economy. Abdulfazel (2001) in a definition of rent economy mentioned that the major feature of this kind of economy is the protection of the domestic economy by public expenditure (Meshkini, 1999). Bilbawi and Luciani (1987) mentioned that such oil rent economies make the state to become a mediator and middleman between the oil sector and other sectors in the economy.

C-Effect on Relation between State and Society (Dependence of Social Casts and Weakening Civil Society). Due to huge oil wealth and the state’s role as collector, the existing social and traditional casts of the society eventually changes. In this way, state actually creates a new and dependent cast and attracts them to itself in different ways in order to fuse any possible threats exerted through the provision of such facilities as higher education, social amenities, assistance, etc.. Another method employed by rent state to attain and maintain legitimacy is by attracting collaboration with

elite and non-governing groups, which can be in the form of patrimonialism and neo-patrimonialism (Haji, 1997). In other words, family and relative relationships are sometimes used evidently in order to protect intended people by state. This protection can be in the form of granting higher-paid jobs, allocating outstanding contracts, huge loan facilities without interest and other gifts and advantages. In either case, the clearest reason for the social discrimination of various casts is not either their relative incomes or their common relation with the production tools.

This matter has a reverse result in states independent of rent revenues; where individuals have greater participation in public discussion and political issues without any fear of future reprisals. Freedom of speech, freedom of political parties, and so on can have a real conveyance whenever the first condition of freedom of individual (ownership rights and economic independence) has been already provided; and it can be realized and continued whenever it has assured economic and fiscal backing. Similarly, mass media houses whose continuation of existence is based upon their reliance on the state subsidies cannot also be claimant of freedom because they have to plan their policies and programs according to technocrats’ will and in the direction of their interest. So are the political parties, social organs and trade unions of which budgets are dependent on the state. Both of these scenarios have no capacity to realize the real functions in the form of independent organs. From the above, one can pinpoint the fact that civil and democratic societies cannot be realized in the most prior form of political development, as one of the consequences of a rent state (Ghaninezhad, 1998).

In other words, rent states increases pressure and suppression on the civil society groups, which is usually implemented in two ways:

First, preventing the formation of civil society groups and second, the establishment of large and well equipped military and other security forces. One of the aftermaths of having free resources for states is that it can be a cause for state to prevent formation of independent civil groups. The states having rich natural resources use the rent of these resources to occupy all areas and leave no place for the presence and formation of social groups. In fact formation of groups and civil organs is basic precondition of democracy and states having rent of resources become so great and appeal in all areas and take various duties which are usually done by civil organs to the extent that the growth of civil groups is naturally prevented. Patnam (1995) argued that for the expansion of social capital, it is necessary to develop social groups and social organs beyond the family and their usual inferior role to state (as is the case in rent states). However, in rent states, even mere private capitalism as a civil independent economic organization is hurt and delayed by the pressure from the big government.

States having resources appear to invest directly in all areas of the society including those areas which supposed to be occupied by the private sector; which by default discourages the formation of independent economic organs. Besides, many of the oil states with systematic planning have prevented the formation of civil groups not only by assuming the social responsibilities of those groups by also pressure, lawful prohibition and suppressing the expansion of these groups with stricter operation principles (Azghandi, 1999).

## CONCLUSION

It could be recalled that among the features of rent state is the political and economic monopoly of the facilities of the country by the state. This monopoly by the state leads to absolute dominance over the civil organs of society and makes the state to raise their intended cultural, political and economic features of society as priority. This group can form organs through the resources which are under their monopoly and these organs only do away with the needs of dominant groups, which are associated with the underlying consequences such as relative-crazy against meritocracy, decrease in productivity, decrease in gross national production and patronage which causes conflicts between state and society; as the state considers a lot of expenses for gaining the support of the several groups which are more compatible with the ideology of the state to resolve these conflicts. However, even as the state puts in place the many stringent measures against the strengthening of civil society groups, the inadequate distribution of rent revenues results in an increase in the gap between casts, leading the emergence of various problems such as inflation, extreme importation of goods such as luxury goods and the eventual outbreak of Dutch diseases in the economy; which eventually hatches into crisis and riot in the long run.

However, these states try to prevent any anarchy with stricter police and security measures, creating the atmosphere of fear and terror; but even with these measures to quell any future uprising, and the author argues that for reasons of lack of legitimacy of the rent state as perceived by the masses, the inadequate distribution of wealth and the increase in inequality, discrimination and injustice, none of these governments can benefit from a long term sustainability as currently noticed in most countries in the middle east and north Africa. For this reason, it is suggested that these states should further open up their doors to private sector involvement in societal issues encompassing the various aspects of socioeconomic development; for this will compel the state to decrease political and economic control, and usher in the beginning of the era of talks and mutual understanding in making and implementing decisions. In summary, it can be concluded that for rent states, serious discussions about democracy can never be

afforded without allowing corresponding discussions on the way the rent revenue is being distributed among the various social groups as well as allowing pressure from the these social groups on the way the funds are to be distributed. Otherwise, even where democracy is allowed to triumph, it will never stand on a solid footing. In so doing, democracy should be perceived as the mechanism for providing a level playing field of the different civil society groups for the purpose of decision making; especially in cases of decision making for the widespread distribution campaigns aimed at ensuring that the benefits trickle down to the grass root level. However, for this to occur, the full cooperation of the state is required, coupled with a clearly specified rent structure; for attempts to acquire political freedom, and real democracy, civil society groups are an important corner stone.

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