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## Studying the Effect of Rantierism on the Relationship between Government and Nation

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### ABSTRACT

In the field of politics, a variety of trends are presented for studying policy so that research activities are not done based on theory, per se. Until a few decades ago, politics and economics were considered to be two separate issues in the analyses. It is said that liberalism was the underlying reason for the predominance which rejected the relationship between politics and economics. Liberals considered production-distribution-consumption-based economy which follows natural law, while in a political system where there is the power and decision making, the desirable coordination does not exist. This was the dominant view before political economy trend was developed in 1970s. According to the trend, it was no longer possible to take policy and economy as separate phenomena. Economy is related to challenge and power relationships and policy is about decisions determining who grants the advantages and who receives them. No doubt, governments are influenced by both political and economic considerations. In a considerable part of government policies, it is possible to observe the interaction and closeness of economy and policy. The current study aimed at studying the concept of rantier government discussed in the political economy trend as an approach regarding government in terms of its internal and external aspects and the basis of the approach, *i.e.* rejecting the idea that government is an impartial and neutral object.

**Keywords:** Civil society, Political economy, Rantierism, Rantier government.

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### Introduction

Proposing the concept of rantier government is in fact an attempt toward removing the deficiencies of Marxist approaches and dependency which both are considered to be sort of dependency and secondary nature for government. Of course, in the discussion of rantier government, again the same dependency is emphasized, but - in explaining the dependency - government's earnings

resources are emphasized. In fact, the concept focuses on the structure of the government's public finance not only on class relationships or foreign economic bounds.

Although this is completely acceptable under economic conditions, it is not possible to explain all aspects of a nation's behavior+ the essence of government's earnings resources affects the basic rules

of society's political life. Besides, applying the concept of rantier government will emphasize on the importance of the ability to earn and its role in combining in government's structure. In fact, the idea that rantier governments are different from taxation governments in nature has led to the discussion of rantier government concept.

Since Adam Smith and David Ricardo time, it is that having rich natural resources is a gift and those countries having rich natural resources have a relative advantage as compared to other countries. The vast earnings from these resources were considered to bring wealth. It was believed that resources could bring about a considerable earning flow for saving capital and investment in the infrastructures. Growth economists believe that the importance of natural resources in creating a driving force for economic growth and in particular in poor countries is undeniable. Also, some others believed that the abundance of natural resources creates competitive advantage for countries having the resources as compared to other countries (Hosseini, 2008, p61-62).

Yet, the experience of many countries having resources, especially oil, in 1960s proved the reverse. Evidence showed that natural resources further appear in terms of catastrophe. The same evidence again provided "resources catastrophe" theory. Evidence certifies that "vast natural resources force economic and political disorders to reduce economic growth in a long run; however, there would be a short-term prosperity and welfare" (Carl, 2011, p12). The ideas of scholars in the field were gradually shifted toward the fact that countries having natural resources – besides severe dependency on oil incomes – face several economic problems. In addition, they are located among the most

dictatorship countries of the world. Also, it was believed that "these resources may intensify dissatisfaction with unequal distribution of oil rents and consequently fights over the method of distribution." (Smith, 2010, p55).

In the framework of the above theory, oil export is a negative factor in the trend of development. And, several consequences including less economic growth, lack of diversity in economic structures, upper levels of poverty and inequality, and licentious corruption can be mentioned in association with it.

Of course, the concept of resources catastrophe is not related to oil or other mineral resources ownership per se, rather it is related to countries severely dependent on earnings from these resources.

"Hazem Beblavi" and "Jico Molo Losiani" are among the main theoreticians of rantier government discussion. Dr. Hassan Mahdavi is also the first researcher who used the concept about Iran.

The main reason underlying the discussion in political sociology course is the undeniable effect of rantierism on the relationship between government and people.

### **Concept of Rant**

It seems that first concept of rant must be defined. Since today rant has become spread and is not imputed to oil earnings merely, we are better off to elaborate first on the extensive concept of rant. Classical economists like "Adam Smith" and "Ricardo" have discussed the concept of rant. According to Smith, rant is a special type of earnings different from other earnings resources like payment and profit. This is because payment and profit are resulted from productive activities in the literature of economics. Yet, rant is mainly gained from natural resources.

When we talk about rant, we mean earnings from natural gifts gained effortlessly. As a corollary, it can be said that when classical economists developed the concept of rant, the only resource for it included natural resources and in particular the earth. In contrary, it is already demonstrated that a series of governments' rules or social regulations have also the ability to lead to rant production by creating artificial shortages. Hence, today, it is possible to identify a basket of various economic, political, and information rants which differ based on their resources per se (Mirtorabi, 2008, p112-113).

### **Rantier Government**

Now, the concept of rantier government must be defined. Any government having made a considerable part of his earnings from external resources and in form of rant is considered to be rantier government. The government directly receives the earnings from selling goods and services at prices much higher than their production costs. Rantier government is a special kind of rant-based economy, because then rant flows into the economy not directly rather by the means of government. Otherwise, rantier economy reaches directly society's individuals without rantier government's intervention.

Bilavi believes that the rantier government is the government regularly receiving considerable amounts of external rants which are calculated based on the earnings from natural resources in total government's earnings (Carl, 2007, p2).

The main characteristics of rantier government are:

1- %42 or more of total government earnings is gained from foreign rent.

2- There is no relationship between the rent and domestic production process of a country.

3- Rantier government is the main receiver of rant and plays a major role in distributing it.

4- In a rantier government, a small percentage of labor is involved in producing rant. In fact, the main characteristic of having rant is that – except the early stages – almost there is no need to domestic production tool and indigenous manpower (Emamjom'eh, Ma'soumi, 2010, p46).

Unlike production-based economy where wealth is resulted from working and making attempt, it is resulted from chance and accident and closeness to power resources in a rantier government.

As a result, it seems completely natural that when it is probable to earn income from rant, society's capabilities are spent on broker and easy income rather than creative and productive activities. In fact, rantier government leads to the creation of rantier spirit where there is no need to produce class due to enormous earnings and the axis of economic activities is toward gaining access to rant cycle (Ibrahimbay Salami, 2007, p167).

### **Rantierism**

In the literature of rantier government, such a government has a special style of policy and ruling. This is the so-called rantierism style which has two main qualities:

First, rant is controlled by dominant elites and the second is that the elites exploit the rant to control society so as to maintain political stability. Hence, it can be said that rantierism is the internal component of rantier government behavior and the policy is placed in the framework of rantierism model in all rantier governments (Mirtorabi, 2008, 115).

The effects of rantierism are evident in any society where rantier government rules and social groups are considered to be the social groups dependent on a government dividing rant based on its own taste. The effects can be divided into three main groups:

- The effect of rantierism on government
- The effect of rantierism on the relationship between the government and society
- The effect of rantierism on economy

This study is aimed only on the first two effects.

#### **a) The Effect of Rantierism on Government**

In general, it can be said that rantierism has three major effects on government:

1. Double independency of government from society
2. Extensive bureaucracy
3. Weakening extracted and re-distributive businesses

#### **Double Independency of Government from Society**

The main effect of considerable amounts of rant on government is evident when firstly the government directly receives rant and secondly is the only receiver of rant. There is a simultaneous rantierism pattern where rant is controlled by the dominant elites. The elites have the exclusive power of decision making on how to spend rant. This exclusive power is resulted from rantier government access to the enormous amounts of rant which in the end paves the way for it to be further independent from the society. And, the same independency leads the government to excluding power regarding policy making and not obligating itself to

consider society's advantages (Hajiyousefi, 1999, p39).

The nature of rantier government is so that society is not considered as a significant weight. This is because the source of power includes natural resources exclusively exploited by government. The technology and technical requirements of exploitation of the resources are usually provided by foreign companies. And, finally, its sales market is located abroad. Earnings are also deposited in government treasury. Hence, not much internal labor force and society's individuals' views are needed all through the process.

Yet, it must be noted that they must have sort of independence in the natural and normal process of modern and conventional governments. The realization of ideal bureaucracy which was intended to establish a development-centered government considered by Weber requires a certain degree of independence. This collateral independence of an internal integrated structure is a sign indicating a government capability in supplying its nation's advantages and a government not involved in supplying the advantages of one or more special classes and groups. Yet, this desirable independence is "society-based independence" which itself is taken as an efficient factor in a government (Ibrahimbay Salami, 2007, p167). But a rantier government's independence differs. For instance, in a rantier government like Iran, government organ due to historical reasons and special experiences resulted from being dominated on material and human resources and in recent periods due to having exchange earnings from petroleum (rant) has had double independence. Indeed, government's independence from entrepreneurial groups has removed the

issue of relying on people and society (*ibid*, p172).

### **Extensive Bureaucracy**

Another effect of rantierism on government can be observed in the arena of bureaucracy. Growth of bureaucracy volume and the official organizations of rantier government are resulted from having rant. And, the wide and long bureaucracy is a tool by means of which rantier government makes attempt to effectively distribute rant in the society and is considered to be an extensive resource for being used by different groups of society.

Ayyoubi and Beblavi – of the most well-known theoreticians of the field – believe that a considerable amount of exchange under the control of rantier government requires the presence of extensive bureaucracy so that by executing it the government both will be able to execute its policies desirably and have the ability to distribute rant in the society. Above all, an extensive bureaucracy means the provision of several statuses which can be used by government to attract the support of society's members' trust. The two intellects believe that the attraction of the support by bureaucracy is even more important than rant distribution function and its proper management (Hajiyousofi, 1999, p40).

### **Weakening Extracted and Re-Distributive Businesses**

Political system – as one of social subsystems – undertakes a set of businesses including exploiting and distributing. The former considers the issue of exploring material resources (tax) and human resources (applying the abilities of social groups) from society. The issue is so important to be taken as a criterion in assessing the efficiency of a

political system. In many advanced political systems, the major part of financial resources required for handling governmental bureaucracy is provided from taxes. Yet, rantier governments have worked inefficiently. In fact, another effect of rant on government structure is that the exploitation and redistribution functions of government are weakened due to the existence of vast and considerable resources of rant. Unlike many governments, the rantier government does not need to tax to survive because its income is supplied by foreign rants.

According to Carl, a Stanford University professor, since rantier governments do not have to supply their essential resources from society, they do not feel any necessity for creating essential institutional capacities for such exploitations, as well. It means establishing a powerful tax bureaucracy (Carl, 2007, p16). However, one of the critical mechanisms is to give the government a chance to be aware of conditions and trends inside society and demands of different groups. Extracting tax is possible via a powerful tax system. A government having efficient tax system can arrange its relationship with people using accurate and updated information.

### **b) The Effect of Rantierism on the Relationship between the Government and Society**

The effect of rantierism on the relationship between the government and society can be examined in several areas:

1. The effect of political system legitimacy
2. Weakening the essence of government representativeness
3. Decreasing civil society's independency

## **1) The Effect of Political System Legitimacy**

Rantier government mainly exploits rant as a tool for gaining, maintaining, and enhancing its legitimacy. The government is able to employ the rant for people's welfare and attracting the cooperation of elites and non-dominated groups. Namely, the profits from rant be the source of welfare for total society. As researchers (e.g. Beblavi and Mahdavi) emphasized, elites dominated in rantier governments distribute a part of enormous wealth from rant in the society and the rant is used for all people in the society. For example, a part of earnings from rant is spent on providing suitable economic chances like entrepreneurship and endowing governmental contracts via establishing economic infrastructures or to provide free educational and health services which can be a tool for government to maintain dominance and enhance the legitimacy of political system. Exploiting rant in the same regard can ensure the support for government from different groups of society and even non-dominated elites. For instance, it is claimed that Islamic Republic uses the earnings from soil in form of official and nonofficial subsidiaries aiming at gaining material and ideological support from people (Badiei, Bina, 2002, p1). Also, oil earnings enable government to buy political consensus for its own good.

## **2) Weakening the Essence of Government Representativeness**

Rantier government dependence on earnings from rant means its independence from tax incomes and reduction of government financial pressure on the society. Theoreticians of the field believe that in such conditions an implicit agreement is made between people and government, "not receiving tax for not receiving the representativeness".

And such an agreement leads to strengthening the power bases of the rantier government. When government is independent from domestic resources, it gains a sort of exclusive power. So, there is no need for different groups and classes to intervene. "As a result of such interactions between rulers and citizens providing a chance for public participation...either is not formed or acts weakly." (Mirtorabi, 2008, p206). Rantier government says that there is no representativeness without tax. Carl believes that there is a significant relationship between rant dependency and dictator governments. Since rantier governments exploit rant rather than taking tax, it is likely to reduce or totally omit taxes. Consequently, they unusually become nonresponsive to people. However, in turn it is unlikely that people in these countries demand responsiveness and representativeness from government. In fact, he believes that rantierism cut the joint between tax and representativeness. He exemplifies Venezuela as an evident and says even in this country where different forms of democracy are observed, not paying tax has made both government's representativeness and responsiveness less than what is expected (Carl, 2007, p20, 21).

However, these conditions will gradually increase the costs of rantier government ruling. This is because the government will not be able to respond increasing social demands. Problems like inequality, corruption, and unemployment are applications repeatedly plead by society. Although they do not have political nature, the government's disability to respond them can transform them into political ones and push further costs on government. And, this will end in the socio-political instability and increasing destruction of the government (Mirtorabi, 2008, p120).

### **3) Decreasing Civil Society's Independency**

As said earlier, rantierism brings about double independence of government. Also, having the advantages from rant will lead to the dependency of different social and political groups on the government to exploit them. Now, the most serious consequence of the abovementioned can be summarized in the reduction and even omission of independency from civil society. Losiani argues that rantier government is usually reluctant to enhance the independence of the civil society and development of democracy. And, only in case of facing financial crises, it will accept the openness of political system and encourages the civil society to political participation (Hersni, 2009, p52). Indeed, among the main obstacles on political development and independence of civil society is the category of power resources concentration in government hands. When the government controls a great part of society's wealth, naturally it will move to control other power resources including political, cultural, and social resources. Having economic power resulted from rant, rantier government can support consumption and prevent people from political activities in form of parties and other groups for pursuing their demands, try to direct their demands, and make the parties dependent on itself. As a result, it can be said that the concentration bans social groups' empowerment and in such a space it will not be possible to politically develop, open the competition space between social groups for power and independent function of civil society.

### **Conclusion**

Rantier government theory – despite being an innovative attempt to understand the nature of government and politics in some countries – has serious and noteworthy

problems such as reductionism, selective choice of realities and citing them as one-way and deterministic.

Among the main criticisms in the regard is the emphasis on the reductionist nature of the theory. In this pattern, too much attention is given to government's economic and earnings resources so as to reduce the role of social forces and factors in the socio-political movements and evolutions of rantier societies.

Another point to be considered is that a major part of rantier government literature discusses the relationship between not receiving tax and not responding and representing. Yet, there is no space for the history of replacing power in societies dependent on rantier economy. In most cases, the rantier governments' leaders are described as tyrants not paying attention to the society's economic advantages.

Also, in this theory, value judgment is done on the best shape of government and implicitly democratic government is the most suitable one.

The social bases and structures of political culture were not considered before discovering underground reserves. So, no stable justification is provided for the existence of stable governments like Norway.

Accepting the point that rantier government moves toward developing political and democratic space development only in crises implicitly reduces the increasing reduction of democratic trends and promotion of dictatorship at the time of low oil incomes which does not go with some historical evidences (Shari'ati, 2007, p108, 109).

Finally, the same oil earnings are the accelerating factor in the growth of urbanization, middle class expansion, spread of education and health among a

wider part of society which in turn can be a driving force toward democratizing.

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