

## **Rethinking the Rentier States and Democracy; Comparative Study of Saudi Arabia and Norway**

Hadi Ajili<sup>1</sup>, Seyedeh Roghayeh HasaniChenar<sup>2</sup>

---

### **ARTICLE INFO**

*Article history:*

Date of submission: 24-02-2021

Date of acceptance: 25-11-2021

*JEL Classification:*

H11

H19

*Keywords:*

Rent

Rentier State

democracy

Saudi Arabic- Norway

---

### **ABSTRACT**

Some researchers argue that oil incomes hinder democracy in oil-rich countries. Others believe that there is no correlation between oil and democracy. In this article, the author tries to compare the situation of democracy in two oil-rich countries (Saudi-Arabia and Norway). My main question, here, is that why the discovery of oil did not destroy democracy in Norway? I will argue that since the political system and political culture were democratic before the discovery of oil, it did not result in destroying the democracy in Norway. In contrast to Norway, neither political system nor political culture was not democratic in Middle Eastern countries like Saudi Arabia. The state used the incomes earned through oil exports to suppress people, hence. A country like Norway was democratic before the extraction of oil and maintained its democracy after the discovery.

---

## **1. Introduction**

The correlation between oil and democracy is complicated so that researchers are thinking and doing research about it for decades. While some researchers argue that oil hinders democracy in non-democratic countries, from the other's perspective the existence of oil in these countries is accidental. They refer to countries like the United- States of America and Norway as examples of exporters of oil having democracy for several decades .

---

1. Associate Professor, International Relations, Law and Political Science, Allameh Tabataba'i University, Tehran, Iran, (Corresponding Author) Email: ajili@atu.ac.ir

2. M.A in Ruhr Bochum University, Germany

This article tries to compare Norway as a country -which has both oil and democracy-with Saudi Arabia as a country in which oil hindered democracy from some scholars' perspective. The purpose of the article is to illustrate the way oil hinders democracy in a country like Saudi Arabia and maintained neutrality in Norway .

## **2. Theoretical Framework**

The research method of this article is descriptive-analytic. Data is collected in a library method and using internet resources. The analysis has been carried out mainly qualitatively.

Rentier state theory(RST), celebrated by Lisa Anderson as one of the major theoretical contributions of Middle Eastern studies to the discipline of political science, was built on a series of studies that emerged mostly in the 1980s following the oil boom of the previous decade. The idea of the rentier state, however, was put forward by an Iranian scholar Hossein Mahdavi, in his 1970s article and further developed by economists Hazem Belbawi and Giacomo Luciani in an edited volume published in 1987. (Altunisk: 2014-2)

Indeed, RST emerged as scholars began to digest the political impacts of the two oil “boom” periods that began in the mid-1970s. The first of these was due to the oil embargo that Iran and several important Arab oil states placed on the United States and other key states that supported Israel in the 1973 Arab-Israel war. The second oil “boom” occurred in response to two dramatic events, the 1978-1979 Iranian revolution and the commencement of the 1980-1988 Iran-Iraq war. The Iranian revolution took over two million barrels per day of oil off the international market from late 1978 to mid-1979, which added uncertainty to supply from other states in the region. The Iran-Iraq war created further problems in supply, as both Iranian and Iraqi crude exports were deeply impacted. (Gray, 2011: 5)

Mahdavi(1970) offers this theory to describe an era from 1970-1976 in the political history of the Middle East. In describing the rentier state, he

explained that those countries that receive an amount of external rent by foreign individuals, concerns, or governments regularly are contained in this definition. Based on this definition, payment by foreign countries, companies, or individuals who passed through a canal such as the Suez Canal or those who received payment for the pipeline would both be counted as examples of these external rents. The oil revenue of oil-exporting countries is another form of rent. (Fakhraei, 2019:10)

All in all, as Matthew Gray states, RST is a political economy theory that seeks to explain state-society relations in states that generate a large proportion of their income from rents or externally-derived, unproductively-earned payments. RST seeks to answer some of the most fundamental questions about the political economy of oil-exporting states and explain the “democracy deficit” in the region, the development hurdles faced by many oil states and the nature of both elite politics and wider state-society interactions. (Gray, 2011: 2)

### **3. What is Rent and Which State is the Rentier State**

#### **3.1. Rent**

The term *rent* is used to describe incomes that are above “normal” in some sense. What is a “normal”? Often the benchmark used is the income which an individual or a firm would have received in a competitive market. Since the competitive market of theory does not usually exist, a more useful definition is an income that is higher than the minimum which an individual or firm would have accepted given alternative opportunities. However defined, a moment’s reflection should tell us that a very wide range of critically important real-world incomes has the character of rents. Rents include not just monopoly profits, but also subsidies and transfers organized through the political mechanism, illegal transfers organized by private mafias, short-term super-profits made by innovators before competitors imitate their innovations and so on. (Khan, 1999: 5) The important point about rent is that the rent accrues directly to the state, not to private

corporations or individuals. Rent is not the only income, but it certainly predominates. (Okruhlik, 1999: 295).

Buchanan's definition is close to what we mean in this paper; Economic rents are conventionally defined as an economic surplus higher than the minimum that the receiver would have accepted given alternative opportunities. (Buchanan, 1980) Such rents typically originate from natural and organizational advantages that give recipients an advantage in controlling revenues. As such, rents do not have to be reinvested into the production process but can be allocated in purely political terms and independent of long-term economic needs. (Jenkins, Meyer, Costello, Aly, 2011: 5)

### **3.2 Rentier state**

In the past, rentier states have been based on international trade in gold or bat guano. Today, the term refers most often to the oil states whose income is derived from the international sale of petroleum. (Okruhlik, 1999: 295) "A state that receives substantial rents from foreign individuals, concerns or governments". This is Mahdavi's definition of 'rentier state'. (Mahdavi,1970:427) According to Anderson, "The notion of the rentier state is one of the major contributions of the Middle East regional studies to political science". (Anderson, 1978: 9)In defining a rentier state Sandbakken(2006) believes that "it is not equivalent to a state in which rent-seeking predominates among economic and political elites. Rent-seeking is the search for financial gain or profit from non-productive economic activities that are especially prevalent among those who depend on state privilege for access to credit, grants, licenses, contracts and often monopoly markets". (Fakhraei, 2016:5). Beblawi and Luciani define rentier state as follows; A *rentier state* is a government that is able to use its legitimate monopoly over territory to extract significant rents from international transactions and thereby become the dominant actor in the political economy. In his definition of rentier state, Beblawi insists on three essential features:1. Rent cannot be the only kind of income in the economy but it

should be predominate.<sup>2</sup> The origin of the rent must be external to the economy, as pure internal rent boils down to a situation of domestic payments transfer.<sup>3</sup> A minority in the population must be engaged in the generation of the rent, while the majority is involved only in the distribution or illustration of it. They also add that “a rentier economy would in all probability generate a rentier state and is in any case strictly connected with the spread of a rentier mentality, which in turn has important political and developmental consequences”. (Belbawi and Luciani, 1987:12)

Area specialists often describe most of the governments of the Mideast and North Africa as “rentier states”, since they derive a large fraction of their revenues from external rents. More than half of the governments’ revenues in Saudi-Arabia, Bahrain, the United Arab Emirates, Oman, Kuwait, Qatar and Libya have, at times, come from the sale of oil. The governments of Jordan, Syria and Egypt variously earn large locational rents from payments for pipeline crossings, transit fees, and passage through the Suez Canal. Workers’ remittance has been an important source of foreign exchange in Egypt, Yemen, Syria, Lebanon, Tunisia, Algeria and Morocco, although these rents go to private actors, not the state. The foreign aid that flows to Israel, Egypt and Jordan may also be considered a type of economic rent. (Ross, 2001: 325-361).

It seems that all these scholars are common in this view that the origin of the rent is external to the economy and the country earns most of its revenues from outside. The author of this article considers Saudi Arabia as a rentier state because it has the characteristics of a “rentier state” which have been mentioned by Mahdavi and other scholars in the definition of such a state.

### **3.3. Influence of rent on the economy and politics**

Beginning with Mahdavi’s influential article, the effect of the sudden influx of externally generated revenue through rents on the economy has been a focus of discourse. This has mostly been the case, however, in the literature on Dutch Disease, wherein the sudden influx of revenue is thought to distort

the economy and cause enclave development. This result is because the booming oil sector and the rest of the local economy are not well integrated. The oil industry does not incorporate much local input, and the local economy in turn does not make much use of the product. As a result, in rentier economies, the rest of the economy is not as well developed. (Altunisk, 2014:10).

One important characteristic of resource-abundant countries is the use of indirect redistribution mechanisms to allocate natural rent. Only rarely is it politically expedient to use transparent mechanisms such as direct distribution to households through vouchers? Use of this method is usually confined to high-income regions with a strongly individualistic tradition (as in Alaska and Alberta). One difficulty with such a mechanism is that it opens up the prospect of an open national debate on the appropriate distribution of income and wealth that few states may be willing to contemplate. The indirect mechanism for disturbing rents can invoke other goals (such as the need to build an industrial sector or the urgency of creating jobs) to validate a distribution strategy that is appealing on political grounds. The direct distribution also requires that the government is willing to renounce the use of rent as an instrument for boosting its own power relative to that of its citizens- and few governments are eager to do this. The second characteristic of resource abundance –especially relevant to mineral exports in which a large share of rent goes directly to the government-is a chronic tendency for the state to become overextended, especially in the face of large fluctuations in the value of natural resources. (Gelb, 2000: 4).

It is also worthwhile to mention Ross's opinion about the effects of rent on the economy. Ross explains rent effects on the economy in three ways;

The first is through what might be called a "*taxation effect*". It suggests that when governments derive sufficient revenues from the sale of oil, they are likely to tax their populations less heavily or not at all, and the public in turn will be less likely to demand accountability from and representation in their government. (Ross, 2001: 333) Since *Rentier states* do not receive any

tax from their citizens, they do not think that they have to meet their needs. (Hasanvand, 2017: 43). Political thought underlines the correlations of tax and democracy to the extent that some scholars believe that without paying tax there would not be any state.

A second component of the rentier effect might be called “*the spending effect*”: oil wealth may lead to greater spending on patronage, which in turn dampens latent pressures for democratization. . (Ross, 2001: 333) Oil incomes may allow the state to suppress parties and press which are two important factors for democracy. (Hasanvand, 2017: 44)The third component might be called a “*group formation effect*”. It implies that when oil revenues provide a government with enough money, the government will use its largess to prevent the formation of a social group that is independent of the state and hence that may be inclined to demand political rights. (Ross, 2001: 333)

All states in some sense create their opposition. What makes rentier states especially interesting is the nature of rent. It is abundant; it is accrued directly to the state; it is readily accessible; and it is easily mobilized. Since it is liquid, it can be maneuvered to fulfill specific objectives. It is also vulnerable to fluctuations in international demand. How a state chooses to respond to the economic crisis that is part of the rentier condition has very real social and political consequences. (Okruhlik, 1999:308)

Citizens in resource-rich states may want democracy as much as citizens elsewhere, but resource wealth may allow their governments to spend more on internal security and so block the population’s democratic aspirations. Skocpol notes that much of Iran’s pre-1979 oil wealth was spent on the military, producing what she calls a “rentier absolutist state”. Clark, in his study of the 1990s oil boom in the Republic of Congo, finds that the surge in revenues allowed the government to build up the armed forces and train a special presidential guard to help maintain order. And Gause argues that Middle East democratization has been inhibited in part by the prevalence of the *mukhabarat* (national security) state. Ross, 2001:335).

There are at least two reasons why resource wealth might lead to larger military forces. One may be pure self-interest: given the opportunity to better arm itself against popular pressures, an authoritarian government will readily do so. A second reason may be that resource wealth causes ethnic or regional conflict; a large military might reflect the government's response. Mineral wealth is often geographically concentrated. If it happens to be concentrated in a region populated by an ethnic or religious minority, resource extraction may promote or exacerbate ethnic tensions, as federal, regional, and local actors compete for mineral rights. These disputes may lead to larger military forces and less democracy in resource-rich, ethnically fractured states such as Angola, Burma, the Democratic Republic of Congo, Indonesia, Nigeria, New Guinea, Sierra Leone and South Africa. This mechanism would be consistent with the research of Collier and Hoeffler and Desoyso, who find that natural resource wealth tends to make civil war more likely (Ross, 2001:336).

It seems we have to be more focused on the effect of oil incomes on the behavior of the state more than anything else; in democracies, the state is responsive to people and has to explain key decisions because people who are paying taxes want the state to be responsive. Paying tax by people makes the state responsive, hence. In contrast to democracies, in Rentier states, the state is not responsive because it has its own income and does not need people's tax. There is no need to be responsive to people/ media then. In addition to this, the state can use the money which earns through oil-producing, for example, to suppress the media, press and parties and all of these are key factors for democracies.

#### **4. Saudi Arabia as a Rentier State**

##### **4.1 Saudi Arabia and Formation of the State**

Not so different from its European counterparts, the formation of the Saudi-Arabia state followed a curse of organized violence. Military organization and development served multiple and complementary purposes, including



the protection of constituencies, obtaining fresh sources of revenue, and elimination of rivals. As early as 1900, motivated by the necessity of securing the trading routes, Najd's merchants began to support Ibn Saud's military expansion. Advancements of loans from the merchants helped facilitate Ibn Saud's war-making effort, which successfully checked nomadic raids but also eliminated the influence of his main rival Al Rashid in Najd. By 1906 the conquest of Najd was completed. Yet Ibn Saud devoted two more decades to war, making, expanding his military adventures throughout Arabia to redeem what, by his account, belonged to him and his household. (Qasem, 2015 :20).

Tribes were the basic social and political units to which many Saudi Arabians looked for centuries for the presentation of order and the resolution of conflict. Among the most important tribes in the Kingdom over the years have been the following; Anaz, Harb, Al Murrah, Shammar, etc... For much of Arabian history, most of these tribes existed as independent political entities in microcosm. As such, they were capable, like other groups of uniting for common action. At the same time, however, they more often than not acted as divisive forces in any larger societal context. It was this latter characteristic as much as any other attribute that prompted the late King Abdul Aziz, the founder of modern Saudi-Arabia, to seek many means by which he could integrate the various tribes into the new national- political structure of the Kingdom. (Mallakh, 1982: 5).

#### **4.2 Political System of Saudi Arabia at the time of oil discovery**

As mentioned earlier, many scholars believe that Abdul Aziz (Ibn Saud) was the founder of modern Saudi Arabia. In their view, his relations with Britain was influential in his emphasis on the national identity of Saudi Arabia. He integrated the various tribes and established a kingdom in Saudi Arabia to shape the national identity and establish a country. (Qazvini,2015: 50) By 1932, the country had been unified under the name of the Kingdom of Saudi Arabia, which covered an area approximating the territory of the present

state. Having created a notion state through reliance on a combination of force and ideological mobilization, King Abdul-Aziz continued to use this combination to maintain monarchial rule. King Abdul-Aziz and his successors have used Islam to legitimate their position and policies and, indeed, their right to govern as the royal family. (Mlafekh, 2010: 32) In May 1933, the first oil concession was signed between the American oil company SOCAL and the Saudi Arabian government. Despite his reluctance, King Ibn Saud authorized the concession because of financial hardship. The terms of the concession were favorable for both parties. Five years after the concession was signed, oil was discovered in Dammam in commercial quantities. In 1939, King Ibn Saud turned the value which delivered the first Saudi oil to the world, marking the birth of the Saudi oil rentier state. The flow of oil brought unprecedented cash to the newly born state. Although the cash flow was disrupted by the Second World War, it was resumed thereafter on an even greater scale. (Qasem, 1973:40).

As we see, Abdul Aziz established a country that was based on absolute monarchy. The integration of religion and absolute monarchy made this country so unique in the world. Niblock describes the political system of Saudi-Arabi and interdependence of monarchy and religion very clear;

*The relationship between Wahhabism and the Saudi political system, in all three Saudi states, has been close and supportive. Without the support of the Al-Su'ude , Wahhabism would not have gained a predominant position within the Islamic framework of the Arabian Peninsula, and without the militant support of the Wahhabi movement, it is unlikely that the Al Su'ud would have gained territorial control of the peninsula. Wahhabism was the basis on which the Al-Saud could claim legitimacy both for their control of existing territories and for the expansion of their control.* (Niblock, 2009: 29)

#### **4.3 Saudi-Arabia as a rentier state**

The regime, in Saudi Arabia, has been almost exclusively on oil rent since the discovery of oil fields in 1938. (Faudot, 2019: 3) Before the 1960s, Saudi-

Arabia was still one of the world's most poverty-stricken nations. Since the 1970s, the country has become "the world's third-largest oil producer and first exporter, and it has 25% of the world reserves". In 1974 the petroleum industry comprised 83% of the Saudi Gross Domestic Product (GDP). (Harithi, Khader, Orabi, 1983:108). Oil remains the main engine of the Saudi economy, then. The Saudi government has wholly the national oil company Saudi Aramco since 1980-. Of primary importance for the domestic economy is the international exchange value of oil which needs to be largely higher than the oil extraction costs. The Saudi "gross domestic product" actually does not rest primarily on "domestic product", but on the exchange value of oil, which is determined on international markets. In 2017, hydrocarbon exports still accounted for 76.7% of the country's total exports, which indicates its continued dependence on oil. (Faudot, 2019:4)

### **5. Concept of democracy; comparison of democracy in two oil-rich countries ( Norway and Saudi-Arabia)**

Democracy is a form of political association in which the general control and direction of the commonwealth is habitually determined by the bulk of the community by understandings and procedures providing for popular participation and consent. (Merriam, 1941:309). Marshal and Jagers defined democracy as follows; democracy is conceived as three essential, independent elements: One is the presence of institutions and procedures through which citizens can express effective preferences about alternative policies and leaders. Second is the existence of institutionalized constraints on the exercise of power by the executive. The third is the guarantee of civil liberties to all citizens in their daily lives and in acts of political participation. (Marshal and Jagers, 2002: 13)

Buhlmann identifies equality, freedom and control as key elements of democracy; "We define freedom, equality and control as the three core principles of democracy. To qualify as a democracy, a given political system has to guarantee freedom and equality. Moreover, it has to optimize the

interdependence between these two principles through control. Control is understood as control by the government as well as control of the government". (Buhlmann, 2008: 15) The most widely employed scholarly definitions of democracy focus on the *institutions* and *procedures of democratic governance*. For example, Robert Dahl's seminal writings largely equate democracy with the institutions and processes of representative government. If citizens can participate equally in free and fair elections, and if elections direct the actions of government, then the standards of democracy are met. Indeed, Freedom House rankings and other democracy indicators often treat free and fair elections as defining elements of democracy. (Dalton, Shin and Jou, 2007:145)

### **5.1 The Situation of political parties in the Middle East and Saudi Arabia**

Political parties occupy a key position in democracies. The centrality of political parties for modern democracy is generally accepted both by contemporary scholars and by policy-makers. (Biezen, Katz, 2005:2) The key point about political parties in Middle Eastern countries, including Saudi Arabia is that there were no political parties at the time of oil discovery in these countries. We do not even see the establishment of political parties in today's Saudi Arabia. Political parties are illegal in Saudi-Arabia. Members of the Royal family fill most of the important political positions in the kingdom, and the king and Al-Saud family rule by consensus. (Library of Congress, 2006:20)

### **5.2 Civil society in Saudi Arabia**

Civil society, like political parties, is a western concept that is strongly related to liberal ideas and practices of the ruling. A country's political institutions are critical to the shape that civil society takes. Namely, they maintained that if a state's political institutions are capable of channeling and redressing associational grievances, then civil society is likely to contribute to the advancement of deepening of democracy. (Berman 1977:

228) Even as late as the 1990s, civil society organizations in the Arab world were still mostly charitable organizations in the simplest sense. They provided direct material assistance to the less fortunate, which includes a very wide swath of Arab society. Other civil society organizations were related to the state and could even be considered semi-official institutions. This further highlights the vast difference of the civil society concept, in both its understanding and its application, between the West and the Arab World. The environment and the activities of these organizations as understood in the West still do not exist in most of the Arab world. (Kharajah, 2007: 6)

The kingdom of Saudi Arabia is an authoritarian state and Saudi civil society is an example of a civil society that is functioning within the boundaries of that type of state. The dividing lines between the state and civil society are not always clear. The Saudi government does not believe in participatory governance, and civil society has only a very limited autonomous capacity to influence policies. Furthermore, civil society in Saudi Arabia mostly has a top-down nature; it is mainly administered and controlled from above. (Kanie, Van Geel, Wagemakers, 2012: 60) There exist awareness of civil society, and the need for it and many groups are active in this sphere. However, the government gives only limited support, retains restrictions on their operations and sets up parallel official institutions that can overpower the private groupings-an example being the establishment of two human rights organizations. (Montagu, 2015:7)

### **5.3 Social democracy in Norway**

The terms socialism and social democracy are often interchangeable. Sometimes the term social democracy is understood as being more right-wing than the policies of the member of the Socialist International in a country. The important point is that social democracy has meant different things in different periods. The main stages of the evolution of social democracy can be summarized as three waves. The first wave, of a

parliamentary road to socialism, started after the end of the First World War, when most social democratic parties broke from revolutionary politics, embraced democratic elections and aimed to achieve socialism via a parliamentary and reformist route. The second wave of social democracy involved the transformation of the parties into mainstream electoral machines. After the Second World War, most social democratic parties attempted to reach beyond their traditional working-class base. This new strategy started in Norway and Sweden in the 1930s (Benedetoo, Hix, Mastrorocco 2019: 11). In the 1930s the social democratic parties of Sweden and Norway came to power and formed governments in their respective countries. This marked the beginning of a stable period of Social Democratic hegemony (Sejersted, 2010:1). By the 1980s social democracy had run out of steam. Following the oil crisis of the mid 1970s, change in global trade patterns and rising unemployment and inflation, market liberalization and monetarist macroeconomic policies of center-right parties gained support while green movements started to squeeze support from the left. The death of Knell for this second wave was the fall of the Berlin Wall in 1989. The market liberalizing effects of European integration and globalization, the success of free-market and deregulatory strategies of center-right governments and the collapse of communism demanded a renewal of social democracy. In response, the third waive of social democracy emerged around the idea of a third way or new middle (Benedetoo, Hix, Mastrorocco 2019: 11).

Norwegian democracy has been remarkably durable. Factors selected to account for its stability must apply not just to contemporary Norway but, to an extent, as far back as the early nineteenth century, for Norwegian democracy has existed and functioned well since the separation from Denmark in 1814. In that year the newly independent Norwegians adopted what was at that time undoubtedly the most democratic constitution in Europe, modeled in large part on the French revolutionary constitution of 1791 and fashioned in the plain upstairs assembly room of merchant's house

at Eidsvoll, by an unusually representative assembly. Under this document, the domestic government was carried on during the union with Sweden and is still carried on, in amended form, today (Eskstein, 1966: 11).

Effective democracy requires, in addition to a working balance of division and cohesion in its popular and representative aspects, a certain balance of disparate norms of authority: norms of authority that facilitate rule as well as norms of democracy that make for constraints upon and extensive participation in the activities of rule. Both exist in Norway and both are reflected largely in Norwegian organization forms (Eskstein, 1966:155).

#### **5.4 Discovery of oil in Norway**

Before the discovery of oil, Norway was a country of three million population with an economy based on shipping, fishing and hydroelectric industry (Benghida, 2017:535). Traditionally, the Norwegians were skilled seamen and shipbuilders. By the 1880s Norway had the world's third-largest commercial shipping fleet. Norway was very much integrated into the world economy already at this stage. In terms of providing export revenues, this implied that exports of services compensated, to a large extent, for the near absence of a manufacturing sector producing tradable goods. In the twentieth century, another layer was added to the structure of the earlier century. This layer is related to energy sources. It was also based on raw materials, but these were discoveries, since their exploitation relied on technological breakthroughs: late in the nineteenth-century chemical and electrical engineering opened up the generation and utilization of hydroelectricity from Norwegian waterfalls. In the early in the next century, foreign-based capital found Norway a profitable site for producing a variety of energy-intensive products especially oil (Adne, Lars, 2009:5). The history of the Norwegian petroleum sector can unquestionably be called a "success story". It started in the early 1960s of the twentieth century when the new-found optimism regarding the North Sea's petroleum potential was initiated by the Gas discovery in Groningen in the Netherlands in 1959. In October 1962, Philips

Petroleum sent an offer to the Norwegian authorities, to explore oil in the Norwegian continental shelf which in the long run was an attempt to acquire exclusive rights. The Norwegian government refused to sign over the entire shelf to a single company due to the threat of monopolization (Borysiak, 2017:99). Eventually, The Norwegian petroleum era started with a request from Philips Petroleum for permission to conduct geological exploration off the Norwegian coast in 1962. In 1965, the first licensing round was carried out, and in 1969 the large Ekofisk oilfield was discovered. Along with ensuing discoveries, this led to a rising wave of petroleum revenue, which was further inflated by the two oil crisis in the 1970s and the steady expansion of Norwegian oil extraction. To put the income into perspective, there have been periods when Norway- a country with a population of only five million- was one of the world's top three oil exporters (Overland, 2018: 217).

### **5.5 Political System of Norway at the time of oil discovery**

At the time of oil discovery, in 1962, Norway has been a democratic country for 150 years. There was an independent judiciary system and public access to legal documents. Political parties and NGOs have been active for decades. Important parties of the country knew that they have to be too careful to save the economy from huge income earned through oil sales (Hasanvand, 1396:203). As Shubert asserts that Norway was an established democracy before it struck oil leading one to believe that path dependence plays a significant role. It could be that countries with strong institutions, rule-of-law and a strong tax system before the discovery of oil are better suited to survive the oil curse (Shubert, 2006:2).

It seems that the political systems before the discovery of oil and the way a state behaves after the discovery of oil are too important in oil-rich countries and the oil curse. Norwegian state was a democratic state before 1962. It behaves such as a democratic state and saves the country from oil curses. Oil incomes did not result in the destroying of democracy, hence.



### **5.6 Democracy hinders rentier state in Norway**

**Parliament:** Norway is an exemplary example of a country that was successfully able to combat the resource curse. Efficient revenue, collection mechanism, fiscal stability and competent management of the resource coupled with the country's established democracy, visionary policies and facilitative and corruption-free institutions enabled it to accelerate its growth and development. (Kumar, Toshiwal, Gupta, 2016:14) With the discovery of oil, Norwegians did not follow other oil producer countries. They were well aware of the negative implications of oil on their economy and democracy. What political and economic institutions in Norway prevented rent-seeking? Some elements are part of what constitutes a democracy and a developed country and are therefore shared with other rich countries. Consequently, rich countries may be immune to the worst cases of the resource curse. Other elements are unique to Norway, and may not easily be generalized or replicated. (Larsen, 2004:20) A Norwegian Standing Committee on industry submitted a White Paper to Storting (Parliament) on 14 July 1971 stating what was needed to ensure that development of petroleum resources in Norway would "benefit the entire nation". Included in the White Paper is a declaration of 10 principles that should underpin Norwegian oil policy. (Cullen, 2011:7) The "Ten Commandments" outlined ten areas of importance for the Norwegian government in the exploitation of their petroleum resources. Firstly, the national control must be secured for all operations on the NCS. Secondly, petroleum discoveries are to be exploited by independent Norway independent about the supply of crude oil hence ensuring energy security for Norway. Thirdly, new oil-based industrial activities should be developed, establishing a new livelihood. Fourthly, always protect nature and the environment. Fifthly, flaring of usable gas on the NCS must not be accepted except for shorter testing periods. Sixthly, petroleum from the NCS must as a main rule be landed in Norway except for individual cases where the national policy provides for other solutions. Seventhly, the State becomes engaged at all feasible levels to fulfill national

both national and international objectives. Eighthly, a state oil company is established to take care of the State's commercial interests and to have a constructive collaboration with domestic and foreign petroleum interests. Ninthly, a pattern of activity is to be selected outside the North Sea which answers all the policy concerns that apply in this part of the country. Tenthly, Norwegian petroleum discoveries will present the Norwegian foreign policy with new tasks (Benghida, 2017: 538).

### **Government Petroleum Fund as a policy against oil curs in Norway**

Many countries experience slow or negative growth after the discovery of a valuable resource. This phenomenon has been named the Resource curse.(Larsen, 2004: 27) Norway avoided the resource curse in different ways. One way to avoid the resource curse was Government Petroleum Fund. The structure of this fund and its relationship to long-term fiscal policy is widely recognized as a successful means to distribute Norway's resource gains between generations and protect the relatively small Norwegian economy from too rapid spending of the present riches. (Lie, 2013:1) Discussion on how to develop a more robust policy in response to fluctuating oil prices led to the establishment of the Petroleum Fund in 1996. The Fund invests government oil revenues in the international capital market.( Adne,Lars,2009:8) Those who created the fund had real doubts as to whether any capital would ever be transferred to it. (Lie, 2013:18) Now, It is a part of the ordinary government budget and in the case of a deficit, the amount is automatically deducted from the pension fund (Kumar, Toshniwal, Gupta, 2016: 14).

The Storting(Norwegian Parliament) still provides the guiding principles for petroleum activities in Norway by debating and approving legislation and by parliamentary deliberation on major issues such as the opening of potential new production areas and major development projects. Executive actions of the Government are supervised by Storting (Cullen, 2011: 10).

### **5.7 History of parties in Norway**

As mentioned above, political parties created democracy and democracy is not imaginable without political parties. The development of the Norwegian parties from informal groups of people with roughly similar opinions on major political issues into formal organizations, with rules and regulations, took place in roughly four years, from 1880 to 1884. Before the first year, there were only the slightest indicators of formally organized parties. At the end of 1884, the existence of the two parties and the channeling of political activity through them is the main fact of political life in Norway (<https://www.samfunnsforskning.no/english/>).

### **5.8 History of civil society in Norway**

Theoretical arguments and empirical evidence suggest that institutional factors are important for growth and this applies to resource-abundant countries in particular. (Mehlum, Moene, Torvik, 2006:54) Norway is often described as a high-trust society. Generalized social trust, as well as trust in political institutions, is relatively high. Norway has even been labeled a state-friendly society, where voluntary organizations often have promoted increased government involvement, rather than seeing the government as an adversary. Even though the ideological distance can be considerable, the government accepts civil society organizations as legitimate participants in policy discourses. (Grendstad,Selle,Stromsnes, Bortne,2006: 24 )

## **6. Conclusion**

Rent incomes made the situation of democracy more complicated in Middle Eastern countries. These rentier states do not want their citizens to tax payers because they earn billions of dollars by sailing raw materials such as oil and gas. While paying taxes makes states responsive to their citizens, rentier states do not need to be responsive. They can spend the huge income which has been earned through oil sales to suppress their citizens.

Norway has been one of the biggest oil exporters during previous decades, although, its destiny was different from Middle Eastern countries; Oil incomes did not destroy democracy in this country. It seems that Political culture and political system are two factors that are determinative in oil-rich countries. The Political system decides how to spend oil incomes and political culture determines the political system to some extent. The Political system could decide to spend the oil income to suppress its people or spend it on economic development of the country. While Saudi-Arabia's state decided to spend oil incomes to suppress Saudi citizens, Norwegian states decided to invest oil incomes in the international market and saved it in the national capital fund because they believed that these incomes belong to all Norwegians. Norwegian state was a democratic state when they discovered oil in 196. There was powerful responsiveness mechanisms since 18 century in this country and the Norwegian state was responsive to its people. It can be said that oil incomes not only did not help democracy in Saudi Arabia but also made it worse because the Saudi Arabia was not democratic when they discovered oil in 1933.

## References

- Akhbari, M. (2017). The role of fossil fuels in the world's geopolitics of energy, *International Journal of Geopolitics*, 48 (3):
- Baccaro, L. (2001). Civil society, NGOs, and decent work policies: sorting out the issues, *International Institute for Labor Studies*, 127 (2):
- Benedetto G, Hix S, Mastrococco, N. (2020). The rise and fall of social democracy, *American political science association*, 114 (3):
- Benli A., M. (2014). Rentier state theory and the Arab uprising: An Appraisal, *Uluslararası İlişkiler* 42 (1):
- Benghida, S. (2017). Norwegian oil management structure: Farouk Al-Kasim innovative solutions, *International journal of civil engineering and technology*, 18 (8):
- Belbawi, H, Luciani, G. (2015). *The Rentier State*. London: Routledge.

- Benedicte, T., Thurber, M. (2015). Norway's evolving champion: Statoil and the politics of state enterprise". *Institute for International studies*, 10 (9):
- Cappelen, A., Mjoset, L. (2009). Can Norway be a role model for natural resource abundant countries. *World Institute for Development Economic Research*, 20 (23):
- Cullen, R. (2011). The good oil. State roles in the Norwegian petroleum sector, *Australian Journal of Agriculture and Resource Economics Society*, 31 (7).
- Eckstein, H. (1966). *Division and cohesion in democracy: A Study Of Norway*, Princeton: Princeton university press.
- Fakhraei, P. (2019). Examining rentier state theory in the case of Iran before and after Revolution. *The institute of oriental studies of the Russian Academy of Science*, 16 (3):
- Faudot, A. (2019). Saudi Arabia and the rentier regime trap: A critical assessment of the plan vision 2030, *Resources Policy*, 62 (10):
- Gelb, A. (2000). *Oil windfalls blessing or curse?* London: Oxford university press.
- Gray, M. (2011). A theory of late rentierism: in the Arab states of the Gulf". *Center for International and Regional Studies Georgetown University school of foreign service in Qatar*, 13 (7).
- Grendstad, G, Selle., P, Strosnes, K. (2009). Why greenpeace failed in Norway. *Journal of Civil Society*, 14 (1).
- Gupta, S., Kumar, H, Toshniwal,. (2016). The resource curse play: A comparative study of Norway and Venezuela, *Journal of Economics and Finance*, 7 (5):
- Helms, C. M. (1990). *Arabism and Islam: Stateless Nations and Nationless States*. New York: Diane Pub Co.
- Iversen, T. (1998). The Choices for Scandinavian social democracy in comparative perspective. *Oxford University Press* , 14 (1):
- Larsen, E. R. (2006). Escaping the resource curse and the Dutch disease?. *American Journal of Economics and Sociology*, 3 (65):

- Mehlum, H, Moene, K. O, Torvik, R. (2011). Mineral rents and social development in Norway". *Memorandum*, 4 (14):
- Montagu, C. (2010). Civil society in Saudi-Arabia: The power and challenges of association. *Middle East and North African Journal*, 7 (9):
- Niblock, T. (2006). *Saudi Arabia (The Contemporary Middle East)*. London: Routledge.
- Okruhlik, Gwenn. (1999). Rentier wealth, unruly law and the rise of opposition: the political economy of oil states, *Comparative Politics*, 31 (3):
- Qasem, I. Y. (2015). *Oil and security policy: Saudi Arabia, 1950-2012*, NewYork: *International Comparative Social Studies*.
- Ross, L., M. (2001). Does oil hinder democracy?" .Cambridge University Press, 55 (3):
- Saglie, J, Sivesind, K. (2018). Civil society institutions or semi-public agencies? State regulation of parties and voluntary organizations in Norway, *Journal of Civil Society*, 14 (4):
- Shubert, S. (2006). Revisiting the oil curse: are oil rich nations really doomed to autocracy and inequality?" . Webster University, *Institute for Human and Social*, 10 (109):
- Torgersen, U. (1967). The formation of parties in Norway: The problem of right-left differences. *Institute for Social Research*, 43 (2):