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THE JORDANIAN BOURGEOISIE COMPOSITION AND  
STRUCTURE 1967-1989

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MOHAMMED AL-MASRI

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A THESIS SUBMITTED FOR THE DEGREE OF DOCTOR OF  
PHILOSOPHY

INSTITUTE FOR THE MIDDLE EASTERN AND ISLAMIC  
STUDIES

THE FACULTY OF SOCIAL SCIENCES

UNIVERSITY OF DURHAM



1 3 JUN 2005

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## Abstract

This study analyzes the composition and structure of the Jordanian bourgeoisie over the period 1967-1989. Both the study of the structure and composition of the social classes and their role in the political and social change are neglected topics when Jordan is concerned. On this basis, the main argument of this thesis is that the bourgeoisie is an important social class, whose study and analysis can yield a better understanding of socio-economic structure and change in Jordan.

This study uses the Marxist paradigm as a theoretical framework to define the bourgeoisie as the social class that has the economic ownership of the means of production and appropriates the surplus value. Some Marxist theorems had to be modified to be operative in studying the bourgeoisie in particular and the class in general.

This thesis adopts an empirical approach in studying the bourgeoisie. It first locates and defines the bourgeoisie members within the domain of the private sector, which is their objective context. It then analyzes their activities and investment strategies. This study analyzes the bourgeoisie into the possible fractions that come to exist according to their activities, investments and assets. It also examines the possibility of the existence of fractions in the domain of the bourgeoisie according to vertical dimensions such as religion or country of origin.

## Dedication

*To the memory of Rehaab my sister*

*To Tamam my mother who had assumed for  
sometime that she had retired as mother before  
the destiny brought her back to start all over  
again*

*To Nicole who has given unlimited love and  
support without which this study would not  
have been finished.*

# TRANSLITERATION SYSTEM

The transliteration system that is shown in the tables below will be used throughout the thesis to transcribe in Latin characters Arabic words and phrases. However, for expressions and names of common usage, the form by which they are most commonly known will be adopted, even when this does not correspond to the system laid out below. For instance, a name like            will be spelt in the widely established form **Mubarak** rather than as **muubaarak**, which would be the correct form according to our system.

The transliteration system used in this thesis is as follows:

## 1. Consonants:

ARABIC LETTERS	ENGLISH LETTERS	ARABIC LETTERS	ENGLISH LETTERS
ء	'	ض	<u>d</u>
ب	B	ط	<u>t</u>
ت	T	ظ	<u>d</u>
ث	Th	ع	'
ج	J	غ	gh
ح	<u>H</u>	ف	f
خ	Kh	ق	q

د	D	ك	k
ذ	Dh	ل	l
ر	R	م	m
ز	z	ن	n
س	s	ه	h
ش	sh	و	w
ص	<u>s</u>	ي	y

## 2. Vowels:

ا	A
ا	U
ا	I
ا	Aa
و	Uu
ي	Ii

## 3. Diphthongs:

و...	Au
ي...	Ai

## ABBREVIATIONS

Department of Statistics	(DS)
Central Bank of Jordan	(CBJ)
Bourgeoisie Enterprises	(BE)
Mode of Production	(MP)
Social Formation	(SF)
Ministry of Industry and Trade	(MIT)
Public Shareholding Enterprise	(PS)
Limited Liability Enterprise	(LL)
General Partnership Enterprise	(GP)
Limited Partnership Enterprise	(LP)
Individual Enterprises	(IE)
Asiatic Mode of Production	(AMP)
Nomadic Mode of Production	(NMP)
Nuclear Family	(NF)
Tribute Mode of Production	(TMP)

Introduction	4
1. class	11
1.1 Mode of Production and Social Formation	12
1.1.1 Mode of Production	12
1.1.2 Social Formation	15
1.1.3 Articulation	17
1.2 The Marxist Concept of Social Class	21
1.2.1 Class at the Economic Level (Class Structure)	22
1.2.2 Class as a Social Force	25
1.2.2.1 Class in Itself and for Itself	26
1.2.2.2 Interpretations and Elaborations	30
1.2.3 The Alternative	34
1.3 The Middle Classes	43
1.3.1 Contradictory Locations within Capitalist Societies	49
1.4 The Sectoral Classification of the Class	64
1.4.1 Fraction According to the Economic Base and Sector	65
1.4.2 Finance Capital	67
2. the historical, social and economic context of Jordan	74
2.1 The Pre-capitalist Formation Debate	75
2.2 From Ottoman Direct Rule to The Foundation of the State	86
2.2.1 The Ottoman Central Authority in Jordan	87
2.2.2 The Peasants' Communities	93
2.2.3 The Merchants	105
2.2.4 The Bedouins	109
2.3 Jordan Under The British Mandate	114
2.3.1 The Social Formation Components	116
2.3.1.1 Peasants	116
2.3.1.2 Merchants	122
2.4 An Overview of Jordan (1949-1967)	128
2.4.1 The Development Plans	132
2.4.2 The Budget	136
2.4.3 The Economic Performance	140

3.	The Methodology	144
3.1	What is the Bourgeoisie?	144
3.1.1	Constraints and Considerations	145
3.1.2	A Strategy to Locate and Extract the Bourgeoisie	149
3.2	Terms & Concepts used to Analyze the BMs	154
3.2.1	Bourgeoisie Enterprises and the BMs	154
3.2.2	The Enterprise Types	155
3.3	The Economic Sectors and Sub-Sectors	157
3.4	Ownership Forms of The Enterprises	165
3.4.1	Variation and Fractions within the Bourgeoisie	177
3.4.1.1	Sectoral Fractions	177
3.4.1.2	Economic Power	178
3.4.2	The Historical Fraction of the Bourgeoisie	185
3.5	Vertical Dimensions and the Bourgeoisie Analysis	187
4.	An Overview of the Jordanian Economy (1967-1973)	193
4.1	The State Economic Policy	196
4.1.1	The Three Year Development Plan (1973-1975)	196
4.1.2	The Budget	201
4.1.2.1	Revenue and Receipts	202
4.1.2.2	Expenditures	206
4.1.3	The Macro-Economic Performance	207
4.1.4	The Balance of Payment 1967-1973.	216
4.1.4.1	Trade Balance	216
4.1.4.2	Services	221
4.1.4.3	Transfers	222
4.2	The State of The Private Sector	224
4.2.1	The Private Sector Enterprise Types	224
4.2.2	The Sectoral Distribution	229
4.2.2.1	The Sub-Sector	233
4.2.3	The Geographical Distribution	239
5.	The Bourgeoisie (1967-1973)	243
5.1	Bourgeoisie-Enterprises and BMs: General Trends	245
5.1.1	BE and BM according to the Enterprise Types	246

5.1.2	The BE and BM according to the Economic Sectors	250
5.1.3	The BE Ownership Trends	255
5.1.4	The Corporate Bodies	262
5.1.5	The Non-Bourgeois Equity Holders in the BE	270
5.2	The Economic Powers	273
5.2.1	Power A	274
5.2.2	Power B	275
5.2.3	Power C	276
5.2.4	Power D	278
5.2.5	Power E	280
5.2.6	The Economic Power (Power I)	280
5.2.7	Nuclear Family Power	284
5.2.8	POWER II	287
5.3	Bourgeoisie Fractions	292
5.4	The Vertical Dimensions and the Bourgeoisie	297
5.4.1	Bourgeoisie and Gender	297
5.4.2	Ethnic And Religious Background	301
5.4.3	Country Of Origin	304
6.	An Overview of the Jordanian Economy (1974-1989)	310
6.1	Macro Economy of Jordan (1974-1989)	310
6.1.1	The Development plans	310
6.1.1.1	The First Five-Year Development Plan (1976-1980)	311
6.1.1.2	The Second Five Year Development Plan 1981-1985	316
6.1.1.3	The Third Five Development 1986-1990	320
6.1.2	The Budget	324
6.1.2.1	Revenue and Receipts	328
6.1.2.2	Expenditures	334
6.1.3	Economic Performance	337
6.1.4	Balance OF Payments 1974-89	347
6.1.4.1	Trade Balance	348
6.1.4.2	Service balance	354
6.1.4.3	Transfers	357

7.	The Bourgeoisie (1974-1989)	358
7.1	The State of the Private Sector	358
7.1.1	The Private Sector Enterprise Types	368
7.1.2	The Sectoral Distribution	362
7.1.2.1	The Sub-sectors	366
7.1.3	The Geographical Distribution	369
7.2	Locating the BMs	372
7.2.1	the Non-Bourgeois Equity Holders in the BE	374
7.3	Individual/Corporate BMs	376
7.3.1	Individual Bourgeoisie Members	377
7.3.2	The Corporate Bodies	382
7.4	Bourgeoisie Enterprises and BMs: General Trends	385
7.4.1	BE and BM according to the enterprise Types	386
7.4.2	The BE and BM According to the Economic Sectors	388
7.4.3	The BE Ownership Trends	393
7.5	The Economic Powers	398
7.5.1	The Economic Power (Power I)	399
7.5.2	Nuclear Family Power	403
7.5.3	POWER II	405
7.6	Bourgeoisie Fractions	406
7.7	The BMs and the Vertical Variables	411
7.7.1	Ethnic and Religious Background	412
7.7.2	Country of Origin	414
	<b>Conclusion</b>	<b>418</b>

**Bibliography**

423

**Appendices (1-17)**

## Introduction

Class analysis has been a subject of considerable interest and research for over 150 years in many countries. In Jordan, however, it has not been studied in any great depth to date. The main purpose of this study is to provide a detailed analysis of the composition and structure of the Jordanian bourgeoisie between 1967 and 1989, as well as of its investment strategies at the economic level. It also analyzes the impact of the vertical dimensions of the Jordanian social structure on the bourgeoisie's formation and cohesion.

Compared to studies that dealt with the international relations of the Middle East, the foreign policies of its countries, the political economy of oil, the Middle Eastern states and their political developments, studies focusing on the socio-economic structure at large and the social classes in particular are limited. The Arab-Israeli conflict and the tragedy of the Palestinian people, which have been reproduced on a daily basis, and their direct and indirect consequences on the stability of the region are one factor that contributed to a wider interest in studies which had no connection to social class analysis. The phases that the middle eastern countries had undergone since their independence, such as the dominance of the planned economy, the increased direct and indirect role of the state in economic activities, the petrodollar revolution and the upsurge of the role of oil in the world economy, the economic opening up policies, the rise of political Islam and finally the direct involvement of the western powers in the region and the birth of Islamic terrorist groups attracted many studies to concentrate on issues related to these phases and what they brought to the arena of debate. The above-mentioned factors assumedly had a serious impact on the degree of interest in the social class analysis approach. The validity of the above points, however, does not tell the entire story. This study, in fact, argues that the limited interest in social classes is originally rooted in the dominant methodologies adopted in studying the Middle East since mutual contact was established between emerging capitalist Europe and the Ottoman Middle East, i.e. the methodologies of *orientalism*. The studies of contemporary Middle Eastern countries and societies are to a great extent influenced by the themes and theories that were originally put forward to tackle and analyze the history of the ME and of the Islamic civilization at large. Without any need to be caught up in reviewing their schools, one can notice that these theories

have some common shared premises, such as the idea that the history of the Arab region (Middle East) and the Islamic civilization are of a static nature. Cultural explanations that emphasized the role of religion, customs, language and social structure backed the widespread interpretation of Islamic societies as static entities. Ironically, some of the arguments that suggested that Islam and Islamic history and societies were inherently unprogressive and lacked internal dynamics were based on the diversity of these societies, famously known as the mosaic society.<sup>1</sup> As Turner observed<sup>2</sup>

'Islamic social structure is conceived, then, as a mosaic or patchwork of diversity in furthermore treated as a major weakness of Islamic society and as a flaw within the social structure. Because of the internal diversity of the social system, it was necessarily difficult to organize consistent, coherent opposition to the authoritarian rule of the imperial household.'

What is relevant to this study is that such arguments about Islamic history had their echo in many of the studies concerned with the contemporary Middle East. This was manifested, on the one hand, in a neglect of the studies about the socio-economic structure and social class structure of the Middle East. On the other hand, the classes' weight, their role and their impact on political, social, economic, ideological, gender,...etc issues were not taken into consideration. The same arguments, which range between claiming the absence of social classes or weak horizontal stratification, and the irrelevance of the social classes in the Middle Eastern societies in favor of vertical stratification along the lines of ethnicity, religion, tribe and kinship, are widely spread. According to this approach, the economically based interest groups are infiltrated by cross-class social groups, which prevents the former from developing to constitute any active or relevant political, social and economic actors. Informal and personal relations, modes of maneuvering and intrigues between the political and social elite determine the dynamics of the ME societies.

Another blow to the class analysis approach was the fact that, in the western countries, the sociology and political science of the 1980s onwards evolved to

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<sup>1</sup> Some of the arguments combined with the mosaic society theory claimed the absence or scarcity of social stratification.

<sup>2</sup> Turner, B.S (1977) *Marks and The End of Orientalism*, p 44.

question the relevance of the class as an agent influencing the political, social and economic spheres, especially when these countries underwent a great deal of changes in regard to the enlargement of the middle classes, improvements in the conditions of the working classes and the expansion of the services sector. Furthermore, new successful political and ideological movements were born, such as those concerned with the environment, feminism or racial discrimination, which are cross-class phenomena.

The purpose of this study is neither to review nor assess the different approaches applied in studying the Middle East, nor to give a critique of the orientalist or orientalist-influenced approaches,<sup>3</sup> but rather to empirically analyze one of the social classes within the Jordanian society, i.e. the bourgeoisie as a class that owns the means of production and appropriates the surplus labour.

Analyzing the structure and the composition of the bourgeoisie in itself is vital, since it defines the domain of the members of a class that is usually dealt with in the case of Jordan in a blurred and loose fashion. The composition and structure of the bourgeoisie provide insights into some of the different approaches and strategies that the members of the bourgeoisie use when pursuing their economic activities. Defining a clear domain of the bourgeoisie implies analyzing the cleavages that occur within this class as a consequence of its position in the production process. The identification of bourgeoisie fractions according to economic interests and quantitative assets flattens the ground for discussing its unity at the economic level. This study also takes on board the vertical dimensions of the Jordanian social structure by applying them to the domain of the bourgeoisie. Such a task is of vital importance, since it reveals in concrete terms the degree of influence that these dimensions have on the horizontal social groups. In other words, it examines empirically if vertical dimensions such as tribe, religion and country of origin undermine class cohesion, and thus its potential to be a political and social agent.

The study is confined within a 22-year time framework, between 1967 and 1989. The rationale for starting with 1967 rests on the fact that, for 17 years (1974-

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<sup>3</sup> Refuting such arguments, especially at the theoretical level is a task that has been taken by some scholars. See Said, E. (1979) *Orientalism* and Turner, B.S (1977) *Marks and End of Orientalism*.

1989), Jordan included the West Bank, which was an important territory in terms of the social and economic output. The occupation of the West Bank and its continuity, coupled with all of the Israeli regulations and laws (especially those of an economic nature) resulted in the loosening of ties between the socio-economic structure of Jordan and that of the West Bank. Going beyond 1989 was not a conceivable idea in terms of the amount of data that needed to be analyzed over the 1990s. During this period, Jordan went through several changes, which brought about a great distinction from the 1980s and 1970s. The prosperity that lasted from 1974 up to the early years of the 1980s ended in the 1989 economic crisis, which manifested itself in the Jordanian foreign debt predicament and the collapse of the Jordanian currency. A political and economic opening up took place, replacing a period in which the state was characterized by being authoritarian or semi-authoritarian at the political level and heavily involved in a wide range of economic activities. These factors and the changes that took place in the region, such as the first Gulf War and the peace process with Israel, made it necessary to stop this study at 1989.

This study is divided into 7 chapters. The first is devoted to giving a definition of class at large and of the bourgeoisie in particular. The Marxist paradigm is chosen over its main alternative, the Weberian one, as a basis for the class theoretical framework. Despite the great deal of literature spent showing the contrast between Weber and Marx, there is a substantial similarity between the two theories as regards the concept of class. For both traditions, classes are defined in a relational manner based on their sharing of economic resources which determine their interest, and thus a connection can be deduced between their interest and their actions.<sup>4</sup> However, the Marxist paradigm bases its theory on the position of a class in the production process, where exploitation is a central theme. A class is therefore seen through its position in the production process, as well as through the causal nexus in the market exchange. The fact that the latter is the only way in which the Weberian paradigm views class means that the Marxist definition is broader and more inclusive.

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<sup>4</sup> For instance, Weber defines a class situation which occurs when '(i) a number of people have in common a specific casual component of their life chances, insofar as (ii) this component is represented exclusively by economic interest in the possession of goods and opportunities for income and (iii) is represented under the conditions of the commodity or labour markets.' Weber, M, (1978), p. 927.

Despite the fact that Weberian class analysis is not used, the polemics advanced by the adherents to this tradition regarding the Marxist paradigm are taken on board. Marxist class analysis suffers from problematic aspects, some of which relate to a deficiency in its class concept. In addition to giving an account of the premises of the Marxist paradigm, problematic issues highlighted by scholars from within or outside the tradition are considered in the theoretical chapter, in order to advance a concept that is capable of addressing the concepts of class at large and of bourgeoisie in particular. The task that chapter one has achieved is to reconstruct a concept of class based on the premises of the Marxist class analysis, and of operative capacity.

The second chapter covers the historical and socio-economic structure of Jordan since the late 19<sup>th</sup> century up to 1967. The socioeconomic historical context of Jordan during over a hundred years was not put forward in order to give a review of the historical developments, but rather to highlight the peculiarity of the Jordanian social formation and the change that took place in the course of the capitalization of the formation. This study claims that the peculiarity of the social formation and its development leave hallmarks on class structure, as well as on the structure and composition of the bourgeoisie.

Chapter three deals with the possible approaches that could be used in order to define the bourgeoisie and its members. It explains the approach that was adopted in the empirical part and covers the method that was used in collecting the data and analyzing it. Since this study was the first of its type in Jordan and even in the Middle East, it tends, in the course of analyzing the bourgeoisie or when coming across distinctive patterns, to coin terms and concepts that are explained fully in chapter 3. Chapter 3, in a sense, is a bridge between the theoretical framework and the pillars of the peculiarity of the Jordanian social formation on one hand and the empirical analysis of the bourgeoisie on the other.

Chapters 4 to 7 are devoted to the empirical analysis of the bourgeoisie. For the purposes of the analysis, the span of this study was divided into two periods, the first of which goes from 1967 to 1973. Such a period is limited to 7 years because, this study argues, it had a transitional character; it is the period that came in the aftermath of the 1967 war and its dramatic impact on Jordan as a whole. This period also experienced the rise of the military presence of the PLO and its collapse

through military confrontation with the Jordanians. On the contrary, the 1974-1989 period witnessed a long spell of stability. The oil boom during the first phase and the decline in its prices in the last few years of the period show to what extent Jordan, and especially its economy including the private sector activities, was entangled in, and even dependent on, the developments in the region.

Chapters four and six focus on the context within which the bourgeoisie operated, that is the macro-economy of Jordan. An overall view of the economic performance during the transitional period is given in chapter 4, one of the 1974-1989 period in chapter 6. The state economic policies are also outlined through its development plans and budget. Each of the two chapters finishes with an overall review of the state of the private sector in its respective period.

Chapters 5 and 7 contain a detailed analysis of the bourgeoisie in 1967-1973 and 1974-1989 respectively. Throughout the analysis, the aim is to examine the bourgeoisie during this period, beginning by extracting it from the private sector participants domain. The analysis of the bourgeoisie during these periods covers all aspects of their economic activities.

# CHAPTER ONE

## CLASS

In the introduction an overview of the contesting theorems about the relevance of class analysis was put forward. In this chapter, a review of the theoretical framework is to be undertaken employing the premises of Marxist theory. Gaps within themes of the Marxist concept of class were revealed throughout the different proposals advanced by scholars who challenged, contested and interpreted this paradigm, mainly at the level of the class as a social and political agent. Undoubtedly, one of the problematic issues that had existed, since the introduction of the Marxist class, relates to the conceptualisation of the class as social actor.

Apart from rejections on an ideological basis, the development of capitalism in its place of birth resulted in a complex class structure that dictated revision of the Marxian class concept and its determining factors. Among these developments at the structured level a few have a profound impact on the concept of class. For example, the emergence of new middle classes put the Marxist class theme of polarization in jeopardy and sparked debate about what constitutes the working class in the sphere of the wage earners. At another level, the boundaries of the bourgeoisie have been a matter of continuous debate, triggered by what are well known as the 'managerial revaluation' theories. These issues and others are of vital importance to the entire concept of class at one level and the bourgeoisie at another. This chapter considers the analysis of the Marxist concept of class and attempts to tackle some of these problematic issues, which to some extent dictates the structure of sub-sections of the chapter. The chapter begins by discussing the mode of production (MP), social formation (SF) and articulation which are important themes for constructing the class concept in the Marxist paradigm, as well as its application in non-advanced capitalist societies. Class at the economic level and as a political and social agent is covered in the second section. Problematic issues that brought about by the new middle classes and the impact of managers on the class structure at large and the composition of the bourgeoisie in particular are covered in a section on the middle classes. Finally, cleavages within the bourgeoisie will be covered in

the last section. However, while the sustained groups within the bourgeoisie are recognized, emphasis is still laid on the finance capital.

## 1.1 MODE OF PRODUCTION AND SOCIAL FORMATION

Prior to tackling the Marxist concept of class, it is vital to cover two main analytical devices that are of vital importance in regard to the study of the social classes of a specific society over a certain period, i.e. the Mode of Production (MP) and the Social Formation (SF). Apart from its importance in determining the main classes at the economic level and the social and political forces, in the last three decades the concept of articulation of the MPs has become one of the most important explanatory concepts employed in the study of various formations of third world countries and those of the Middle East in particular. This section will cover briefly the main elements of MP, SF and articulation as advanced by Marxist scholars. It is worthwhile to mention that despite the fact that Marx himself never systematically provided a definition or study of the MP and SF concepts, their construction and elaboration have been largely based on Marx's analysis, especially that of the capitalist MP and SF<sup>1</sup>.

### 1.1.1 MODE OF PRODUCTION

The MP as a concept characterizing different periods of human history is often mentioned in several works of Marx's, such as the historic periodization that appears in *The German Ideology*, his study of the pre-capitalist formation, or the analysis of the elements of the capitalist MP in *Capital*. However, in the celebrated *Preface of the Critique of the Political Economy*, Marx emphasizes the MP concept,

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<sup>1</sup> The main work to which the studies about the MP mostly refer is Marx's *Capital*, which can be considered as a wide examination of the function of the capitalist system and of its social relations of production. However, in *The German Ideology* Marx and Engels also cover the elements of the MP through an account of the different stages of the class society and of the transformation from one stage to another. One could argue that the political, ideological and economic syntheses that appeared in Marx's political works about the European events of his time and before are manifestations of his elaboration of the SF. For instance, his analysis of the political developments in France during the third quarter of the 19th century, with reference to the preceding period since the French revolution, implied the concept of SF.

revealing the complex relations that society experiences as a result of its economic foundation.

"In the social production of their existence, men inevitably enter into definite relations, which are independent of their will, namely relations of production appropriate to a given stage in the development of their material forces of production. The totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness. The MP conditions the general process of social, political and intellectual life. It is not the consciousness of men that determines their existence, but their social existence that determines their consciousness."<sup>2</sup>

In this context, Marx and Engels state that a specific stage is demarcated by the degree of development that the production process has achieved and by internal and external interaction. The development of production and interaction is indeed determined by the development of the productive forces,<sup>3</sup> which "brings a further development of the labour division".<sup>4</sup> The social division of labour corresponds to the different forms of property. In other words, a particular stage of the division of labour corresponds to a definite stage of development that the productive forces have reached within the production process and to the relations of individuals to one another according to "instruments, materials and products"<sup>5</sup>. The relations of production, in their interaction with the forces of production in a particular MP, determine two large classes that differ from each other by their position in the production process: the class of the direct producers and the class that appropriates the surplus-labour and initially controls the means of production, usually in form of

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<sup>2</sup> Marx, K. (1859), *Preface of the Critique of the Political Economy*, p 263, in *Collective Works of Marx and Engels*, Vol. 29.

<sup>3</sup> There is no consensus among Marxist scholars as to the primacy of the productive relations or the productive forces. For instance, Amin stresses the primacy of the productive forces, which is the spine of his theory of uneven development in the pre-capitalist formation. Cohen, too, gives the primacy to the productive forces, in which he includes the labour power. Among the Marxists who emphasise the primacy of the productive relations are Balibar, (Althusser, L., Balibar, E. (1997) *Reading Capital*, p215-217) Poulantzas, (Poulantzas, N. (1973), p72), and Hindess and Hirst (Hindess, B., Hirst, P. (1979), p13). Anderson tackles this issue through his discussion of the crisis that the feudal system underwent in Western Europe (Anderson, P. (1996), p 198-209).

<sup>4</sup> Marx, K., Engels, F. (1846) *The German Ideology*.

<sup>5</sup> Marx, K., Engels, F. (1846) *The German Ideology*.

property. According to Marx's text about the pre-capitalist formation,<sup>6</sup> this abstraction covers even the pre-class societies.<sup>7</sup>

We can thus consider the MP as an abstract concept that does not refer to a specific conjuncture and can be defined as an articulated combination of forces of production and relations of production. The relations of production are defined as "a specific mode of appropriation of surplus-labour and a specific form of social distribution of the means of production corresponding to that mode of appropriation of the surplus-labour"<sup>8</sup>. The existence of surplus-labour is a necessary element to the existence of the relations of production and subsequently of the MP. The manner in which the surplus-labour is appropriated is the fundamental factor which distinguishes one MP from another.<sup>9</sup>

The forces of production<sup>10</sup> can be defined as the mode or the way of appropriation of nature. They correspond to three articulated levels: work itself<sup>11</sup>, the instruments of production (tools), and the subject of work. This definition encompasses the differentiation of the forces of production according to the development that each of these levels has reached in its interaction with the other levels and with the relations of production. Hence, the forces of production reflect a specific level of development that distinguishes the forces within one MP from those within another, and more importantly, as Gramsci highlights, between the

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<sup>6</sup> Marx, K. (1857), *Pre-capitalist Economic Formation*, p67-71.

<sup>7</sup> In fact, the relationship that was established between individuals and nature in the course of the appropriation of natural produce or of the use of some parts of nature, including one's own body, was formed in terms of property relationship. In other words, it is 'the natural unity of labour within its material prerequisites' (Marx, K. (1857), *Pre-capitalist Economic Formation*, p71). Hobsbawm emphasizes, however, that the concept of property that Marx introduces to describe the relation with nature in the known early stages of human history is not the legal private property of the class societies (Hobsbawm, E. (1965), *Introduction for Pre-capitalist Economic Formation*, p41).

<sup>8</sup> Hindess, B., Hirst, P. (1979) *the Pre-capitalist MPs*, p9-10.

<sup>9</sup> For instance, it is appropriated collectively in the case of the primitive communist MP, while in the case of feudalism and capitalism, it is appropriated by the non-labourers. In the latter cases, the mode of appropriation establishes an antagonistic relation and social division of labour. In short, the way in which the surplus-labour is appropriated governs the distribution of the social labour and the division of the agents of production.

<sup>10</sup> Some of the Marxists argue that the objective conditions still have a fundamental role in the development of the MP. Cohen claims that elements such as climate and geographic location should be considered as components of the productive forces (Cohen, G.A. (1978), *Karl Marx's Theory of History: A Defence*).

<sup>11</sup> The degree of labour division and its organisation are included in the work itself.

conjunctures that belong to the same MP.<sup>12</sup> It must also be emphasized that a specific MP can assume different forms according to the development that the forces and relations have already reached.<sup>13</sup> Finally, it is important to point out that the development of each component of the MP implies a reciprocal impact on the others.<sup>14</sup>

### 1.1.2 SOCIAL FORMATION

It is agreed among Marxists that the MP does not exist in its pure state, but it appears articulated in a variety of MPs. Therefore, studying a conjuncture means analyzing the whole complex of the MPs whose articulated forces and relations of production compose a particular type of social and economic structure. Each of the MPs in the conjuncture defines certain economic, ideological and political conditions that are necessary for its existence in the economic structure. This is the core notion of the concept of SF.

The concept of SF encompasses three levels: economic, political and ideological. The economic level, which is determined by the complex of MPs,

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<sup>12</sup> Gramsci argues that a certain development in the productive forces could be one of the crucial factors governing the evolution of the political and ideological levels of the superstructure, and therefore the whole process of transformation from one MP to another. The distinction between the various SFs governed by the same MP could lie in the different degrees to which their productive forces developed (Gramsci, A. (1999) *A Gramsci Reader: Selected Writings 1916-1935*, p203-205).

<sup>13</sup> Hindess and Hirst stress the concept of variant MP. The main example that they give is the variation of the labour-rent which is appropriated under the feudal system. It could be appropriated in different forms such as money, kind or labour. This variation, which is a central notion in the concept of MP, does not presuppose different MPs (see Hindess, B., Hirst, P. (1979) *the Pre-capitalist MPs*, p12-13). In this sense, Amin distinguishes between two different forms of tribute-paying system: feudal and tribute-paying. For Amin, this difference in form occurs as a result of the variation in the objective conditions that characterise the feudal forces and relations (see Amin, S.(1976) *Unequal Development*, p 13-15).

<sup>14</sup> By applying this definition to a concrete MP such as the capitalist one, the mode of appropriation of the surplus-labour that results from the difference between the value of labour power and the value that is created by the labourers takes the form of surplus-value. One class, i.e. the capitalist class or bourgeoisie, appropriates this surplus-value. The appropriation of the surplus-value is characterized by the transformation of the whole social production, i.e. the labour power and the means of production, into a commodity. The former is bought by the capitalist for the price of the wages that the labourers use to buy items for personal consumption from the capitalist. As a consequence of this, the labourers are forced to sell their labour power for a further period. This means that the producers become proletariat after being separated from the means of production and forced to sell their power (Amin, S. (1976) *Unequal Development*, p59-62.). The social distribution of the means of production corresponds to the appropriation of the surplus-value, so that the means of production become private property of the capitalist class and are characterized by being a commodity which is subject to exchange between the capitalists. In fact, the commodity becomes the main characteristic element under the capitalist system. This is reflected in the famous capitalist theory based on 'supply and demand'. Furthermore, the commodity form is the main element that distinguishes the whole social production in the capitalist system to that in other systems at large and in particular under the 'simple petty-commodity' MP (see Amin, S. (1976), p62).

constitutes the basis on which the superstructure (the ideological and political domain) can 'arise'.<sup>15</sup> Unlike the abstract concept of MP, the concept of SF corresponds to concrete society. The SF is a combination of several MPs, one of which holds the dominant role; all other co-occurring MPs are subordinate to the dominant one.<sup>16</sup> The dominant MP constitutes the main source of surplus within a given SF; for example, a feudal SF may be articulated into a feudal MP, which generates the surplus, and subordinate MPs, such as the simple petty commodity and/or the slave owning modes.<sup>17</sup>

Furthermore, in the above-quoted paragraph from the *Preface*, Marx explicitly explains the SF according to its two components – the base and the superstructure – and the relations between these two domains. This paragraph has been subject to different interpretations, which have led to different conclusions concerning Marx's method, but this is not the best place to review them.<sup>18</sup> However, this relationship will be reviewed when covering the Marxian concept of class as social actor. Here, it is sufficient to stress that most Marxists emphasize that it is misleading to assume that Marx meant that the superstructure is a mere reflection of the economic base. In fact, there is a mutual effective relation between the two domains, although the base remains the determining factor. In other words, if the superstructure does not contain the conditions necessary to the existence of a MP, this latter is bound to wither away. However, elements of a superstructure that are within the domain of the MP in process of disintegration may hold for a period after the disappearance of its economic foundation, and in some cases may act as conditions to facilitate the new economic foundation.

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<sup>15</sup> Marx, K. (1859), *Preface of the Critique of the Political Economy, Collective Works of Marx and Engels*, Vol. (29).

<sup>16</sup> Poulantzas (1973), pp. 70-71, Amin (1976), pp. 16-17 and Hindess and Hirst (1979), p13-14.

<sup>17</sup> Amin gives a few practical examples of SFs, drawn from the history of pre-capitalist societies; he also claims that the slave owning MP was non-dominant within the capitalist SF in the United States previous to 1865 (Amin, S. (1976), p. 17).

<sup>18</sup> For some of the works engaged in such interpretation see Hall, S. (1977) *Marx's theory of Classes*, p21.

### 1.1.3 ARTICULATION

The concept of 'articulation' originally refers to the combination of different MPs. However, it extends to cover the political and ideological instances, in addition to the economic ones, of each combined MP, including the various exploitative relations that each mode may produce.<sup>19</sup> In this framework, articulation is a flexible concept that goes beyond the rigid definition of the MP, taking into account the different factual dimensions that make up the peculiarity of some, if not all, SFs. During the period of transition from a formation that is dominated by a MP to another dominated by another, the importance of articulation as an analytical device is crucial to the study of that formation. In such a context, the different economic instances that are in the process of declining and the ones in the course of becoming dominant, together with the political and ideological instances, are in complex relationships, which could introduce different variants in the transition path, and different forms of outcome. The character and degree of complexity of a formation in transition is determined by the form of the relations that link the different MPs and their political and ideological instances. In this sense, Marx uses this term to signify a combination or, more accurately, as the spirit of his writing indicates, a certain type of combination with a relational dimension. Such an understanding of articulation appears in Marx's various accounts of the European political and social scene in the 19<sup>th</sup> century.<sup>20</sup> A similar understanding also appears in Gramsci's analysis of the south and north Italian question<sup>21</sup>.

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<sup>19</sup> It is important to mention the emphasis of the various exploitative relations that occur in a given MP, since it is going to be incorporated into the section of the Middle Classes to give another dimension for redefining the boundaries of the class.

<sup>20</sup> For instance, Marx points out that the particular development of capitalism in the French society entailed an articulation of the capitalist MP and of the pre-capitalist ones which could survive the transformation and were still in the process of withering away. This articulation had an impact on the entire function of society, acting not only within the boundaries of the economic level, but extending to the political and ideological levels. It is interesting that Marx in different occasions contrasts the French formation with the English one, in which the classes, their interest and their political participation are sharply defined due to the significant development in the capitalist relations (Marx, K. (1851) *The Class Struggle In France*. Marx, K. (1871) *The Civil War In France*. Marx, K. (1852) *The 18th of Brumiere*). Similarly, Gramsci emphasizes the importance of variation in the economic level and its impact on the political and ideological levels when a specific instance is under study, especially in the transition period. Following Marx's analysis of the French political development, Gramsci shows that the French revolution of 1789 was not the moment that witnessed the foundation of a new SF replacing the previous one. On the contrary, it was just the starting point of a period of transformation that lasted until 1871 or 1914 (Gramsci, A. (1999) *A Gramsci Reader: Selected Writing 1916-1935*, p203-205.). See also Althusser, L. Balibar, E. (1997), p98-99.

<sup>21</sup> Gramsci, A. (1996) *Selection From the Prison Notebooks*, p44-52.

The concept of articulation in its contemporary usage goes beyond the limitative definition of combination that was introduced by Althusser.<sup>22</sup> In the Althusserian conceptualization, articulation is given by the different levels of relations that link the different instances of formation, which include different MPs in corresponding fashion.<sup>23</sup> This linkage between different instances is not confined to the economic instances of the various MPs, but it is emphasized that articulation embraces the various levels of ideological and political instances as well.<sup>24</sup>

As was mentioned before, the importance of this concept here is its explanatory use in dealing with third world countries such as Jordan, which brings about Rey's elaboration<sup>25</sup> of the concept. Rey takes Althusser's concept and elaborates it on the basis of Luxemburg's thesis that a distinction should be drawn between capitalism that is born within a formation (Western Europe) and that which is installed in a formation (almost all of the rest of the world).

Based on Rey's argument, one can deduce that articulation is a functional concept that corresponds to the different stages and developments that the formations where capitalism was installed have undergone in their path towards complete replacement of the pre-capitalist relations by capitalist ones. However, in such a course of development the co-existence of pre-capitalist and capitalist MP introduces a complex of corresponding relations between the different economic levels according to the existing MPs and their ideological and political levels. Moreover, there are not only corresponding, but also non-corresponding relations between the economic, political and ideological instances of SF.<sup>26</sup> In this context, Rey claims that that of articulation is not a relational concept, but a diachronic one that implies three stages in regard to the installation of capitalism in the non-European sphere.

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<sup>22</sup> Foster-Carter, A. (1978), *The MPs Controversy*, *New Left Review*, (107), p15. Althusser, L. (1996), *For Marx*, p204-207.

<sup>23</sup> Althusser, L. (1996), p205. Althusser, L., Balibar, E. (1997), p41-42.

<sup>24</sup> Althusser, L., Balibar, E. (1997), p99-102.

<sup>25</sup> Foster-Carter remarks that articulation is used as an anatomical metaphor to indicate relations of linkage and effect between different levels of all sorts of things (Foster-Carter, A. (1978), p 15-16).

<sup>26</sup> In such a fashion, Sharara emphasizes the non-correspondence relations between economics, politics and ideology in the Arab SF as a key point in analyzing this formation and the political and ideological trends (see Ayubi, N. (1995), p27).

The first of the three articulation stages is one where the initial link between the newborn capitalist SF and the pre-capitalist ones is established in the sphere of exchange. At this stage of exchange, capitalism obtains raw materials from the sphere of the pre-capitalist SFs. The capitalist relations, however, are not promoted; on the contrary, in the course of the exchange and of its maintenance the pre-capitalist MPs are reinforced and retain a status of dominance. In other words, the capitalist reproduction implies expansion of its relations only in the formations where capitalism is already dominant or born.<sup>27</sup>

In the second stage of articulation, capitalism takes roots, subordinating the pre-capitalist MPs, but still making use of them. This does not exclude the possibility of reinforcing (at least some of) the latter for a certain period of time or in specific economic sectors, if needed. Nonetheless, this stage is characterized by the fact that the capitalist MP has the upper hand and penetrates the different stages of production. Hence, the different classes of the previous MPs are first partially and then completely transformed and merged into a labour force. Transformation is already partially achieved in the agricultural sector, but will not be completed except in the third stage, when the labour supply is ensured.<sup>28</sup>

The third stage of articulation witnesses the total disappearance of the pre-capitalist MPs, even in agriculture. According to Carter, this stage has not yet been reached in the third world<sup>29</sup>.

Despite the criticism<sup>30</sup> that was put forward concerning the construction of the theme, this approach is still vital and insightful when it comes to the study of the

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<sup>27</sup> Many examples can be given in this context, such as that of West Africa with its slave trade, which resulted in reinforcing the 'lineage mode of production' (see Foster-Carter, A. (1978), p 21. Brewer, A. (1990) *Marxist Theories of Imperialism: A critical Survey*, p246-245). Another example is the appearance of the feudal MP alongside capitalism in the Middle East, where the former could supply the latter with agricultural products and labour power. (Amin, S. (1978), *The Arab Nation: Nationalism and Class Struggle*, P 35-37). Examples from the Spanish and Portuguese expansion in Latin America, from the French in Algeria, from Egypt and the Dutch colonies in South East Asia are given by Taylor, J. G. (1981), *From Modernization To Mode of Production*, p191- 194 and 218-226.

<sup>28</sup> Taylor, J. G. (1981), p220-229. Foster-Carter, A. (1978), p 23-26. Brewer, A. (1990), p249-251. Bradby, B. (1975) *Economy and society* vol. IV, p67-69.

<sup>29</sup> One could argue that this stage was accomplished, even though the third world formation is still not like that of the advanced capitalist one.

<sup>30</sup> Rey refuses the critique of his ideas that suggests that the articulation concept is static and therefore it eliminates a vital Marxist concept, i.e. contradiction. He claims that contradiction and conflict exist between the different MPs and, in contrast with some theories, he states that in such a conflict the pre-capitalist MPs influence the whole process of articulation. The pre-capitalist MPs are not passive, but active (Foster-Carter, A. (1978), p 31-34).

different SFs of the third world. Articulation brings about a complex of relations between political and ideological levels that were within the main reproduction process of the pre-capitalist MPs and whose economic basis has either vanished or is in the process of withering away, and the new political and ideological levels that are of importance to the reproduction of the installed capitalist mode of production. Hence, these stages of articulation are not only reinforcing the pre-capitalist MPs in some particular periods, but even putting to use their political and ideological instances to facilitate the victory of the capitalist relations over the pre-capitalist relations. In this sense, some scholars have argued for non-correspondence relations between the economic and the ideological and political instances in the SFs of the Arab region<sup>31</sup>. As a matter of fact, one could claim that capitalist development, when it is not born but is installed in a certain SF, makes use of the laws, institutions, etc. of the modified or rehabilitated political and ideological levels of pre-capitalist MPs to facilitate a swift and less costly shift towards capitalism for the ready born capitalist SFs, i.e. the colonial Western formations. The process of penetration and installation that causes a gradual destruction of the pre-capitalist MPs uses to a large extent the frameworks and the systems that had facilitated the reproduction of the pre-capitalist formation, and which are now built within the new structure that aims to give roots to capitalism and its reproduction. For instance, the presence of the pre-capitalist forms of social, political, cultural and ideological practices is not problematic, provided they contribute to the transformation process. They also become the agents who promote and facilitate this transformation making great use of the pre-capitalist political and ideological apparatus. In this context, use of the articulation theme is an important device in understanding the complex relations within Jordanian society, which sometimes lead to overstating the cultural dimensions at the expense of the economic foundations, undermining the importance of the classes as social and political actors.

Limiting the usage of articulation to give an analytical account of the formation where capitalism is installed does not tell the entire story. In fact, articulation in the fashion that was defined is an important device to reveal the complex relations of the pre-capitalist formation in its dynamics. The pre-capitalist formation was not a static formation that has been activated and stimulated when it was encroached on by capitalism, but a dynamic one experiencing its own

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<sup>31</sup> See Sharara in Aybui, N. (1995), p27.

contradictions, combinations of modes of production and articulations. The usage of articulation, in this sense, can be very insightful to comprehend the pre-capitalist formation, its social and political and economic forces and consequently its application in the resulting formation when capitalism is installed. Throughout this study, the concept of articulation will thus be one of the corner stones in the analysis of the different aspects of the bourgeois class in Jordan and of its relations within other social spheres and structures. It was used also in looking at the nomadic system and its impact on studying Jordan.

## 1.2 THE MARXIST CONCEPT OF SOCIAL CLASS

This is the central section, which covers the main principles of the Marxist concept of social class, reflecting the two key aspects of the Marxist theory of class. The first is class at the structural or economic level; in this respect, this study covers the main pillars that are necessary for defining class, without which the Marxist class concept is bound to collapse. The second aspect concerns the classes in practice, that is in the class struggle in a given phase or period. Thus, the classes are dealt with as social actors or, in Hindess's terms, as 'social forces'<sup>32</sup>. The attention here shifts from the existence of class by virtue of its economic foundation to as social and political actor or, in Giddens's words, as 'an agent of social and political change'<sup>33</sup>.

It is commonplace to say that there is no one Marxist concept that could refer to class in its dual aspects, despite the fact that the point of departure of the various – sometimes competing - notions is the Marxian concept of class. Hence, the analysis of the two dimensions of class in the Marxist paradigm will start with the Marxian theorems, not just because they are highly rewarding, but also due to the fact that the later elaborations took these theorems as cornerstones to construct new concepts of class or to confirm one or some specific aspects of class. Hence, each sub-section here starts by looking at the Marxian arguments, concepts and comments, followed by the elaborations and interpretations advanced by Marxist scholars when the Marxian ones are inadequate or problematic.

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<sup>32</sup> Hindess, B. (1987), *Politics and Class Analysis*, p17.

<sup>33</sup> Giddens, A. (1981), *The Class Structure of the Advanced Societies*, p 31.

### 1.2.1 CLASS AT THE ECONOMIC LEVEL (CLASS STRUCTURE)

The main principles of class theory concerning the definition of class, its emergence and its existence in the Marxist paradigm are based on Marx's writings and elaborations. However, as the majority of Marxist scholars agree, Marx never systematically gave a definition and elaboration of the class concept, even though most of his works revolved around classes and the class struggle, since according to Marx the latter is the motor of history. In fact, the incomplete final chapter of *Capital* was supposed to address this issue and to provide a comprehensive definition of the class concept, since Marx himself advanced the problematic question of 'what constitutes a class?'<sup>34</sup>. The few lines that time allowed Marx to write in order to tackle this question remain insufficient. However, a review of some of his important writings covering this issue reveals that Marx's analysis of the class was articulated at different levels.<sup>35</sup>

A class is formed and defined according to the economic conditions that dominate a specific phase or period. The class concept is thus bound to the abstract concept of relations of production in a given MP. The relations of production mould a class structure in which individuals enter into social relations representing their interest, which is determined by their positions in the production and reproduction process. In other words, class structure, which is determined by the relations of production, defines positions each of which can be filled by individuals who share the same relation to the means of production.

Marx and Engels referred to the property relations aspect of the relations of production in order to define class structure and consequently the different classes, i.e. the ownership of the means of production. Engels explains the terms 'bourgeoisie' and 'proletariat' in the English edition of the Communist Manifesto (1888). 'By bourgeoisie is meant the class of modern capitalists, owners of the means of social production and employers of the wage labour. By proletariat, the class of modern wage-labourers who, having no means of production of their own,

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<sup>34</sup> Marx, K. (1882), *Capital*, vol. (3) , p885-886.

<sup>35</sup> Wright argues that two distinct approaches characterised Marx's writings about the class concept. The first is concerned with the elaboration of the 'abstract structural maps of class relations'. This analysis can be found in the theoretical works, and especially in the analyses of the capitalist MP in *Capital*. The second one, which deals with the cases as actors or, in Wright's words, as 'class formation', occurs instead in Marx's political writings (Wright, E.O. (1997), *classes*, p6-8).

are reduced to selling their labour power in order to live.<sup>36</sup> The central role of the possession of the means of production in defining the classes is asserted in Marx's dissection of the different classes in 19<sup>th</sup> century France.<sup>37</sup> In the above-mentioned incomplete chapter of *Capital*, Marx distinguishes three main classes that historically emerged under the capitalist MP according to their relationship to the means of production. These are the wage labourers, who are dispossessed of the means of production and 'the owners merely of labour-power'; the owners of land, and the owners of capital.<sup>38</sup> In short, the owners of means of production and the dispossessed.<sup>39</sup>

The reference to the possession of the means of production remained a cornerstone in the majority of the theoretical elaborations of Kautsky, Hilferding, Lenin, Luxemburg, Lukács and Bukharin, especially as far as the proletariat and bourgeois classes are concerned. Other criteria were deployed in studying the middle classes, as will be shown. For example, Kautsky analyzed the classes of the capitalist societies, starting from the proletariat and ending with the bourgeoisie, according to the possession of the means of production.<sup>40</sup> Moreover, in his attack on the Bolshevik revolution and the ensuing republic, he criticized the treatment of the bourgeoisie under the new regime, claiming that the bourgeois class was not bourgeois anymore after it had been deprived of its means of production. He went further to argue that such a treatment was far from being based on class,<sup>41</sup> but that it was based on other factors, closer in quality to race or gender.<sup>42</sup> Lenin, in contrast to Kautsky's argument, warned the members of the Bolshevik party that eliminating the property of the bourgeois class did not mean eliminating their political and

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<sup>36</sup> Marx and Engels (1848), p.79.

<sup>37</sup> Marx, K. (1851) *The Class Struggle In France*, p 36-37, 44 , Marx, K. (1852), *The Eighteenth Brumaire of Louis Bonaparte*, p173.

<sup>38</sup> Marx, K. (1882), *Capital*, Vol. (3), p885.

<sup>39</sup> Marx and Engels stress that the distribution of wealth goods and power is not the ground on which the agents of production are distributed into classes and class relations are formed. The key factor is instead the distribution of the means of production among the agents of the capitalist production ('possessors' and 'dispossessed'). The former classification criterion is already included in the latter; it is in fact the outcome of it (Marx, K., Engels, F. (1846), *The German Ideology*, p78).

<sup>40</sup> Kautsky, K. (1892), *The Class Struggle*, p18-26.

<sup>41</sup> In this argument Kautsky dropped the political and ideological dimensions of the definition of class, where his analysis of the middle classes was highly emphasized (Kautsky, K. (1892), *The Class Struggle*, p40-42). This proposition is taken up some 6 decades later by Poulantzas, who elaborates it and applies it to the petty-bourgeoisie and the new middle classes (Poulantzas, N. (1977), p 83-86).

<sup>42</sup> Kautsky, K. (1918), *the Dictatorship of the Proletariat*, p34.

ideological threat, which was actually still in existence two years after the revolution.<sup>43</sup> However, Lenin was in full agreement with Kautsky regarding the fundamental role of the possession of the means of production in defining classes. He stated:

'Classes are large groups of people which differ from each other by the place they occupy in a historically determined system of social production, by the relation (in most cases fixed and formulated in law) to the means of production, by their role in the social organization of labour and, consequently, by the dimensions and methods of acquiring the share of the social wealth of which they dispose'<sup>44</sup>

From the above considerations, one can deduce that the social relations to the means of production basically define the class structure in which the agents of production are divided and classes come to exist. However, other elements result from the previous proposition and cover an important role in contrasting the Marxian class concept at the economic level. The concept of class as it was asserted by Marx in different works is a relational one, i.e. classes are defined in their relations to other classes. In the *Grundrisse*, it is stated that classes do not exist outside the relational concept.

'Society is not merely an aggregate of individuals; it is the sum of relations in which individuals stand to one another. It is as though someone were to say that, from the point of view of society, slaves and citizens do not exist; they are all men. In fact, this is rather what they are outside society. Being a slave or a citizen is a socially determined relation between individual A and individual B. Individual A is not as such a slave. He is only a slave in and through society.'<sup>45</sup>

This relationship, outside of which the classes lose their contents, is moreover articulated in two main aspects: the exploitative and the antagonistic. The exploitative relationship lies in the unequal distribution of the means of production among the agents, which results in the expropriation of the surplus-labour from the direct producers by the owning class, differentiating the various classes' capacities to act.<sup>46</sup> In MPs such as feudalism and slavery, expropriation takes the form of 'coercive exchange', since the exploited classes are forced to exchange their labour

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<sup>43</sup> Lenin, V.I.(1918), *A Great Beginning*, in the *Collected Works*, Vol. (27), p231.

<sup>44</sup> *Ibid.*, p 232.

<sup>45</sup> Hall, S. (1977) *Marx's theory of Classes*, p25.

or services for less than their value to the exploiting classes. The capitalist exploitation around which Marx's theory of value revolves is based on the expropriation of the surplus-value that the producers generate by the capitalist class.<sup>47</sup> The rationale behind this claim lies in the concentration of ownership of the means of production in the hands of the capitalist class and in the corresponding process of depriving the direct producers of the means of production, forcing them to sell their labour power, i.e. 'alienation'.

The other face of the relational concept, which is of vital importance, is the antagonistic one. Exploitation flattens the ground on which the objective variations of class interests are erected and forms an antagonistic relation between the classes. The two main classes which are located at the extreme edges of the production process are defined according to the sum of the above mentioned theorems. The proletariat and the bourgeoisie are defined by their relations to the means of production, on which their interest and the nature of their reciprocal relationships are shaped. The same approach is applicable when defining the classes of different MPs, such as lords and servants, slaves and freemen...etc.

### 1.2.2 CLASS AS A SOCIAL FORCE

The relations to the means of production constitute the class structure, which implies an objective antagonistic relational conception of the classes according to the central concept of exploitation. The importance of class structure as the primary element in defining the classes is undeniable. However, according to Marxism, the class concept is not confined within the boundaries of its factual existence; it also has a great importance in regard to its social and political role in society. In this context, the class concept is not a device to characterize a given society in terms of locations occupied by different groups of individuals sharing an economic situation and a common interest.<sup>48</sup> The fact that these different locations, within which the classes are distributed, are bound to each other by antagonistic relationship revolves around the concept of exploitation that flattens the ground for other dimensions of

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<sup>46</sup> Wright, E.O. (1997), p 34-35 . Also see Hall, S. (1977), p24-27.

<sup>47</sup> Roemer, J. (1982a) *General Theory of Exploitation*, p10-12. Roemer, J. (1982b) *New Directions in the Marxian Theory of Exploitation and Class*, p29-33.

<sup>48</sup> Such an assumption reduces Marxist class theory to the level of other stratification theories based on the income differentiation between social groups or the Weberian concept of the 'class situation' and 'market situation'.

the class concept, namely those of the class as a political and social agent. Within the understanding of class as an agent lie other important concepts, such as those of class struggle and of class contradiction. In Marx's words,

'The history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstruction of the society at large, or in the common ruin of the contending classes.'<sup>49</sup>

Accepting these new dimensions of the class concept does not constitute a problematic issue *per se*. However, the relationship between class at the structural level and class as a social and political actor functioning according to the interest that is dictated by its economic position was one of the most problematic issues within the Marxist circles and, to some extent, a ground upon which rival theorists based their polemics.<sup>50</sup> This issue is particularly important, since defining a possible rational relationship between class structure and class as a social actor is the only way to analyze concrete societies in terms of class. In the following sub-sections, the focus is on how Marxist analysts have dealt with this issue, starting with Marx's conceptions and the consequent elaborations and interpretations.

### ***1.2.2.1 Class in Itself and for Itself***

Marx himself advanced two concepts that could explain the relationship between class structure and class as a social actor, namely those of 'class in itself' and 'class for itself'. Such concepts are directly and clearly mentioned in Marx's *The Poverty of Philosophy*.

'Economic conditions had at first transformed the mass of the people of the country into workers. The combination of capital has created for this mass a common situation, common interests. This mass is thus already a class as against capital, but not for itself. In the struggle, of which we have noted only few phases, this mass becomes united and constitutes itself as a class

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<sup>49</sup> Marx and Engels (1848), p.79.

<sup>50</sup> Such an issue is extended to cover the entire set of relations between the economic domain and the political and ideological ones.

for itself. The interests it defends become class interests. But the struggle of class against class is a political struggle.<sup>51</sup>

Marx's concept of 'class in itself' refers to the class as it is formed at the structural level and to certain functions and actions that this given class is involved in, but whose level does not qualify this class to be class for itself. Marx gives examples concerning the proletariat:

'The proletariat goes through various stages of development. With its birth begins its struggle with the bourgeoisie. At first the contest is carried on by individual labourers, then by the work-people of a factory, then by the operatives of a trade, in one locality, against the individual bourgeois who directly exploits them.'<sup>52</sup>

These three types of struggle or confrontation, which indicate a certain degree of organization and consciousness, are still within the domain of the 'class in itself'. On this ground, Poulantzas places these types of struggle<sup>53</sup> within the economic interest struggle between the agents of production, since, in Marx's terms, they are not directed against the 'bourgeoisie's condition of production'<sup>54</sup>, but against the instrument and the imported products that are in competition with the labourer's own labour. Furthermore, the labourers at this stage of struggle 'still form an incoherent mass scattered over the whole country'.<sup>55</sup>

Turning to the concept of 'class for itself', again in regard to the proletariat, Marx shows the necessary conditions according to which this class could be termed as class for itself.

'... with the development of industry the proletariat not only increases in number; it becomes concentrated in greater masses, its strength grows and it feels that strength more. The various interests are more and more equalised, in proportion as machinery obliterates all distinctions of labour, and nearly everywhere reduces wages to the same low level [...] the more collision between individual workman and individual bourgeois takes more and more the character of the collision between two

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<sup>51</sup> Marx, K. (1847), *The Poverty of Philosophy*, p. 143.

<sup>52</sup> Marx and Engels (1848), p.88.

<sup>53</sup> Poulantzas, N. (1973), p62-66.

<sup>54</sup> Marx and Engels (1848), p.89.

<sup>55</sup> *Ibid*, p89.

classes. Thereupon the workers begin to form combinations (Trade Union) against the bourgeois<sup>56</sup>

and

'This organization of the proletarians into a class, and consequently into a political party, is continually being upset by the competition by the workers themselves. But it ever rises up again, stronger, firmer and mightier. It compels legislative recognition of particular interests of the workers, by taking advantage of the division among the bourgeoisie itself. Thus the Ten Hours Bill in England.'<sup>57</sup>

Based on Marx's comments, one could argue that 'class for itself' is a combination of class in itself and a certain degree of actions that the class is engaged in. This certain level of actions is beyond the types of actions and struggles that were mentioned above and correspond to 'class in itself'. In this perspective, the class struggle that reaches the stage of 'class for itself' is distinguished from the struggle at the level of 'class in itself' by being a political one, i.e. the highest level of conflict and the core of the class struggle according to Marx.<sup>58</sup> Such a political struggle comes into existence when the mass of a given class attains awareness of its interests, that is it becomes 'self-conscious' of its own interest.<sup>59</sup> In this sense, one could argue that the struggle targets the entire class structure rather than some specific aspects of the production process. These developments at the level of consciousness and the types of struggle that are influenced by the types of organization that the class members are engaged in, have an impact on the development and the sort of organizations representing the class's interest. Concluding from Marx's conceptualization, the stage of class for itself can be identified from the function of the class on three main terrains<sup>60</sup>: class struggle,<sup>61</sup> consciousness<sup>62</sup> and formation<sup>63</sup>.

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<sup>56</sup> Marx and Engels (1848), p.89.

<sup>57</sup> Marx and Engels (1848), p.90.

<sup>58</sup> Marx and Engels (1848), p.90.

<sup>59</sup> Marx and Engels (1848), p.92.

<sup>60</sup> It is important to mention that 'class struggle' is the most frequently used term, while the use of the others varies. In fact, Marx never used them in the way in which they are presented, but they are borrowed here from Wright. However, the elements that Marx indicated in his treatment of class practice are covered under these domains.

<sup>61</sup> Class struggle corresponds to all antagonistic forms of activities that the members of a class are engaged in according to their inherent interest. In this sense, the atomized conflict between a worker and a capitalist is still within the domain of class struggle; however, it is not class struggle that exists at the macro level when the class members collectively act at a certain level of consciousness for the interest of the class determined by the class structure (see Wright, E. O. (1997), *Class Counts*,

The fact that the 'class for itself' can be circumscribed on the basis of these terrains does not imply that their existence is confined to the domain of the class for itself. This assertion is vital, since Marx's comments concerning the function of the class below the stage of 'class for itself' are undisputable. They can be deduced from his description of the proletariat above and from that of the small-holding peasants below.

'The small-holding peasants form a vast mass, the members of which live in similar conditions but without entering into manifold relations with one another. Their MP isolates them from one another instead of bringing them into mutual intercourse [...] In so far as there is merely local interconnection among these small-holding peasants, and the identity of their interests begets no community, no national bond and no political organization among them, they do not form a class. They are consequently incapable of enforcing their class interest in their name, whether through parliament or through a convention. They cannot represent themselves, they must be represented.'<sup>64</sup>

Another conclusion that should be highlighted here is the full rejection of the treatment of the 'class for itself' as an inevitable development of class structure.<sup>65</sup> The 'class for itself' is a particular state that may or may not come into being. However, such a proposition was not associated with the proletariat, but was the base on which Marx built his analysis of the peasants of France in the mid 19<sup>th</sup>

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p382. Also Marx's treatment of the class struggle in the Communist Manifesto). In fact, there are different schools of thought regarding the definition of class struggle. Wright classifies them in three groups: the first is mainly concerned with the results of the struggle, the second emphasizes the consciousness of the classes in the course of the struggle, while the third is concerned with the nature of the actors that are engaged in the struggle. It is class struggle is class one when the actors are classes or formed on class bases (Wright, E. O. (1997), *Classes*, p57). No evidence can be found that Marx was concerned with the outcome of the class struggle as a parameter for its existence, while the nature of the actors is repeatedly indicated and class consciousness to some extent (see for examples the French February revolution/1848 and June insurrection/1848, in Marx (1851), Marx (1852) and Marx (1871)).

<sup>62</sup> Class consciousness, as Wright asserts, refers to subjective choices of the individuals in a given class, i.e. to the micro - rather than the macro - level of the class. However, the actions of collectivities that reflect the direction of class consciousness are bound to the consciousness at the micro level (see Wright, E. O. (1997), *Class Counts*, p382-385).

<sup>63</sup> Class formation corresponds to 'the formation of collectively organized social forces' of a given class regardless of whether this formation refers to the process or outcome. Class formation, is thus the ways in which the class capacities are shaped influencing the class struggle in particular, but the balance of power at large. Class formation is not confined to the formal social organizations that enforce solidarity between the class members, such as unions, political parties and clubs (in the Marxian sense), but includes any form of informal social bodies that advance solidarity such as neighbourhood committees or social clubs (see Wright, E. O. (1997), *Class Counts*, p379-380).

<sup>64</sup> Marx, K. (1852), *The Eighteenth Brumaire of Louis Bonaparte*, p214.

<sup>65</sup> See in the coming sub-sections how Lukács developed Marx's arguments about the peasants and the proletariat into class-subjects.

century. They constituted a class by sharing the same material conditions, but at the same time they did not constitute a 'class for itself'.

The two concepts of class that Marx advances are vital, since 'class in itself' corresponds to the existence of a class at the structural level<sup>66</sup>, with all the class actions dictated by this structure, though it is still below the stage termed 'class for itself'. The latter is a class in its actions and functions as a political actor, once again determined by class structure. These two aspects of class are of great importance when considering societies like that of Jordan, where the articulation of MPs is more complex than that of advanced capitalist societies. Moreover, the prolonging of the transition period to a more refined capitalist formation by the specific historical conditions of Jordan and by the impact of the relations of Jordan, as part of the periphery, with the capitalist core, keeps the possibility open for autonomous ideological and political spheres. Therefore, the concepts of 'class in itself' and 'class for itself' are useful, since the absence of the latter does not imply the non-appearance of the class at the structural level, which may lead to the formation of 'class for itself'.

#### ***1.2.2.2 Interpretations and Elaborations***

A few problematic issues are associated with these two concepts, due to the fact that Marx never fully elaborated on them. One of these is that the relationship between 'class in itself' and 'class for itself' on the one hand and class structure on the other remains obscure. That is, the relations between class consciousness, struggle and formation and class structure are not well defined and have been subject to different elaborations.

At another level, it is still difficult to identify the boundaries that differentiate 'class in itself' from 'class for itself', especially since both concepts share the same terrain. In fact, Marx's treatment seems to indicate that the linear development of class ascends from its structure level to 'in itself' then to 'for itself', when the class's

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<sup>66</sup> One can correctly assume that two understandings of the class in itself can be deduced from the Marxian comments and analysis: the first one is that the class for itself is nothing but the class structure (see Figure 1 in Appendix 1); the second refers instead to a certain stage that emerges with specific class features (see Figure 2 in Appendix 1). The latter understanding exhibits very loose boundaries, to the extent that any particular feature can be dually viewed as class in itself or for itself.

structural conditions give it the possibility to do so. Such an observation implies that the 'class for itself' is a permanent stage that the class reaches and occupies as long as the class structure continues to exist.<sup>67</sup> If this is to be the case, how can the analysis cope with the decline of class as the main social and political agent and the rise of other social factors?

Another important dimension is the relation between 'class in itself' and 'for itself' on one side and the other social spheres outside class structure such as gender, cast, ethnicity, religion...etc. These domains are grounds on which social and political activities can arise alongside ones which are determined by class structure. Hence, turning a blind eye on such a reality, in some specific societies like Jordan, results in a lame analysis.

Marxist scholars discussed directly and indirectly the different concepts of class and some of the problematic issues mentioned above; some of the main interpretations and elaborations will be covered here.

Some of the most well known interpretations are those advanced by the Marxist economism scholars. According to the arguments of this school, the whole issue of class 'in itself' and 'for itself' and the relation between the two aspects is not problematic, since the whole range of class actions, such as class struggle, formation and consciousness, are reduced to the level of an effect of the class structure or of the relations of production and productive relations.<sup>68</sup> This claim does not just reduce the class for itself to an inevitable consequence of the class in itself, but it eliminates the relations that are imposed by domains other than class structure on the dynamics of the SF. In other words, the whole SF, including the political and ideological spheres as well as the other social factors such as gender, ethnicity and religion are reduced to a mere effects of the economic foundation.<sup>69</sup>

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<sup>67</sup> A change in class structure that gives birth to a new class and causes the decline of others does not lead to the class exiting the 'for itself' stage, but to the entire class fading.

<sup>68</sup> As Giddens claims, such interpretations were advanced by virtue of the ambiguity of Marx's writings and of the different theorems that he posed concerning social change. Such emphasis could be found in some of his works, such as *The German Ideology* and *The Poverty of Philosophy*. Giddens claims that Marx and Engels's later writings distinguished themselves from reductionism, stressing interdependence between the structure and superstructure, as with Engels's famous statement about the determining role of the structure or economy 'in the last instance' (see Giddens, A. (198), *General Problems in the in the Social Theory*, p57).

<sup>69</sup> In the case of Jordan, such a claim cannot hold a ground when confronted with some ideological and political dimensions of a certain importance in the formation, even though their economic foundation has withered away.

Some Marxist scholars spend a great deal of energy polemicizing against this school. For instance, in his analysis of the role of the working class political party, Lenin criticizes the limitations of the main political themes of this school, such as the spontaneity of the trade union struggle, which it believes is the core of the class struggle and the only way possible for achieving a classless society.<sup>70</sup> Along this line is Gramsci's polemic against reducing the class struggle to the boundaries of 'voluntarism'.<sup>71</sup> In a different perspective, Lenin emphasizes the naivety of deducing the political power balance of the classes from their class structure.<sup>72</sup> Elsewhere, Gramsci goes beyond Lenin's proposition, stating for example that not every practice at the political level is tied to the economic level, and giving instances in which an economic basis is impossible to trace. Furthermore, Gramsci draws attention to the fact that even when the political struggle operates within the economic structure framework there is room for a 'mistake' that does not have a basis in the economic level but can influence the entire struggle.<sup>73</sup> Gramsci thus emphasizes the relative autonomy of the political and ideological levels.<sup>74</sup> Poulantzas highlights the role of the social relations of production, distinguishing them from the mere relations of production that the economic reductionists could not grasp.<sup>75</sup> Hindess looks at the legal aspects of the state to substantiate his refusal of the theme of the economic effect.<sup>76</sup>

Another elaboration that came into existence based on the concepts of 'class in itself' and 'class for itself', is the transformation of the proletariat into a 'class subject' with a role in history, without acknowledging its contradictions and differentiation.<sup>77</sup> Building on the class subject proposition, another important elaboration ascribes the destiny of historical and social change to the proletariat. The main manifestation of such an interpretation is Lukács's formulation of class-

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<sup>70</sup> Lenin, F.I. (1902), *What is To Be Done?*, p108-111.

<sup>71</sup> Gramsci, A. (1999) *A Gramsci Reader: Selected Writing 1916-1935*.

<sup>72</sup> Lenin (1919), *The Agrarian Programme*, in Hirst, P. (1977), p96.

<sup>73</sup> Gramsci, A. (1999), *A Gramsci Reader: Selected Writings 1916-1935*.

<sup>74</sup> Based on such elaboration, Althusser conceptualizes the determination and over determination, advancing the autonomy of ideology (see Althusser, L. (1996), *For Marx*, p117-124 and Althusser, L. (1994), *Ideology and Ideological State Apparatus*, 103-107).

<sup>75</sup> Poulantzas, N. (1973), *Political Power and Social Classes*, p60-63.

<sup>76</sup> Hindess, B. (1989), *Class Analysis-as-Social Theory*, p59-60; Hindess, B. (1987), *Politics and Class Analysis*, p88-89, 96-98.

<sup>77</sup> Hall, S. (1977), p27; Poulantzas, N. (1973), p60-61.

consciousness.<sup>78</sup> Lukács suggests that the articulation of the objective revolutionary position of the proletariat and its empirical revolt comprise an 'object-subject' dialectical relationship.

In this context, the proletariat has to form a political organization and to exhibit an empirically revolutionary political consciousness.<sup>79</sup> The emphasis on the subjective factor and false consciousness, together with the role of the party as the vanguard of the proletariat, goes hand in hand with Lukács's understanding of Leninism, of which he considered himself a militant.<sup>80</sup> The elements upon which his treatment of the proletariat are based are exclusively confined to the proletariat,<sup>81</sup> i.e. to the 'special class'.<sup>82</sup>

Despite the fact that Lukács never attempted to elaborate a theoretical agenda of class, he argues that the smallholding peasants are not a class at all. His assumption is based on Marx's treatment of the Eighteenth Brumaire of Louis Bonaparte<sup>83</sup> and Bukharin's similar analysis of the Russian peasants.<sup>84</sup> Such an assumption, however, does not stand any ground, since Marx's assertions about the smallholding peasants not being a 'class for itself' do not imply that they do

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<sup>78</sup> Hall, S. (1977), p27.

<sup>79</sup> Lukács, G. (2000), *A Defence of History and Class Consciousness*, p50.

<sup>80</sup> Lukács employed the concept of 'false consciousness' in order to explain the fact that the proletariat does not always match its appointed historical mission. The objective conditions surrounding the collapse of the Hungarian soviet republic in 1919 and the success of the Bolshevik revolution were examples given by Lukács to emphasize the fundamental role of the subjective factor embodied in the presence of a revolutionary political party, elevating class consciousness to the level of the proletarian interest (Lukács, G. (2000), *A Defence of History and Class Consciousness*, p54-55).

<sup>81</sup> In fact, Lukács tries to extend the privileged objective conditions that the proletariat enjoys to other classes, such as the ones of pre-capitalist societies, stating that these objective conditions do not exclude them from having the same status that the proletariat has as a subject of social change. This analysis extends to cover other classes within the capitalist system, in particular the peasants, whose objective conditions hamper them from forming a class in the proletariat sense. In this regard, Lukács goes back to Marx's account of the smallholding peasants, presented above. However, he gives considerable importance to the contradiction that results from the location of the peasants in capitalist production, especially in societies in transition to capitalism. This contradiction shapes a consciousness that is in complete form in the case of the proletariat, elevating the latter to having a role in history (Lukács, G. (2000), *A Defence of History and Class Consciousness*, p83-89).

<sup>82</sup> Lukács, G. (2000), *A Defence of History and Class Consciousness*, p83.

<sup>83</sup> Lukács, G. (1971), *History and Class Consciousness*, p60-62. Lukács states that 'We cannot speak of class consciousness in the cases of these classes [the peasants], if we can even speak of them as classes in the strict Marxist sense of the term.'

<sup>84</sup> Lukács, G. (2000), *A Defence of History and Class Consciousness*, p82; Lukács, G. (1971), *History and Class Consciousness*, p64-65.

not constitute a class at all. There are a few examples from that period in Marx's<sup>85</sup> works that show the peasants' interest and how it was pressed.<sup>86</sup>

If one is to take Lukács's assumption to its limits, what do these peasants constitute if not a distinct class? Based on Marx's analysis, the peculiarity of the peasants does not just come from their middle location in the capitalist production relations, since they are neither exploiters nor exploited, but from their surrounding objective conditions, which hinder the process of converting the scattered mass into a coherent class, and flattening their contradictions in favour of the basic one.

The two above-mentioned aspects of the class subject were at the centre of the critique of Structural Marxism, due to their connection with the Hegelian tradition away from which Marxism established an epistemological break.<sup>87</sup> However, this treatment is still adopted in the interpretations and elaborations of the Hegelian Marxist School.<sup>88</sup> In the case of this study, using the class-subject concept leads to a dual system of analysis, one part of which concerns the objective conditions, while the other one is based on the degree of development that the subjective dimension of a given class has reached. The lack of subjective dimension and consequently the absence of the class vanguard, because of the specificity<sup>89</sup> of the Jordanian formation, deprive its classes of being considered classes in the sense that the proletariat is treated in Lukács. In this context, such propositions lead to an analysis of Jordan as, on the one hand a class society, and on the other as a society that lacks class actors, which, according to Lukács, implies lack of classes.

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<sup>85</sup> Marx, K. (1852), *The Eighteenth Brumaire of Louis Bonaparte*, p212.

<sup>86</sup> Lukács does not deny that the peasants and similar social groups have their own interest and are even involved in all sorts of class struggle; however, he explains that this engagement has to be triggered by an external factor such as an upheaval in the urban centres, because of the lack of communication and the lifestyle of the peasants. This reason and the fact that 'class consciousness is prevented from emerging by their position within the process of production and the interests by this generated' do not lead the peasants to the stage of 'class for itself'. On these grounds, Lukács explains how the peasants fight under the flag of the opposite interest to theirs, and consequently argues that they do not constitute a class (Lukács, G. (1971), *History and Class Consciousness*, p62).

<sup>87</sup> Althusser, L. (1996), *For Marx*, p31.

<sup>88</sup> Russel, J. (1989), *MPs in World History*, p133-135.

<sup>89</sup> The peculiarity here refers to the co-articulation of the capitalist and non-capitalist MPs, which gives birth to classes that operate within more than one MP and have a dual objective base, beside the fact that such an articulation results in political and ideological levels that do not correspond to an economic base. This peculiarity can be seen as somewhat analogous to the peasants' conditions, on which Lukács's treatment heavily relies (see the sub-section concerning the Articulation).

One of the most recent elaborations that appeared in this arena of debate and which has had an impact on the different succeeding schools is that of Structural Marxism. Its scholars' critique of Economism and the Marxist Hegelian elaborations was mentioned above. Poulantzas argues against the entire class 'in itself' and 'for itself' concept as a Hegelian one that slipped into Marx's early writings. Therefore, Poulantzas claims that classes should be defined at the economic and at the same time at the political and ideological levels. In this sense, the function of the class at the political and ideological levels becomes a determinant factor in defining it. Therefore, the classes are not defined objectively according to their relations to the means of production. In order to solve this problematic issue, Poulantzas claims that the political and ideological levels lie on the structural, i.e. the economic, level. In Poulantzas's words, '... the places of political and ideological dominations and subordinations, are themselves part of the structural determination of class'.<sup>90</sup>

Such an elaboration leads to two contrasting conclusions. According to the first, the ideological and political factors that are at the structural level are completely determined by the economic dimension, leading to the same conclusions as Economism, as Wood has argued.<sup>91</sup> According to the second, the ideological and political levels are the decisive ones in defining the classes, regardless of their positions in the production process.<sup>92</sup>

Applying such a doctrine to societies such as that of Jordan means putting the whole relationship between certain groups of individuals and the means of production under further examination. These individuals, regardless of their objective position with respect to the means of production, cannot be considered a class if they lack a class aspiration at the political and ideological levels. A more threatening possibility is that new categories of class may emerge as a consequence of the political and ideological functions of certain groups of individuals, regardless of whether the latter were drawn from different positions as far as their relations to the means of production are concerned.

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<sup>90</sup> Poulantzas, N. (1975), p180-187.

<sup>91</sup> Meiksins Wood, E. (1998), *The Retreat From Class*, p42-44.

<sup>92</sup> The conceptualization of the middle classes in Poulantzas's elaboration is an example of the determination of the ideological level. Poulantzas (1977), p 73-75 (See the section on the Middle Classes).

### 1.2.3 THE ALTERNATIVE

The unsatisfactory elaborations of 'class in itself' and 'class for itself' lead to the coinage of a new concept based on Marx's comments concerning class and the different interpretations by the Neo-Marxist scholars and others. Two main sets of constraints ought to be considered: the first ones are those that confine any new concept within the Marxist framework;<sup>93</sup> the second ones are those that are related to the peculiarity of the Jordanian SF, such as the articulation of the different MPs, the importance of the social variables that are not of class character and the role of the state.<sup>94</sup>

The point of departure in constructing an operational concept of class within concrete societies which could be an efficient device in analyzing the Jordanian bourgeoisie will be reemphasizing the definition of 'class in itself' and 'for itself'. The first is the stage at which members of the class take actions which are directly or indirectly dictated by their objective interest, resulting from their class position in the production. Along the line that Marx's comments trace, this stage is generated directly by the birth of class structure, indicating prototypes of actions that result objectively from the antagonistic and exploitative relations between the different classes within a given system.<sup>95</sup> In this context, the 'class in itself' reflects all the actions that are individually taken by some members of a class against the opposite class or against some of the production aspects or even against other classes or social groups, but not against the whole production system which produces their class position.

'Class for itself' stands at the other extreme with respect to the position occupied by 'class in itself': The actions that the class is engaged in are determined by its structure at one level and, at the other, by all the input that is dictated by the consciousness, formation and experience which are gained through its interactions (the different forms of class struggle) with other classes and socio-political elements. In this perspective, all of these terrains are determined by the interest of the class as

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<sup>93</sup> These principles were emphasized in the previous sections on the MPs and class structure.

<sup>94</sup> The purpose of this set of constraints is not to develop a specific model which operates within the conditions of Jordan. However, within the scope of this study the consideration of the Jordanian case, as an example of the developing countries, has to be put forward.

<sup>95</sup> See how Marx dealt with the proletariat in the sub-section about 'class in itself and class for itself'.

class, not as a collection of members belonging to the same economic position. As a social and political agent, the 'class for itself' defends its interest consciously. However, both 'class in itself' and 'class for itself' share these terrains, though the former is still an immediate outcome of class structure. The question that was put forward above, i.e. what is the link between the two stages, is just a matter of mechanical shift from one to the other.

In order to resolve these problematic issues, it is possible to coin a new concept that corresponds to all of the actions that are taken by any class and embraces the 'class in itself' and 'for itself' without the need to eliminate any of them.<sup>96</sup> This is 'class in practice'. By 'class in practice' is meant simply all of those social, political and economic acts performed by the members of a given class or by some of them, which are based on class structure and which have the ability to affect aspects of society, including their own class.

This definition indicates that the whole range of actions or functions of class character, from the simplest aspirations of the antagonistic relations between opposite (e.g. exploiting and exploited) classes up to the most developed class struggle, is political, as Marx states.<sup>97</sup> The class in practice is the dynamic sphere where the different forms of actions of class character are manifested, and hence where the 'class in itself' and 'for itself' can come to existence. To conclude, the class in practice is manifested in the same three terrains of the 'class for itself' according to Marx - i.e. class-consciousness, struggle and formation - and is determined by the class structure. The relations among these terrains and between them and class structure will be briefly advanced in the light of Wright's theory, i.e. models of determination.

From this point of view, the 'class for itself' is nothing more than class in practice, or, more precisely, it is a specific form of practice that exists when the class formation can produce a political representative of its interest and the class becomes consciously engaged in the political struggle by pursuing a change in structure, since variations of practice are born with the birth of class structure. Accordingly, one

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<sup>96</sup> As a matter of fact, the concept of class in itself could be eliminated, since it corresponds to the spontaneous actions that class structure dictates. In this context, it is possible for the class in itself to be viewed as the initial stage of the class in practice per se. Moreover, some scholars refer to the class in itself as part of the class structure. Considering such a possibility can be worthwhile; however, such a task falls outside the scope of this study.

<sup>97</sup> See the subsection about 'class in itself and class for itself'.

could argue that Marx's analysis of social classes<sup>98</sup> corresponds to three different instances: 'class in itself', 'class in practice' and 'class for itself'. At any rate, the Marxian treatment of the proletariat corresponds to 'class in practice', since it is, at one level, 'class in practice' moving towards 'class for itself'.<sup>99</sup> According to this proposition, the presence of the class cannot be reduced to the 'class for itself', or to its engagement in the political struggle for its objective aspirations. The most conspicuous examples appear in Marx's treatment of the lumpen-proletariat and the peasants in different works.<sup>100</sup>

The notion of "class in practice" has advantages over the other elaborations of the class's different aspects. Firstly, the problematic relations between the 'class in itself' and 'for itself' are resolved by virtue of the fact that both aspects are part of the same sphere, i.e. 'class in practice'. If the conditions of a class are not mature enough for it to be at the level of 'class for itself', and in the meantime they are beyond restricting it within the 'class in itself', such a class will be easily defined within the domain of 'class in practice'.

Secondly, this concept can indicate that the movement of 'class in itself' to for itself – or of 'class in practice' to 'class for itself' - is not a linear ascending development that the class accomplishes by reaching the highest level. The class may succeed in reaching the 'class for itself' stage in a particular phase or period; however, in another phase a movement of the class in the opposite direction is possible. In other words, the class function in the sphere of 'class in practice', with the determinations of class structure, can provide the necessary conditions for the class to reach a specific stage of 'class in practice', i.e. 'class for itself'. If these conditions are not present in the first place, or fade for reasons such as the outcome of the class struggle or others that lie outside the 'class in practice', the same class moves from 'class for itself' to 'class in practice'. Such an understanding can have explanatory power regarding the importance of the class as a social actor in different periods, in the light of different circumstances.

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<sup>98</sup> This is the analysis that appears mainly in *The Communist Manifesto*, *The Eighteenth Brumaire of Louis Bonaparte*, *The Class Struggle in France*, *Civil war in France* and other works concerning the proletariat, the peasants, the petty bourgeoisie and, in some cases, the bourgeoisie.

<sup>99</sup> See the Marxian treatment in the first subsection.

<sup>100</sup> See Marx, K. (1852), *The Eighteenth Brumaire of Louis Bonaparte*.

One of the examples that can contribute to the above proposition is Marx's interesting analysis of the industrial fraction of the French bourgeoisie. The contrast between the industrial bourgeoisie and the ruling fraction went beyond polemics when the former joined the 1848 revolution on the side of the social groups whose interest stood opposite not just to the financial aristocracy but to the entire bourgeoisie. By taking the conflict beyond the limitations of its class interest and supporting the opposite classes, the industrial bourgeoisie was placing the cornerstone for the abolition of the capitalist relations of production. This example may be analyzed in terms of 'class in practice'. However, Marx explains that this fraction reversed its position from revolting against the financial aristocracy to a fanatical alliance with it under its lead in the 'Party of Order'.<sup>101</sup> This in turn meant that the industrial bourgeoisie gained the status of 'Class for itself'.<sup>102</sup>

It also shows that the sphere of the 'class in practice' is determined by the class structure at one level and by the interaction of its three terrains – i.e. class formation, consciousness and struggle - at another. The issue that comes forward objectively is the relation that ties class structure and 'class in practice' (including 'class for itself'), especially since in the latter sphere the political and ideological dimensions come together. The relations between class formation, consciousness and struggle are also important, since it is upon the articulation of the relations between these terrains (within the given constraints of the class structure) that some of the possible variations of 'class in practice' are produced, and in particular whether the stage of 'class for itself' is reached or not.

Wright advances the concept of '**mode of determination**', according to which models of determination can be deduced concerning the relation between the theoretical terrain and the practical one. The modes of determination are basically different forms of relationship that come to tie the different spheres with each other. According to the importance of each sphere, these relationships vary in their

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<sup>101</sup> Marx, K.(1851), *The Class Struggles in France*, p. 111.

<sup>102</sup> In this context, the class for itself is, in broad terms, the entire bourgeoisie. One could argue, in terms of fractions' interest, that the industrial bourgeoisie compromised some of its interest in its alliance with the financial fraction. However, such a compromise was inevitable if the industrialists were not to threaten the whole system reproducing their own position in the economic foundation. Marx claims that the development of the material conditions of the industry in France was not yet sufficient to allow the industrial fraction to take the lead in pressing their interests as the English industrial fraction did in the face of the landed proprietors.

strength and direction; they are, in order of their mode of determination: limitation, selection and transformation.<sup>103</sup>

The main intent of the modes of determination here is to identify the relations between class structure and each component of the 'class in practice' on the one hand, and the interrelations between the different components of the 'class in practice' on the other. Class structure imposes a limitation relationship on 'class in practice', as regards class formation, struggle and consciousness<sup>104</sup>. This relationship limits<sup>105</sup> the variations of a class in each of the above-mentioned terrains, i.e. it favours some and rules out others. For example, class structure establishes variations in the possible collective organizations (class formation) that could emerge in relation to one class, such as clubs, unions and political parties, etc. The same example could be extended to class struggle and consciousness. The analysis of the smallholding peasants on the one hand and of the proletariat on the other, as was formulated by Marx or even by Lukács, could thus be better understood. In contrast to the proletariat, the former class, which already existed in practice and even had - as Marx mentioned - concretely found in Napoleon III its representative,<sup>106</sup> could not become 'class for itself' because of the limitations on the possible variations that were imposed by class structure on 'class in practice'. A change in some structural aspects<sup>107</sup> could have facilitated the access of this class to the stage of 'class for itself'. Limitation does not mean that one of the possible variations will actually occur and it does not correspond to whatever concepts -such as shape or effect-indicate inevitable forms of class formation, consciousness and struggle.

The selection imposed by class formation and class consciousness on the class struggle is still a relationship of limitation of the possible variations, but it is

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<sup>103</sup> Wright, E.O. (1979) *Class, Crisis and the State*, p15-22.

<sup>104</sup> See figure 3, Appendix 1.

<sup>105</sup> One of the best examples of the limitation relationship is the one given by Wright about the state forms under feudalism. The economic structure based on the control of the peasants over the land, the appropriation of the surplus labour through coercion and the relatively limited surplus ruled out the possibility of a representative democratic state based on universal suffrage. However, a whole range of state forms, from a highly decentralised state to an absolute one, could occur (see Wright, E.O. (1979), *Class, Crisis and the State*, p16-17).

<sup>106</sup> Marx, K. (1852), p 183.

<sup>107</sup> The prerequisite change does not imply a radical change in the entire economic foundation of the class existence, it just refers to some objective conditions that were an impediment for the class in practice to reach the stage of class for itself.

narrower than the limitation imposed by class structure.<sup>108</sup> Finally, transformation<sup>109</sup> is a yet narrower limitation relationship than selection, and it is the channel through which the class struggle (or the sum of the 'class in practice') can affect class structure and other social structures.<sup>110</sup>

Based on the models of determinations, the class structure imposes a relation of limitation on the 'class in practice' as a whole, which, in its turn, imposes transformations on the former<sup>111</sup>. The fact that the 'class in practice' is not a static sphere and can be 'class in itself' or 'for itself' leads one to argue that the transformation relation is not of the same intensity and impact on the class in particular and on the social structure at large. In other words, the changes that come as a consequence of the transformation relation, such as the re-production or non-production of the class structure, are dependent on the state of the 'class in practice'. This understanding dictates that two forms of transformation relation can be added to the broader one that is imposed by the 'class in practice' to the class structure: the first is transformation I, which is imposed when the 'class in practice' is at the state of 'class in itself'; the second is transformation II, which is imposed when it is at the state of 'Class for itself'.<sup>112</sup> The difference between the two forms implies that transformation I is a relation that lies within the boundaries of the reproduction of the class structure, while the second indicates not just an effective impact on the class structure, but also the possibility of leading to a radical change in it.

One of the criticisms of the notions of 'class in itself' and 'class for itself' was the elimination of the impact that other social factors have on the class. According to different sociologists and other scholars, it is on other grounds (rather than or in addition to class structure), such as ethnicity, gender or religion, that people within a

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<sup>108</sup> See figure 4, Appendix 1.

<sup>109</sup> It is important to note that the relation of transformation is not restricted to refer to a whole change in the social structure. It corresponds to a wide range of variations of continuous impact on the social structure, one of which is a whole change. In this perspective, and according to one of the examples that Wright put forward, the class structure limits the variations of the class struggle, which, in reciprocal fashion, keeps transforming the class structure. Another example is the transformation of the state (see Wright, E.O. (1979), *Class, Crisis and the State*, p20-22).

<sup>110</sup> Wright, E.O. (1979), *Class, Crisis and the State*, p15-29. Wright, E. O. (1997), *Classes*, p28-31.

<sup>111</sup> See figure (3&4), Appendix 1

<sup>112</sup> See the different forms of transformation relations that are imposed from class in practice on class structure. These three forms of transformation are the same in their essence, however, they differ according to the state that class in practice is in and consequently on their impact on the class structure. See figure (6, 7 &8), Appendix 1.

specific formation can be categorized, mobilized and socially identified. This study argues that neglecting the impact of such social factors is equivalent to overstating their impact at the expenses of the class analysis. Hence, it is vital to incorporate such factors into the class approach, when analyzing a given SF. In order to relate these different levels, this study illustrates the relationships that may be formed between the various social spheres and that of the class.

The point of departure is to consider that each of these social factors has its own domain, which is maintained and reproduced according to the relations of determination imposed by the economic foundation. Certainly, a sort of relationship is also imposed by each of these domains on the economic foundation, which contributes to its reproduction. Of concern here are the reciprocal relations between these social domains and that of the class. The proposal is that such relations come to tie the sphere of the 'class in practice' and the other social spheres. It is possible to argue that the 'class in practice', rather than the class structure, is where the impact of other social factors comes into existence. The relations with the latter are to be defined within the context of the relations between these various social factors and the economic foundation. The main concern here is to assert that the other social spheres impose relations of limitation on the 'class in practice' at large, which coincide with those of determination imposed by the class structure. However, the relations that are imposed by these social factors on the 'class in practice' are narrower than the limitation relations imposed by class structure, since the former lie within the limitations of variations that the latter produces. Reflecting the intensity of these factors, relations are also highly dependent on the extent to which such social spheres are incorporated in the economic foundation, and consequently on their importance in the reproduction of the economic base. In a formation like the Jordanian<sup>113</sup> one, the capitalist system has been built through a lengthy process of articulation that has reinforced these social spheres. Hence, it is rewarding to adopt the same inventory as models of determination suggesting that the other social factors impose relations of selection from within the boundaries of the limitation that the class structure imposes. Nevertheless, the intensity of these relations can be misleading. Since the selection form is used to connect some of the terrains of 'class in practice', this study argues that it is appropriate to use selection I.

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<sup>113</sup> The same can be said about the transitional period from a formation dominated by a given MP to one dominated by another.

To apply such a proposal on 'class in practice' and 'class for itself', one could argue that the different variations that may characterize 'class in practice' based on the dynamics of its terrains – i.e. class formation, struggle and consciousness – within the limitation of the class structure are not the only factors. Other social bases – such as ethnicity, religion...etc. – come to have a role in the forms of variation that 'class in practice' takes, or undermine the internal dynamics of 'class in practice' or its mutual relations with class structure. However, the relations that are imposed by these social bases are of the selection form and are themselves within the determination of the economic foundation. The complex relations that are imposed on the 'class in practice' – whether they originate in the economic structure or in other social bases – determine, together with the correspondence and the interactions of the above-mentioned terrains, the forms that 'class in practice' takes in a certain period and the particular importance of class as a social and political agent. Furthermore, such relations may rule out or favour the possibility of the 'class in practice' developing into 'Class for itself'. Since the focus here is on the role of the social bases on the 'class in practice' – and apart from asserting their role one could argue that in a given SF mobilization and polarization are mainly based on one of social bases such as religion or ethnicity – the class as a main political and social agent is less relevant and the possibility of reaching a 'Class for itself' stage is very slim. Such an assumption does not exclude the possibility that the classes and their struggle may have an impact on the whole social structure, but it explains their lack of effectiveness and the longer period they need in order to be effective or to develop into 'Class for itself'.

### **1.3 THE MIDDLE CLASSES**

The previous section has covered class as a concept in its different aspects. Concepts such as class structure, 'class in practice', 'class in itself' and for itself were discussed and relations between them were reconsidered in order to achieve a better understanding of class as an economic position and as a social and political agent. In this section, the focus will be shifted onto the middle classes. The rationale behind paying some attention to these classes can be summarized as:

First, the middle classes are an important component within any given society, due to their location between the great polarized classes and to their position in the economic foundation, which gives a great deal of impact on the capacity of the classes - and of the bourgeois one in particular - to act within the sphere of 'class in practice'.

Second, within the development of the capitalist relations, new locations within the wage-earning labourers emerged, calling for a more precise definition of the bourgeois class in question. Do these new locations belong to the proletariat or to the bourgeoisie, or do they make up their own class? and how could the class concept be mapped in order to take into consideration this development? This is of vital importance in Jordan, where the development of capitalism was articulated with non-capitalist formation, limited economic resources and reliance on foreign aid made the emergence of such locations more apparent than in other third world countries.

The third point is totally based on the circumstances of Jordan, where the state, over different periods of time, assumed an important role in the economy. This resulted in a large public sector, in addition to a large bureaucratic, civil and military apparatus. Different categorizations may be applied to the bureaucracy, extracting groups whose undertakings and areas of function place them in positions of relative similarity to the bourgeois class.

It is commonplace for some to argue that 'middle class' - or 'classes' - is a loose term referring to different social classes and social groups. Reference to the middle class varies from one theoretical paradigm to another, and from one scholar to another, in relation to the methodology that is used. In the Marxist paradigm, the middle classes differ according to the positions that their members occupy in relation to the means of production and the production process. A distinction within the middle classes in Marxist use is that between the '*old middle classes*'<sup>114</sup> and the '*new middle classes*'; the former term refers to the classes that were described in the 19<sup>th</sup>

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<sup>114</sup> As a matter of fact, the Marxists used the terms 'old' and 'new petty bourgeoisie' rather than 'middle classes'. This was due to the fact that the new stratum that started to develop within the capitalist societies by the late 19th century was seen, in its attitude and ideological and political stand, to be close to the petty bourgeois class (see for example Poulantzas, N. (1975), p205-207), because of the 'ambiguity of its social position', and the fact that it was 'unreliable and changeable in its attitude towards the proletariat' (Kautsky, K. (1899), p18). Although this claim may have been correct in those circumstances, in relation to Jordan's capitalist development it is adequate to use the term 'middle classes', which has a broader meaning than 'petty bourgeoisie'.

century, particularly by Marx. Marx dealt with two examples of these classes, namely the *petty bourgeoisie* and the *peasants*. In regard to France<sup>115</sup> in the 19<sup>th</sup> century, the latter were represented by the smallholding peasants who gained their properties under the rule of Napoleon I.<sup>116</sup> In the case of the petty bourgeoisie, Marx enumerated the groups that composed this class as: 'café and restaurants proprietors, marchands de vins<sup>117</sup>, small traders, shopkeepers, craftsmen<sup>118</sup>, etc'.<sup>119</sup>

The new middle classes resulted from development of the capitalist relations. The term refers to a whole range of different strata of the wage earning class, such as skilled labourers, white-collar workers, supervisors in production places, managers and professionals. Or, as Poulantzas puts it, the 'non-productive wage-earners'.<sup>120</sup> Apart from professionals who work for themselves, the other categories are distinguished from the rest by their privileged income and by their distinctive position in the production organization. Hence, it is not the possession of the means of production that puts the 'new middle class' in the heart of the debate, but the increase in its members' incomes and living standards. Kautsky points out that the emergence of this class was mainly a consequence of the concentration of capital, which led to the fact that 'the functions of the dominant and exploiting classes are increasingly being taken over by paid skilled workers'.<sup>121</sup> Hilferding emphasizes the effect of the emergence of finance capital on the expansion of this stratum. The birth of large-scale production and corporate forms of enterprise introduced a hierarchical system in which the members of this class took management and supervisory positions over production. Furthermore, the separation between

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<sup>115</sup> Without reference to any country in specific, Marx counts 'the small trades-people, shopkeepers and retired tradesmen generally, the handicraftsmen and peasants' (Marx and Engels (1848), p.88).

<sup>116</sup> Marx, K. (1851), *The Class Struggle In France*, p51; Marx, K. (1852), *The Eighteenth Brumaire of Louis Bonaparte*, p220-222.

<sup>117</sup> The small wine shops (my translation). In another place, Marx distinguishes between the *wine merchants*, who supposedly are wine wholesale merchants, and the *marchands de vins*.

<sup>118</sup> In spite of the fact that some of the petty bourgeoisie categories, such as the small traders or restaurant owners, hire labourers, Marx does not consider them among the capitalist. One could argue that this is due to the fact that these categories employ only a small number of labourers. Another important reason could be the fact that Marx kept referring to the proletariat as the class of industrial labourers.

<sup>119</sup> Marx, K. (1851), *The Class Struggle In France*, p65.

<sup>120</sup> Poulantzas, N. (1975), p191-206.

<sup>121</sup> Kautsky, K. (1899), p18.

and become blurred'<sup>129</sup>. The same conceptual treatment is applied by Marx almost 10 years later when he explains the middle location of the smallholding peasant in the production process, since 'As owner of the means of production he is capitalist; as labourer he is his own wage labourer'<sup>130</sup>.

The key in dealing with the intermediate classes in the Marxian elaboration<sup>131</sup> and in other Marxist scholars' works is the concept of polarization<sup>132</sup>. According to this concept, Marx assumed that the capitalist relations of production would, in their course of development, conquer the entirety of society and even the whole world, reducing the different transitional relations of production to their laws. Marx and Engels emphasized that a process of transformation of the scattered means of production into capital, corresponding to the conversion of the labour into wage-labour, was gradually taking place, paralleling the development of the capitalist MP. In this context, they stressed the progressive convergence of different social groups, which were identified according to their relation to the means of production. Referring to 19<sup>th</sup> century English society, Marx admitted the presence of different classes, which existed despite the fact that England was the most developed capitalist state. However, his interpretation was based on the fact that capitalist relations were still below the pure state that they would inevitably reach.<sup>133</sup>

Kautsky adopted the Marxian concept of polarization in his treatment of the middle classes. He highlighted the reduction of the petty bourgeoisie and smallholding peasants, and connected this process with the phenomenon of the

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<sup>129</sup> Marx, K. (1852), *The Eighteenth Brumaire of Louis Bonaparte*, p179.

<sup>130</sup> Marx, K. (1861-1863), *Theories of Surplus Value*, in Lukács, G. (2000), *A Defence of History and Class Consciousness*, p87.

<sup>131</sup> Beside the position of the old middle classes regarding the production process, the other issue that is at stake here is the nature of the relationships that tie them to the other classes in the capitalist system. Interestingly, Marx characterized the relationship between the petty bourgeoisie and the peasants on the one hand and the bourgeoisie on the other, as one of exploitation. He stated, for example, that the petty bourgeoisie ownership of the means of production was nothing else but a mere illusion, since their belongings and even 'themselves' were owned by the bourgeoisie through the means of debts and credits. Marx emphasized that their surplus or part of it was appropriated by the creditors and debtors such as wholesale merchants, manufacturers and banks. The peasants were in the same exploited position, since their surplus was appropriated by the bourgeoisie through usury and mortgage. However, this relationship does not constitute the basic contradiction; it is the 'secondary contradiction', whose role is recognized throughout the class struggle process (Marx, K. (1851) *Class Struggle in France* and Marx, K. (1852), *The Eighteenth Brumaire of Louis Bonapart*, p158).

<sup>132</sup> This could explain the absence of treatment of the intermediate classes from some of Marx's works. They were unproblematic, since they were going to disappear gradually through the process of polarization (see for example *The Communist Manifesto*).

<sup>133</sup> Marx, K. (1882), *Capital*, Vol. (3), p885.

concentration of production that the capitalist system underwent at the end of the 19<sup>th</sup> century.<sup>134</sup> Hilferding pointed out that this trend rapidly increased during the period of cartelization and monopolization.<sup>135</sup>

In similar fashion to the old middle classes, the new middle classes were unproblematic for these scholars, since they were going to disappear and the majority of them were to sink into the proletarian army. Kautsky observed two tendencies that would deprive this class of its middle location. First, the process of monopolization and the concentration of capital would increase the amount of capital required to be invested in independent business. This factor would curb the 'hope' or 'illusion' of the new petty bourgeoisie to climb the ladder of the capitalist class. The second tendency was the expansion of education, which would result in an increase in skilled workers and deprive this stratum of its competitive advantage.<sup>136</sup> Hilferding, who stressed the first tendency,<sup>137</sup> advanced other factors which would drive the 'semi-proletariat' into the proletarian stratum; for instance, the increase in skilled labourers' salaries would lead to the replacement of these workers by semi-skilled ones. Furthermore, the expansion of the giant concerns increased the number of poorly-paid positions rather than of higher posts. In particular, there was a tendency among the capitalists or their descendants to occupy these high posts themselves.<sup>138</sup>

In addition to the points mentioned above, one could argue that the use of the surplus-value distribution in order to distinguish these classes from the proletariat was not a central parameter.<sup>139</sup> However, Lenin emphasized that the 'labour aristocracy' was in a pact with its bourgeoisie, since the imperialistic tendency of the latter would increase the surplus-value.<sup>140</sup> Thus, the share of the surplus-value that

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<sup>134</sup> Kautsky, K. (1899), p18.

<sup>135</sup> Hilferding, R. (1910), *Finance Capital*, p347.

<sup>136</sup> Kautsky, K. (1899), p21.

<sup>137</sup> Hilferding, R. (1910), *Finance Capital*, p347.

<sup>138</sup> Hilferding, R. (1910), *Finance Capital*, p348-349.

<sup>139</sup> Especially in regard to the writings of Kautsky and Hilferding.

<sup>140</sup> Lenin's comments in this regard were not part of the theoretical work concerning the middle class and elaborating a specific concept for it. They were a political analysis mainly associated with the 'nationalist' political position that was taken by the majority of the socialist parties (of the Second International) supporting their countries in the First World War (the camp was mainly led by Kautsky). However, some of these comments implied the privileged position of the middle class and even of the whole population of the imperialist countries as a result of the plunder of their colonial

was to be devoted to the middle classes would increase. In fact, it was on these grounds that Lenin attacked the opportunists and social chauvinism.<sup>141</sup>

### 1.3.1 CONTRADICTIONARY LOCATIONS WITHIN CAPITALIST SOCIETIES

As Wright noticed, in the advanced capitalist countries it is possible to say that the size of self-enterprises and small enterprises has been reduced in favour of the big corporations,<sup>142</sup> although this observation does not extend to third world countries such as Jordan, where capitalist development took place later and by a different path. However, in the second half of the 20<sup>th</sup> century the new middle classes showed an increase. Regardless of its universal underlying causes, this increase was experienced in Jordan as a consequence of the higher rates of education, the economic growth in the 1970s and 1980s, the service orientation of the economy, the inflating of the public sector and the increasing role of the state. Therefore, the polarization concept is inadequate to deal with the new petty bourgeoisie or the position that the heads of the state apparatus occupy in a country like Jordan.

With regard to this issue, different strategies and themes were introduced in the second half of the 20<sup>th</sup> century; some of them emphasized the polarization concept, claiming that capitalist societies are simply polarized, and the middle classes are nothing but a mere ideological illusion. According to the second strategy, the middle class was dealt with as a segment of another class, such as a new petty bourgeoisie or a new working class. The third approach claimed that, with the introduction of capitalism,<sup>143</sup> the class structure was altered by means of the

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territories (see in this regard Lenin's comments about British imperialism in Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p658).

<sup>141</sup> Lenin, V.I. (1916), *Opportunism and The Collapse of The Second International*, p623.

<sup>142</sup> Wright, E.O. (1997), *Classes*, p13-14.

<sup>143</sup> In this context, it is worthwhile to mention some of the arguments in favour of the replacement of the entire concept of exploitation relations by that of authority relations, of which Dahrendorf's work was pioneer. In his work, he claims that the capitalist system, according to which the owner of the means of production is the effective manager in putting the means of production in function, is just one type of industrial society. Consequently, Dahrendorf finds it more fruitful that the relations of authority replace any other relations which results in forming a broader theme of conflict between those who are in authority and those who are not (see Dahrendorf, R. (1969), *Class and Class Conflict in Industrial Society*, p38-43). Nichols shows that these arguments were taken by the

addition of an entirely new class, i.e. the middle class.<sup>144</sup> The first strategy will not be covered here, since it does not provide any new dimensions apart from those which were covered in the elaboration of Marx and the other classical Marxists.

Poulantzas's elaborations are a good example of use of the second and third strategies; his approach was based on the possibility of identifying a new middle class distinguished from the bourgeoisie and working class. On the other hand, his elaboration indicated that some positions within the middle classes were considered as a segment of the bourgeoisie. In order to exclude the new middle classes from the working class, Poulantzas has to redefine the boundaries of the working class. He argues that, while a working class member necessarily is a wage earner, assuming that a wage earner is necessarily a working class member is a mistake. Therefore, he advances a new restrictive criterion to extract the working class from the entire domain of the wage earners.<sup>145</sup> According to this criterion, the working class members are exclusively those wage earners who are involved in productive labour. That is, the 'labour that produces surplus-value while directly reproducing the material elements that serve as substratum of the relations of exploitation: labour that is directly involved in material production by producing use-values that increase material wealth'.<sup>146</sup> He defends his restriction of the working class, with which most of the Marxists<sup>147</sup> disagree, referring to Marx, who identified the working class in relation to the production of commodity, which is in Poulantzas's view equivalent to material production.<sup>148</sup> Political and ideological criteria, which are determined at the class structure,<sup>149</sup> are used by Poulantzas to exclude the supervisors and various ranks of managerial positions from the productive wage-earners working class. His argument is simply based on the fact that the productive workers who occupy such

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proponents of the managerial revolution to argue that capitalism was an old system that was succeeded by 'People Capitalism', where new themes of conflict are founded between the possessors of authority (managers) and the authority-less employees (see Nichols, T. (1969), *Ownership, Control and Ideology*, p32-51).

<sup>144</sup> Wright, E.W. (1998), *The Debate on Classes*, p 3-4. Russell, J. (1989), p146-148.

<sup>145</sup> Poulantzas, N. (1975), p209-210, Poulantzas, N. (1977), p92-93.

<sup>146</sup> Poulantzas, N. (1975), p216-217.

<sup>147</sup> Wright, E.O. (1979), p35-36. Russell, J. (1989), p146. Meiksins Wood, E. (1986), p43-44. Benton, T. (1984), *The Rise and the Fall of Structural Marxism*, p144-145.

<sup>148</sup> For instance, the non-productive labourer in commerce is exploited; however, the base of such an exploitation stands outside the main capitalist exploitation of the productive labour based on extracting the surplus value (see Poulantzas, N. (1975), p210-212).

positions are exploited by the capitalists, but their positions allow them to dominate the rest of the working class. This relationship, by which the managerial positions dominate the rest politically and ideologically on behalf of the capital, excludes them from the working class. On this basis, Poulantzas distinguishes between mental productive<sup>150</sup> labours and manual ones.<sup>151</sup>

In reference to the bourgeois boundaries, Poulantzas advances two important concepts concerning the ownership of the means of production: economic ownership and possession.<sup>152</sup> None of these two concepts entirely corresponds to legal ownership of property. Economic ownership refers to 'real economic control over the means of production, i.e. the power to assign the means of production to given uses and so to dispose of the products obtained'.<sup>153</sup> Poulantzas recognizes that such a definition does not deny the correspondence to the legal ownership of the productive forces; however, he warns against the confusion of these two concepts, since economic ownership does not necessarily correspond to a restrictive legal ownership.<sup>154</sup> On the other hand, the concept of possession is defined as 'the capacity to put the means of production into operation'.<sup>155</sup> In the capitalist system the bourgeois class is the one which fulfills the two dimensions of the ownership of the means of production, i.e. economic ownership and possession. According to the fulfilment of the function of these two forms of ownership, the managers are seen as occupying a place within the boundaries of the bourgeois class. However, Poulantzas fails to give satisfactory answers for the whole range of managers who

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<sup>149</sup> This is consistent with the themes concerning Poulantzas's definition of class, which were covered earlier in this chapter (see the critique of Meiksins Wood, E. (1986), p39-44. Russell, J. (1989), p144-146).

<sup>150</sup> In *Capital*, Marx discusses the production supervisors, drawing a distinction between mental and manual work (see Poulantzas, N. (1975), *Classes in the Contemporary Capitalism*, p225-234).

<sup>151</sup> Poulantzas, N. (1975), p180-210.

<sup>152</sup> What is important for this study is the differentiation between the ownership in its legal definitions and the control over the means of production which characterizes Poulantzas's economic ownership. Control over the means of production is broader than the legal ownership of the means of production and includes the latter, while the latter excludes those who have control over the means of production without legal title. The development of capitalist relations, as well as the emergence of finance capital and corporate forms of firms, enhanced the importance of those who are in control. Poulantzas is not the first scholar to bring up the distinction between control and legal title over the means of production; in fact, this use can be traced back to Marx himself (see for example Althusser, L., Balibar, E. (1997) *Reading Capital*. Nichols, T. (1969), p20-49). Control over the means of production is used in this study as it appears in the MP section.

<sup>153</sup> Poulantzas, N. (1975), p18.

<sup>154</sup> Poulantzas, N. (1975), p18-19. See also Poulantzas, N. (1977), p 69.

<sup>155</sup> Poulantzas, N. (1975), p19.

have limited access to the function of the two forms of ownership, or to just one of them.<sup>156</sup> This is one of the problematic issues that characterize his elaboration.<sup>157</sup>

According to the previous propositions, Poulantzas classifies some of the managers - especially those who are within the sphere of the monopoly capital bourgeoisie - as a segment of the bourgeois class, while he situates the rest in the new petty bourgeoisie class. The members of the new petty bourgeoisie, which has come into existence as a result of their wage-earning labour, i.e. of the capitalist relations of production, share the same class position with the old one, which emerged from the simple commodity relation of production. The underlying logic of the fusion of two classes which are structurally based on two different modes of production is, from Poulantzas's point of view, the similarity of their political and ideological determinations.

Another problematic issue that arises from Poulantzas's elaboration is that the equalization of authority or domination at the political and ideological levels on the one hand, and exploitation<sup>158</sup> on the other, as parameters of the class boundaries puts the whole logic of the Marxist concept in jeopardy, since any authority relation or domination can become the ground on which new classes are conceptualised.<sup>159</sup> Two inventories of classes must be produced, one of which corresponds to the domination relations, the other to the exploitation, if concrete capitalist society is to preserve systems of domination that not only exist within the sphere of capitalist relations, but facilitate its production. This dimension is crucial when the societies of concern belong to third world countries such as Jordan, where authority relations at either or both political and ideological level exist because of the articulations of specific modes of production, which lead some cultural and ideological spheres of previous modes of production to co-exist with those of the capitalist one.<sup>160</sup> On the

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<sup>156</sup> Wright, E.O. (1979), p43-61.

<sup>157</sup> Benton remarks that Wright's criticism in this point is not completely valid and Poulantzas's argument can still hold ground, although he does not elaborate very much on that (Benton, T. (1984), *The Rise and the Fall of Structural Marxism*, 146-147).

<sup>158</sup> Wright, E.O. (1998), *A General Framework for the Analysis of the Class Structure*, p4-6.

<sup>159</sup> This elaboration is very close to the theories of the managerial revolution that was briefly commented on above in this sub-section (see Nichols, T. (1969), p32-51 and Dahrendorf, R. (1969), p38-43).

<sup>160</sup> Concerning how these relations can be reinforced by the emerging capitalist relations in non-western countries, see Taylor, J.G. (1983), p183-191.

other hand, Wright<sup>161</sup> looks at the different possibilities where certain ambivalent positions exhibiting different criteria could put their occupiers in different classes. For example, a productive working class member who has a possession relationship to a specific operational production, might be deprived of any authority over the rest of the working class and at the same time he/she is dominated by other wage-earning managerial positions.<sup>162</sup>

Given the unsatisfactory elaboration that the above Marxist strategies put forward concerning the issue of the middle classes and of the re-mapping of the boundaries of the bourgeois class, Wright elaborates the concept of 'contradictory location within the class relations'. In the course of developing an alternative concept to the previous Marxist strategies, Wright rejects the tendency that some Marxists exhibit of identifying the class concept in terms of domination rather than exploitation.<sup>163</sup> The managers, in this perspective, occupy a contradictory location, since they are concurrently exploited and exploiters. Moreover, a class analysis in terms of domination relations revolves around the concept of authority, undermining the peculiar role that the class could take up in social theory and in understanding concrete societies.<sup>164</sup> Wright, therefore, emphasizes the need to restore the exploitation concept as a central base in defining the classes and mapping the class structure of any given society.<sup>165</sup> Roemer's exploitation concept, which is adopted by Wright, is based on three fundamental elements. Firstly, the welfare of the exploiters is causally dependent on the deprivation of the exploited. This causal relationship leads on to the second element, which is the 'asymmetrical exclusion of the exploited from access to and control over certain important productive

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<sup>161</sup> Wright, E.O. (1979), p43-61.

<sup>162</sup> Such an example is not given by Wright himself, but is constructed on the basis of Wright's challenge of Poulanzas's arguments.

<sup>163</sup> Wright mentions four fundamental reasons for rejecting the concept of domination as a replacement for that of exploitation: 1- it undermines the objective interest that the classes have and erodes the centrality of the class that Marxist theory upholds. 2- a relation of domination does not imply that the actors have intrinsically specific or opposite interests (that parents dominate children does not mean that they have opposite interests unless the children are exploited). 3- a classification based on domination relations opens the door to the 'multi-oppressions' approach to analyze societies, since class domination does not have any peculiar status distinguishing it from other types of oppressions such as sexual, racial or economic. 4- an analysis based on class domination could subsequently erode the theory of the trajectory of historical development that is central in the Marxist tradition (Wright, E.O. (1998), p 5-6).

<sup>164</sup> Wright, E.O. (1998), p 8-10, Wright, E.O. (1997a), *Classes*, p 64-72, Wright, E.O. (1997b), *Class counts*, p14-18.

<sup>165</sup> Wright, E.O. (1997a), *Classes*, p 64-72

resources'.<sup>166</sup> These two elements constitute economic oppression, which becomes exploitation when the third element is added, i.e. the appropriation of the surplus products, 'fruit of the labor', by those who are in control of the productive resources.<sup>167</sup>

Roemer<sup>168</sup> uses two strategies in order to elaborate his concept of exploitation. According to the first, which is the labour-transfer approach, Roemer claims that market-based exploitation is a direct consequence of inequalities in the distribution of the means of production. While this approach is designed to deal with the exploitation that occurs in market exchanges, the second, 'game theory' approach is used to identify exploitation in the different systems, such as feudalism, capitalism and the Soviet system. Briefly, Roemer advances the question of whether the status of a certain coalition of actors will be better off if they decide to withdraw from the 'game', i.e. from the production process. The answer to such a question covers the status of the other actors which are outside the mentioned coalition, though within the production process.<sup>169</sup> The fact that this withdrawal, while improving the status of the exploited, would result in a worsening of the status of the exploiter, reveals that the latter's welfare is based on the labour of the former. It is important to mention that each production system has its own rules of withdrawal; for instance, the withdrawal rules of the capitalist system<sup>170</sup> are based on the fact that the actors will leave the game taking with them their per capita share of the total of the productive assets of the society.<sup>171</sup>

Finally, Roemer argues that the material basis of exploitation is the unequal distribution of the productive assets or, in other words, the property relation. The

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<sup>166</sup> Wright, E. O. (1997c), *Student edition*, p10.

<sup>167</sup> Wright, E. O. (1997c), *Student edition*, p14-15, Wright, E.O. (1998), p7-8. For more details see Roemer, J. (1982a), P 202-204 and Roemer, J. (1982b), *New Directions in the Marxian Theory of Exploitation and Class*, p278-283.

<sup>168</sup> Roemer, J. (1982a), p 199-201.

<sup>169</sup> For instance, the working class is one coalition, while the capitalists constitute the other coalition, on which the withdrawal of the first would have an impact.

<sup>170</sup> In the feudal system, on the other hand, the withdrawal consists of leaving the game with one's personal assets. In this context, the serfs, who are freed from the obligations based on the personal bondage, will be better off in contrast to the lords, who will be worse off (Roemer, J. (1982a), *'A General Theory'*, p 206)

<sup>171</sup> Wright, E.O. (1998), p 8-9.

classes, in this sense, are defined as positions within the social relations of production derived from the relations of exploitation.<sup>172</sup>

Two fundamental points are emphasized by Wright concerning the concept of exploitation as elaborated by Roemer. The first one is that replacing a domination-based class relation with an exploitation-based class relation does not deny that the exploiting classes dominate the exploited 'in the sense of preventing the exploited classes from taking the exploiting class's productive assets'<sup>173</sup>. The second point Wright is highly concerned with is that an exploitation-based class analysis blurs the differences between the Marxist and Weberian traditions. Hence, Wright<sup>174</sup> argues that the productive assets that the classes control are the base on which their income varies and the results of the market transactions are determined.<sup>175</sup>

Wright distinguishes between four types of assets<sup>176</sup> upon which exploitation<sup>177</sup> is erected and according to which class relation could be identified:

1- **Labour power in feudalism**<sup>178</sup>: the unequal labour power distribution among the lords and the serfs is the base on which exploitation is formed, resulting in an antagonistic relation between the two main classes. A coercive extraction of the surplus labour is practiced by the lords on the serfs, whose main task is seeking their individual liberty.<sup>179</sup>

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<sup>172</sup> Roemer, J. (1982a), p 78-81. Roemer, J. (1982b), p256-266.

<sup>173</sup> Wright, E.O. (1998), *A General Framework for the Analysis of the Class Structure*, p 13.

<sup>174</sup> Wright, E.O. (1998), *A General Framework for the Analysis of the Class Structure*, p 13-14.

<sup>175</sup> By the same token, Marx and Engels in 'The German Ideology' refuse to use income criteria to define the class. The differentiation in the income, wealth... etc. are a result of the unequal distribution of the means of production (see section 1 and 2 of this chapter).

<sup>176</sup> See table 1, Appendix 2.

<sup>177</sup> These types are an extension of Roemer's elaboration concerning the types of assets that are unequally distributed. Roemer, however, specifies only two broad types of assets, which differentiate two kinds of exploitation: physical assets (alienable assets) and skill assets (inalienable assets) ( Roemer, J. (1982a), p199-200).

<sup>178</sup> According to Roemer, the assets of both capitalism and feudalism are of the physical type. The differentiation between the two forms of exploitation is based on the different withdrawal rules that each of them exhibits according to the game theory approach. Wright pays some attention to the nature of exploitation in feudalism through the labour transfer and the game theory approaches, emphasizing that the distribution of the assets in feudalism reveals that the serfs do not completely own their labour power, part of which is in the hands of the lords, in the form of 'personal bondage'. Hence, Wright reformulates the difference between capitalist and feudal exploitation on the basis not just of the withdrawal rules, but of what assets are unequally distributed. In feudalism, these are the labour power assets (Wright, E.O. (1997a), *Classes*, p 77-78). This elaboration is made viable by the fact that Wright follows Cohen's argument that labour power is part of the productive forces (see Cohen, G.A. 1978, *Karl Marx's Theory of History: a Defence*).

<sup>179</sup> Wright, E.O. (1997a), *Classes*, p77-78.

2- **Means of production in capitalism:** exploitation is based on the property relations of the means of production. Ideally<sup>180</sup>, the capitalists own all of the means of production, while the workers own none. The appropriation of the surplus value is practiced through the market exchange. In this perspective, exploitation can be abolished by socializing the ownership of the means of production.<sup>181</sup>

3- **Organization in state bureaucratic socialism:**<sup>182</sup> under this system ownership of the means of production is equally distributed among the members of the society. Inequality, however, appears in the effective control over the organizational assets<sup>183</sup>, which are of fundamental importance since the coordinated integration of the division of labour covers the entire society through the different institutions of central state planning. In this context, the exploitative mechanism comes to existence through the bureaucratic appropriation and distribution of the surplus along hierarchal principles. Thus, the corresponding class relations are between the people who are in control of the organizational assets and those who are not.<sup>184</sup>

4- **Skills in socialism:** skills can be the base on which exploitation is built when 'it has to be in some sense scarce relative to its demand, and there must be a mechanism through which individual owners of scarce skills are able to translate that scarcity into higher incomes'<sup>185</sup>. The experts who control their own skills and knowledge under the democratization of the organisational assets can appropriate some of the surplus out of the production by virtue of possessing particular skills. This type of exploitation implies that the power of the exploiting class is much weaker than that of the other exploiting classes in the above systems.<sup>186</sup>

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<sup>180</sup> Exploitation may exist even when the workers own some of the means of production, or in the absence of an exchange market, as in the case of cottage industries (see Roemer, J. (1982b), p256-259).

<sup>181</sup> Wright, E.O. (1997a), *Classes*, p79-81. Wright, E.O. (1998), *Classes*, p14-15.

<sup>182</sup> In Roemer's original inventory, the unequally distributed assets in both socialism and the bureaucratic state are the skills (Roemer, J. (1982a), 'A General Theory', p240-248 ). However, Roemer recognizes that it is not necessary for the bureaucracy to possess skills in order to define exploitation in the latter system. This fact leads him to advance the concept of 'status exploitation', according to which extra remuneration is devoted to the positions that are occupied rather than to any special skills that the bureaucrats possess. Even though the introduction of the concept of 'status exploitation' is a serious attempt to explain state bureaucratic socialism exploitation, it is not satisfactory for at least two reasons. First, it is outside the general logic of exploitation, which relates the actors in each system to the forces of production. Second, receiving remuneration because of a prominent position and not of skills or ownership of capital leads to a levelling of the difference between the exploitation of state bureaucratic socialism and that of feudalism. Adopting Adam Smith's and Marx's view that the way in which production is organized is an independent productive resource from other productive elements such as the expenditure of labour power, the use of means of production or the producers' skills, Wright considers the organization as an asset controlled by a coalition of actors, resulting in the exploitation of those who are deprived of it (Wright, E.O.(1997a), *Classes*, p77-82).

<sup>183</sup> Wright emphasizes the fact that control over the organizational assets exists in the capitalist system, too, but is contained within the boundaries of the firm.

<sup>184</sup> Wright, E.O. (1997a), *Classes*, p79-81. Wright, E.O. (1998), *Classes*, p15.

<sup>185</sup> Wright, E.O. (1998), p21.

<sup>186</sup> Wright, E.O. (1998), 15-17. Wright, E.O. (1997a), *Classes*, p78-81. See table 1, Appendix

The importance of the typology of the assets and its corresponding class relations does not exclusively lie in the fact that it represents a comprehensive framework that explains the different exploitation systems, but it also enriches the class analysis of the concrete capitalist societies. In this context, considering the other exploitative relations, such as those based on skills and organization, is of high importance to solve some of the controversial issues that class theories at large and Marxism in particular are entangled with, among which are the non-polarized classes, i.e. the middle classes. Concrete societies not only encompass more than one MP, but they are articulated into various exploitative relations.

In this context, the classes of the capitalist societies should be analyzed in terms of the dominant exploitative relationship – i.e. the major capitalist one, based on the ownership of the means of production - and of other minor relations, based on organization and scarcity of skills.<sup>187</sup> The class typology that is displayed in table (2)<sup>188</sup> shows that three locations are circumscribed according to the relations of property, i.e. capitalists and smaller employers, petty bourgeoisie, and the wage earners. These locations are not problematic at this point, since the capitalist property relations distinguish between two classes: the capitalists and the workers. In this perspective, a class like the petty bourgeoisie, which owns its means of production but does not hire workers or self-employed producers, is neither exploiter nor exploited within the production process.<sup>189</sup> According to these propositions, the entire Jordanian private sector is to be analysed in terms of petty bourgeois enterprises and bourgeois enterprises; when the focus is shifted to the bourgeoisie, by virtue of its definition, the petty bourgeoisie will be excluded.

A problematic issue comes about when dealing with the wage-earners, where the new middle classes are concerned. At one level, these are part of the wage-earning class, since they are deprived of the ownership of the means of production and hired by the capitalists; on the other hand, a fundamental distinction can be drawn between them and the rest of the workers. Their positions in the production process offer them the opportunity of having a certain control over the means of production. This includes a wide range of possibilities, starting with occupying

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<sup>187</sup> Wright, E.O. (1998), p18-19. Wright, E.O. (1997a), p82-83. Wright, E.O. (1997b), p22-23.

<sup>188</sup> See table 2, Appendix 2.

<sup>189</sup> See the previous subsection, where Marx explains the existence of an indirect exploitative relation between the bourgeoisie and the old middle classes.

surveillance positions over the rest of the workers up to positions that allow them to act on behalf of the capitalists, including the control over the means of production in its non-legal sense. Some of the management positions give their occupiers access to and power over the process of decision-making on production, affecting not just the organization of the production and the ways in which it follows, but even its purposes, whom it should be targeting and the improvement of its efficiency.

'On the one hand, they are like the workers in being excluded from ownership of means of production; on the other, they have interest opposed to the workers because of their effective control of organization and skill assets. Within the struggles of capitalism, therefore, the 'new' middle classes do constitute contradictory locations within exploitation relations.<sup>190</sup>

In addition to the above-mentioned dimension, these positions differentiate the new middle classes from the rest of the workers with regard to the income criterion<sup>191</sup>. Some positions within the production process allow their occupiers to earn significantly more than the rest of the wage-earners within the same production. They exhibit a correlation with the degree of control over the means of production that their occupiers assume. In this sense, the income criterion can indicate what positions have access to some of the surplus value in its way to be appropriated by the bourgeoisie. Here analyzing the income differentiation in terms of surplus-value could be logically acceptable, since the occupiers of the managerial positions possess assets of which the rest of the wage-earners are deprived.<sup>192</sup> These assets are simply the skills and the production organization that lead to the exploitative relations which were described above.

By the two distinctive dimensions within the wage-earning class between those who are in positions of management and those who are not, one can highlight the different capacities of each group not just concerning the whole production process, but within the whole class spectrum and the society as a whole. Hence, the class typology according to the Marxist theory will be analyzed in terms of the control over the means of production as the generator of the basic exploitative

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<sup>190</sup> Wright, E.O. (1997a), *Classes*, p. 87.

<sup>191</sup> The use of the income criterion here is not meant to be a point of departure from the Marxist class paradigm towards the Weberian one; it is just a means of showing that social differentiation among the members of a given class is an indicator of control over the means of production. The differentiation in the income is analysed in terms of the surplus-value according to Roemer's criteria of exploitation.

<sup>192</sup> Wright, E.O. (1997a), *Classes*, p. 89.

relationship between the polarized classes, and in terms of control over other assets such as skills and organization, which give birth to minor exploitative relations. Within the wage-earning society, the contradictory location is a device to highlight the differentiation between the new middle classes and the working class. This elaboration does not contrast the proposition made above concerning 'class in practice' and 'class for itself'; on the contrary, it adds explanatory authority to the reasons determining the movement between 'class in practice' and 'class for itself'.

Contradictory locations have a great impact on class interaction with the other classes and social actors. Such an impact does not depend simply upon the assets that the class controls and consequently its capacity to act, but also upon its unity. At one level, some positions within the class typology, which were considered to be segments of a certain class,<sup>193</sup> are now distinguished from that class by virtue of their contradictory locations. Such an understanding shows, according to the minor exploitative relations, a contradiction between these locations and the corresponding class, which has a certain impact on the latter's stage of 'class in practice' and in some cases hinders it from reaching the stage of class for itself. Recognizing the contradictory locations results in redrawing the possible political strategies of the different classes when the concern is pursuing a change or transformation in class structure. Such an impact can be illustrated by the possibility of the class, since the contradictory locations and their swings between the opposite polarized classes can not only change the balance of power, but advance the interest and agenda of these locations that sometimes seem more attainable. Since the concern here is the bourgeoisie, it is important to look at the relations between this class and the high rank managers.<sup>194</sup>

According to the class typology and the different forms of exploitative relations, the managerial positions who are acting on behalf of the bourgeoisie are nevertheless not part of it, since they lack the legal title to the means of production and have an objective interest in state control over production rather than being exploited by the bourgeoisie. Examining such a proposition in concrete terms, Wright follows the critics of the 'Managerial Revolution', claiming that the possibility

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<sup>193</sup> For instance, the lowest right hand row positions in the contradictory location categories (table 2, Appendix 2) were - and still are for some scholars - part of the working class. Similarly, the positions of the top right hand row in the same table were considered to be segments of the bourgeoisie.

<sup>194</sup> The reference here is to the top right hand row of table 2, Appendix 2.

own investments or as a partner with the private sector, in addition to its role as regulator.<sup>199</sup>

Its involvement in the direct production and the inflation of state bureaucracy resulted in a complex hierarchical structure of positions, some of which assumed relations of exploitation over the others by virtue of the possession of assets of skills, organization, or both.<sup>200</sup> In this context, the attraction towards a statist option was more likely among the Jordanian state managers than among those of the advanced capitalist countries. However, this tendency was challenged by the political and ideological policy that the state of Jordan undertook since its official independence. This was a relative liberal economic policy, in the sense that the private sector was not under any threat of nationalization; on the contrary, its existence was guaranteed and even encouraged.<sup>201</sup>

Based on the above considerations, in order to explain the relationship between the managers at large and the state ones in particular and the bourgeoisie on the one hand and the impact of such a relation on the class boundaries on the other, coining a new concept to deal mainly with the managers<sup>202</sup> is of vital importance. The new concept is that of 'bourgeoisies in transition', referring to the dynamic status that is established in concrete terms when managers are practicing their jobs, which implies their possession of skill and organization assets greater

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<sup>199</sup> In many of its direct investments, such as telecommunications and Jordanian Airlines, the state's projects were in a position of monopoly, since competitive private sector enterprises did not exist.

<sup>200</sup> In fact, not all the positions of the state managers that assume a sort of exploitative relationship are occupied by people who possess a certain type of skills; certainly some of them do, but other factors related to the SF and its balance of power give some the chance to occupy these positions. Whatever criteria are used to occupy such positions, these are still taking up exploitative relations, since they are in charge of the organizations.

<sup>201</sup> The claim that the state policy was liberal can be justified when it is compared with other Arab countries, whose measures of nationalization and regulation in some specific economic sectors led to driving the private sector from some economic areas or slandering its contribution and participation in favour of the public sector. Jordan never took such an option, and the intervention of the state as an economic actor in certain areas often came about when the capital intensive of the projects was beyond the reach of the private sector. In fact, one could argue that the economic policy of not targeting the private sector and its activities was part of the political and ideological package that the Jordanian state had undertaken, and resulted in the flowing of external aid to the extent that a serious reversal of this policy would have put this source in jeopardy. Certainly, such a policy was induced by the scarcity of the natural resources, which would not allow the state to sustain an economic policy, regardless its efficiency.

<sup>202</sup> Although the reference here is to the managerial positions, such a concept could be extended to other positions within the contradictory locations, according to the degree in which these positions assume incumbencies over the production process.

than those of standard wage-earners<sup>203</sup>. In addition to the above proposition concerning the strong ties between the interest of the managers and of the bourgeoisie at large and those of Jordan in particular, there are other dimensions, considered below, that ease the general assimilation of the managers to the capitalist logic and give currency to the new concept.

Under the circumstances in which the capitalist MP is dominant, the remunerations that these specific groups obtain in the course of their jobs (as part of the surplus-value) give them a certain range of possibilities to capitalize parts of these remunerations.<sup>204</sup> Actualizing such possibilities might lead members of these groups to be part of the bourgeoisie if their investment, regardless of its form,<sup>205</sup> qualifies them to legal ownership of means of production.

Apart from the remunerations that objectively give these groups the capacity to shift their class position to the ranks of the bourgeoisie, other assets that the occupiers of certain incumbencies possess facilitate this capacity. One such asset is knowledge, which corresponds here to the inventory of different forms of information, understanding and skills that the employees acquire through their work in certain enterprises or organizations in order for the latter's goals to be completely or partly achieved. This knowledge, which can be tacit or explicit, is not confined to the sphere of the workplace. In other words, in addition to the inside knowledge that serves to put the workplace in function, an exterior one is necessary to maintain the continuity of this function<sup>206</sup>. In this context, the managers have better access to different forms of knowledge that are related to the production strategies, and their associated planning, marketing ...etc. equip them with the possibility of possessing other types of assets that are not accessible to others.<sup>207</sup> Knowledge as an asset can be used by the managers in order to form new businesses owned completely or

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<sup>203</sup> This is does not imply that every wage earner possesses some skill and organization assets. It should be borne in mind that some of these wage earners are completely deprived of any sort of assets.

<sup>204</sup> This does not indicate that such possibilities are inevitable.

<sup>205</sup> The common form of such an investment, in the advanced capitalist countries, would be in shareholding companies. In Jordan, however, variety of forms is possible, such as shares or other investments in different forms of enterprises. It is even possible to find investments in the names of the members of the nuclear family, such as the wife or the children, when the state managers are the ones who are concerned.

<sup>206</sup> What is at stake here, is simply the entire operation concerning marketing and promoting the products of the firm in question.

partly by them, thus transforming their class position from contradictory location to bourgeoisie.

Apart from the above-mentioned type of knowledge, which is of vital importance, another can be distinguished, despite the fact that it is intrinsically part of the first. This is the knowledge that circulates exclusively among a limited number of managers and decision makers within a specific enterprise. This kind of knowledge corresponds to all strategic decisions that affect the enterprise function, structure, revenue and financial liability. Such information can provide investors with knowledge of the inside situation of the enterprise, and consequently with better assessment of the potential investments and risks that are not entirely available on the market. One could argue that there is a tight correlation between the degree of transparency in the market and the extent to which this knowledge is valuable. In other words, the more transparent the information, the less valuable this kind of inside knowledge is in serving the managers and in determining the transformation of their class position. In conclusion, managers find themselves possessing a certain type of assets that they might use to make the mile journey to the bourgeois class domain.

Despite obvious difficulties, it is nevertheless possible to develop mechanisms to quantify the 'knowledge assets'. This is made somewhat easier by comparison to another level that the managers find themselves engaged in, and that might facilitate their access to the bourgeoisie terrain, i.e. access to the social sphere of the bourgeois class. This corresponds to a complex of intangible and elusive relations, which are formed socially between the managers and elements of the bourgeoisie. The different social forms and cultural systems give birth to various types of social circles in which the others can be engaged socially with the bourgeoisie.<sup>208</sup>

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<sup>207</sup> Possessing such knowledge certainly provides the managers with opportunities to occupy key positions in different enterprises, since they require a specific experience.

<sup>208</sup> The reference here is to the fact that, in a certain formation, one's social involvement can be manifested through belonging to social or sports clubs that are dominated by the bourgeoisie, while in another the relevant type of social engagement can be the medium through which the bourgeoisie in transition gets involved socially with bourgeois circles. In Jordan in particular, there are different possible venues where the bourgeoisie may be approached, among which is the family ties platform, which guarantees contact between the bourgeoisie member(s) and their relations. The articulation concept (discussed in the second section of this chapter), which applies particularly well to the development of capitalism in Jordan, can explain its various peculiar social platforms or venues in which members of different social classes can come to interact.

The 'bourgeoisie in transition' is a concept that corresponds to the state that a certain type of public or private sector enterprise managers, who are within decision making circles, enjoy as long as they occupy their positions, where they have access to different levels of the knowledge assets in addition to the skill and organization assets that provide them with portions of the surplus value. These assets provide them with the potential to transform their class position from a mere contradictory location to the bourgeoisie. Despite the fact that the transformation process is possible, it is not by any means inevitable. In fact, one can always find examples of occupiers of certain incumbencies in both private and public sectors who did not make it to the sphere of the bourgeoisie, in spite of their possessing the main criteria of the bourgeoisie in transition for a substantial time. In addition to the subjective reasons, certain objective factors can contribute to precluding them from the completion of the mile journey, such as the nature of the enterprise, its size, its main business or the objective conditions within the economy in a specific period.

The main task of this section, apart from tackling the problematic issue of the middle classes in the Marxist paradigm, was to provide a new perspective which may contribute to the redrawing of class boundaries at large and the bourgeoisie's in particular. It was argued that the contradictory locations concept is a sufficient theoretical device for these propositions. The different exploitative relations that exist within the boundaries of the main capitalist one can provide an explanatory device in understanding the class function at the level of 'class in practice' and the possible alliance between the different classes. The concept of 'bourgeoisie in transition' is also a useful device when it comes to analyzing high ranking managers - including the state ones - and can give an insight into the sources that provide the bourgeoisie with new members.

#### **1.4 THE SECTORAL CLASSIFICATION OF THE CLASS**

The class is defined structurally by virtue of its relations to the means of production, which determine the different possible variations of 'class in practice'. Such an assertion does not indicate that class should be regarded as a homogeneous unit; on the contrary, class has its own internal divisions, which arise according to the relation of these fractions to the means of production. This reality

brings to light the internal contradictions of the class. The presence of class-internal divisions and contradictions is vital in regard to the possible variations that the structure assumes in the sphere of practice. The different Marxist parameters that focus on internal class division will be covered below. More attention will be given to the bourgeoisie fractions, in order to be able to use such parameters in the analysis of the Jordanian bourgeoisie.

#### 1.4.1 FRACTION ACCORDING TO THE ECONOMIC BASE AND SECTOR

The first parameter could be described as the quantitative parameter, by which the class is divided into sections according to the assets possessed. Hence, the sections in the bourgeoisie reflect differential quantities of the means of production that they control. In this context, Marx mentioned sections such as the 'small bourgeoisie' versus the large one, or the 'small manufacturers' versus the big ones or the large industry.<sup>209</sup>

The second parameter that could be used to reveal the class-internal fractions is the economic sector. Classes are differentiated according to the type of production that they are involved in. According to Marx's analysis, the French bourgeoisie during the second and third quarters of the 19<sup>th</sup> century was made up of three main fractions: 'Large Landed Properties', 'Financial Aristocracy' and 'Industrial Bourgeoisie'. However, the so-called 'financial aristocracy' - or 'capital', as sometimes Marx named it - is composed of different sections: '... bankers, stock market barons, railway barons, owners of coal and iron mines and forests and a section of landed proprietors'<sup>210</sup>. Elsewhere, he added two more sections: 'large scale industry' and 'large-scale trade'.<sup>211</sup> It is obvious that Marx's classification of the main fractions and the financial sub-sections was based on the area of business or type of production. For instance, within the financial aristocracy we find financial bourgeois and mining bourgeois, while the large-landed proprietors' category is

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<sup>209</sup> Marx, K. (1851), *The Class Struggle In France*, p38-39. Marx, K.(1852), *The Eighteenth Brumiere of Louis Bonaparte*, p216.

<sup>210</sup> Marx, K. (1851), *The Class Struggle In France*, p36.

<sup>211</sup> Marx, K.(1852), *The Eighteenth Brumiere of Louis Bonaparte*, p. 173.

exclusively made up of the agricultural agrarian bourgeois.<sup>212</sup> Marx repeatedly emphasized that the fundamental structural division between the two main fractions of the 'Party of Order' was 'their material conditions of existence, two distinct sources of property, it was the old opposition between town and country, the old rivalry between capital and landed property'<sup>213</sup>.

With regard to the composition of the bourgeoisie, especially in the period before imperialism, Kautsky adopted Marx's wide division between capitalists and landholders. Among the capitalists, Kautsky distinguished, as Marx did before, between three types, namely 'merchants' capital, interest-bearing capital and industrial capital'<sup>214</sup>. Hilferding, Lenin<sup>215</sup> and Bukharin<sup>216</sup> follow this line, especially when the pre-imperialist era is the one under analysis.

Although possession of the means of production was the primary element in defining class in Kautsky's elaboration, the distribution of surplus-value was widely used by him in identifying sections of the bourgeoisie other than the industrial one. In this perspective, merchants and interest-bearing capitalists are not direct exploiters, since they lack possession of the means of production. Their profit, however, being given to them by the owners of the means of production, is part of

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<sup>212</sup> In regard to the large-landed proprietors, Marx explained that they constituted part of the bourgeois class, since their relations of production were already capitalized. They were no longer part of a class that was shaped by the relations of production of the feudal system, even though they were the descendants of the 'immemorial domination of the lords of the soil' (Marx, K.(1852), *The Eighteenth Brumiere of Louis Bonaparte*, p. 173). This fraction, as Marx claimed, ruled France between 1815 and 1830 under the House of Bourbon. From 1830 to 1848, however, they were excluded from any political power and represented an opposition party known as the 'legitimate monarchy'. Apart from their basic interest, which was the interest of the whole bourgeoisie in keeping the capitalist relations of production, they stood firmly against 'free admission for foreign meat and corn' (Marx, K.(1851), *The Class Struggle in France*, p. 111). Such a thing would strike directly at their economic interest, hence promoting it was considered as a proclamation of socialism during the period of the legitimate assembly. Despite the fact that they shared legislative power as a part of the 'Party of Order', the large-landed proprietors never gave up their ambition to the French throne. The financial aristocracy was the section that was most involved in areas of stock market, speculations, crediting and providing loans. This part of the bourgeoisie exclusively governed France under the rule of Louis Phillip (1830-1848) (Marx, K.(1851), *The Class Struggle in France*, p. 36-37). As Marx put it, '...the July monarchy was the only expression of the usurped rule of the bourgeois parvenus' (Marx, K.(1852), *The Eighteenth Brumiere of Louis Bonaparte*, p. 173). Marx explained in detail how it was in the interest of this fraction to keep the state expenditures high, which led to deficit, so that they could strengthen their position as creditors and loaners (Marx, K.(1851), *The Class Struggle in France*, p. 114-116). It was implied by Marx that this fraction was predominant among the other fractions of the bourgeois class, and its influence after the revolution was also mentioned.

<sup>213</sup> Marx, K.(1852), *The Eighteenth Brumiere of Louis Bonaparte*, p. 173.

<sup>214</sup> Kautsky, K. (1892), *The Class Struggle in France*, p40.

<sup>215</sup> Lenin, V.I. (1917), *Imperialism. the Highest Stage in Capitalism*, p719.

<sup>216</sup> Bukharin, N. (1915), *Imperialism*.

the surplus-value that was appropriated by the latter. This analysis was applied to the landholders, who rely on rent rather than on the exploitation of their lands.<sup>217</sup> In short, the bourgeoisie in its different sections shares the surplus-value that is appropriated from the direct producers.

What is at stake here is Marx's consistency in stressing the primacy of economic determination in shaping the fractions within one class, which is precisely the same determination he employs when defining the classes as a whole. The bourgeoisie can be subdivided according to two criteria, the first - and more restricted - of which classifies the fractions according to the economic sector they are involved in, such as banking, mining, manufacturing...etc. The second criterion, which is broader and based to some extent on the first, yields the main classes that crystallized in the course of the development of capitalism, such as the industrial class, the commercial class, the large landholders.<sup>218</sup> These classifications show a differentiation in interest and a contradiction between the fractions that, however, is still within the boundaries of the interest of the whole class.<sup>219</sup>

#### 1.4.2 FINANCE CAPITAL

Concerning the bourgeoisie fractions, the development of capitalist relations in advanced capitalist countries since the late 19<sup>th</sup> century resulted in the emergence of a new bourgeois sub-class, i.e. finance capital. The importance of finance capital is not limited to the radical changes in the bourgeoisie makeup of the advanced capitalist countries, let alone to its associated imperialism, but it is of vital importance when considering the development of the Jordanian bourgeoisie. The finance capital, as a stage in the capitalist development, came into existence as a result of three changes that capitalism underwent<sup>220</sup> at the turn of the 19<sup>th</sup> century.<sup>221</sup>

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<sup>217</sup> Kautsky, K. (1892), *The Class Struggle in France*, p45-55.

<sup>218</sup> The conflict between the financial aristocracy and the landed proprietors is analyzed according to the economic basis that these fractions are relying on.

<sup>219</sup> The contrast between the different fractions of the bourgeois class, which manifested itself in the revolution, did not aim to overthrow the financial aristocracy, but to share the power with it. In fact, it resulted in consolidating such a fraction (Marx, K.(1852), *The Eighteenth Brumiere of Louis Bonaparte*, p 173. Marx, K.(1851), *The Class Struggles in France*, p. 109).

<sup>220</sup> The main concern here is to give a full summary of the concept of imperialism rather than looking at the development of the concept, or to highlight to whom this development is attributed to.

First, the monopoly of production was achieved through combined production. Combined production took two forms: a combination of consecutive stages in working raw materials up to the finished goods, and a combination between different enterprises producing different articles within a given industrial branch. The effects of these combinations, in Hilferding's own words, were as follows.<sup>222</sup>

'Combination levels out the fluctuation of trade and therefore assures to the combined enterprises a more stable rate of profit. Secondly, combination has the effect of eliminating trading. Thirdly, it has the effect of possible technical improvement, and, consequently, the acquisition of super-profits over and above those obtained by the 'pure' (i.e. non combined) enterprises. Fourthly, it strengthens the position of the combined enterprises compared with that of 'pure' enterprises in the competitive struggle in periods of serious depression, when the fall in prices of raw materials does not keep pace with the fall in prices of manufactured articles.'<sup>223</sup>

Lenin<sup>224</sup> summarized this process by means of the expression 'complete socialization of production'; the appropriation, however, was still private.<sup>225</sup>

The second condition that contributed to the emergence of the finance capital was the radical change in the role of the banks, which moved from simply transferring idle money capital into active capital, becoming an economic player with a say in the production process<sup>226</sup>. The monopolistic process in the banking sector

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Thus, Lenin's work was the main source in covering this concept, due to the fact that it contained almost all the main principles that appeared in the others' works. Furthermore, Lenin's work, for a reason or another, became the most famous work in regard to this phenomenon.

<sup>221</sup> Lenin claimed that monopoly became 'the foundation of the economic life' since 1900-1903, after it had been in an embryonic stage between 1860 and 1870 and just a 'transitory phenomenon' from 1873 up to the threshold of the 20th century (Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p638).

<sup>222</sup> Lenin borrowed the same elaboration from Hilferding (Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p639).

<sup>223</sup> Hilferding, R. (1910), *Finance Capital*, p293.

<sup>224</sup> Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p645.

<sup>225</sup> Lenin outlined the characteristic features of the monopoly in production as follows: (1) in combined production, it is possible to obtain an approximate estimate of the raw material and its sources not in one country only but in the whole market, together with the subsequent capture of these sources; (2) an approximate estimate of the capacity of the market is possible, which leads to dividing of the market among the various combinations and fixing of the quantity of products and their prices; (3) the means of transportation are captured; (4) skilled labour is monopolized by agreements between the cartels and individuals or trade unions; (5) agreements are reached between the cartels on conditions of sales and payments (Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p639-642. See also Brewer, A. (1990) *The Marxists Theories of Imperialism*, p95).

<sup>226</sup> Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p649.

was characterized by the decline in number of influential banks due to mergers<sup>227</sup> that gave the remaining banks substantial economic power.<sup>228</sup> This reality led to a fundamental change in the relations between the banks and the rest of the capitalists in two associated ways. On the one hand, the capitalists were limited in their choices for credits and loans,<sup>229</sup> on the other, the banks started to interfere in the economic position of their clients.<sup>230</sup>

The third condition for the birth of finance capital is simply defined as the fusion between financial capital (banks) and industrial capital.<sup>231</sup> Hilferding stated that the monopoly in production led to the reduction of commercial capital to a subordinate status and the decline of the return (profit) of its activities. Due to this fact, the banks were forced to invest directly in production. Furthermore, the monopolization that had taken place in the banking sector eased such a transformation. Whatever the different motors that drove the fusion between these two sectors, this change took place in reality, dictating new conditions for the whole capitalist system.

The emergence of the finance capital was completed - as Lenin maintained - by the union between it and the state. The state officials became part of the board of the finance capital enterprises without any contribution at the capital level. Lenin showed, by means of some examples, the development of such 'personal union' and its impact on the policies that were adopted by the state to serve the interest of the finance capital class.<sup>232</sup> Prior to Lenin's observation<sup>233</sup>, Hilferding had stressed that

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<sup>227</sup> Brewer, A. (1990) *The Marxists Theories of Imperialism*, p92.

<sup>228</sup> Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p650-658. Bukharin, N. (1915), p 67.

<sup>229</sup> Bukharin and Lenin advanced a great deal of statistics to compare between the deposits, branches and internal organization of the big banks and that of the small and medium ones.

<sup>230</sup> Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p657-658.

<sup>231</sup> This definition is according to Hilferding.

<sup>232</sup> Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p 648.

<sup>233</sup> One of the main policies that was put in practice to serve the interest of the finance capital class is one of protection. The protection policy was transformed from being a means of defending the national market against foreign industries to a means of penetrating the foreign markets in the hands of monopolies. Such a transformation was possible, since finance capital, by the means at their disposal, could fix the prices of the products at the national market and secure such prices against competitive foreign products through a system of high tariff. The tariff, which was imposed on the foreign products, elevated their prices to the prices of the national products, i.e. it stabilized the prices at the highest level possible. Concerning the penetration of the foreign markets, Hilferding explained that the monopolies could sell their own products at a loss outside their markets, due to the fact that

the elimination of the chronic conflict among the capitalists in the finance capital era flattened the ground for them to conquer the state.<sup>234</sup>

Along this line, Hilferding argued that the presence of these sections and of the landholders were the characteristic features of the free competition period of capitalism. However, the decline of the above groups' role in the imperialist era does not imply their complete disappearance.<sup>235</sup> Such an assertion can be found in both Lenin<sup>236</sup> and Bukharin<sup>237</sup>.

Our concern here is the impact of finance capital on class structure and on the relations between the different classes. Hilferding claimed that, in the finance capital era, the bourgeois class reached its highest level of unification. The conflict of political and economic interests between the capitalist fractions of the free competition period was replaced by harmony and reconciliation in the monopoly era.<sup>238</sup> The new production conditions, which were brought about by the monopoly, eliminated the conditions upon which the interest conflict between the capitalist fractions was based. For Hilferding, the above-mentioned Marxian classification of the capitalist class into four sections was inadequate, since the cartelization process was present both in the financial and in the industrial capitals. Hilferding maintained that a differentiation could be made between the cartels and the 'pure' enterprises (regardless of the nature of the enterprise) that had not existed in the era of free competition capitalism. He assumed that the non-combined enterprises would realize their complete dependence on the cartels, accepting the reduction of their position to the status of agents.<sup>239</sup> According to this proposition, accompanied by concrete examples, Lenin outlined the possible means<sup>240</sup> that were at the disposal of

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the overall profit was maintained by the profit which was deducted from the national market (Brewer, A. (1990) *The Marxists Theories of Imperialism*, p98-100).

<sup>234</sup> Hilferding, R. (1910), *Finance Capital*, p 335-338.

<sup>235</sup> Hilferding, R. (1910), *Finance Capital*, p337.

<sup>236</sup> Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p719.

<sup>237</sup> Bukharin, N. (1915), *Imperialism*, 69.

<sup>238</sup> Hilferding, R. (1910), *Finance Capital*, p341.

<sup>239</sup> Hilferding, R. (1910), *Finance Capital*, p338.

<sup>240</sup> Lenin enumerated 8 fundamental means, namely stopping the supplies of raw materials, stopping the supply of labour (through agreements with trade unions), cutting deliveries, closing trade outlets, reaching an agreement with the buyers, systemically cutting the prices sometimes below their cost, stopping credits and boycotting (Lenin, V.I. (1917) p645-646).

the combined enterprises to crush the pure enterprises.<sup>241</sup> The issue at stake here is the process of division of the capitalist society according to the market that is controlled by the monopoly production. However, this division is of a transitory character, since the pure enterprises are to be driven from the market or reduced to a subordinate status. Such a proposition becomes even more conceivable when taking into account Hilferding's assertion that a monopoly in production is transmittable from one sector to another.<sup>242</sup>

That the pure enterprise was subordinate to the monopolized one became more apparent with the emergence of finance capital, that is with the fusion of the industrial and financial capitals. The existence of the pure enterprises that represented small and medium capitalists was possible on condition that they would become completely dependent on finance capital through supplies and credit. This dependency was of vital importance, since it eliminated any serious conflict between them, given that the finance capital fraction had the upper hand.<sup>243</sup> Otherwise, the means that Lenin counted as being at the disposal of the monopolized enterprises could crush the pure enterprises. Moreover, due to the fact that some of the medium and small capitalists' production was national market oriented and not for exporting, it was in their interest to support the finance capital, who were the most 'powerful protagonists of the tariff'<sup>244</sup>. This division among the small and medium capitalists hindered them from opposing the finance capital<sup>245</sup>. In fact, their 'way of combating other cartels is to form a cartel of their own'<sup>246</sup>.

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<sup>241</sup> Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p645-646.

<sup>242</sup> Brewer, A. (1990) *The Marxists Theories of Imperialism*, p95.

<sup>243</sup> Hilferding, R. (1910), *Finance Capital*, p343.

<sup>244</sup> Hilferding, R. (1910), *Finance Capital*, p343.

<sup>245</sup> Hilferding stressed the fact that the monopolistic character of the finance capital eliminated the commercial capital by reducing its profit and limiting the scope of its activities (Hilferding, R. (1910), p338-339). Another means of reducing the commercial capital is the absorption of the big commercial enterprises by the finance capital, as Lenin pointed out (Lenin, V.I. (1917), *Imperialism, the Highest Stage in Capitalism*, p658).

As for the big land proprietors, who had constituted the worst enemy of the industrial bourgeoisie within the internal circle of the capitalists, Hilferding remarked that the finance capital was the era of the reconciliation of this conflict. The involvement of finance capital in the mortgage business increased the income of the big landholders and opened the door to new lines of investment in the countryside, such as intensive cultivation and agricultural industries, in which both fractions invested jointly. Moreover, an increase in land rents inspired land proprietors to invest in industrial production, where the profit rate is relatively higher than that of agriculture. Such an investment was made easier by the share system that characterized the phase of monopolistic finance capital. Lenin and Hilferding also stressed other means by which the alliance between the two fractions was strengthened and their union made possible. Some of the most important were marrying into the landholder classes (Hilferding, R. (1910), *Finance Capital*, p342. Lenin, V.I. (1917), *Imperialism, the*

The finance capital with regard to the structure of the Jordanian bourgeoisie is vital. The term 'finance capital' can be used in its technical sense, as a fraction that includes the members of the bourgeoisie whose activities stretch over different economic bases and sectors. In this context, some important dimensions which are generally associated with the finance capital - such as the division of markets and areas of raw material resources or the features of imperialism - cannot be identified as crucial elements in the case of Jordan.

Based on the review of the main technical features of the finance capital, such a fraction in Jordan covers distinctive characteristics that enabled it to be in a more privileged position than the other unilateral economic sectoral or base fractions. Finance capital at one level reflects combined enterprises in all aspects of their activities, from the initial production stages to the marketing ones, including intermediate activities that were - or still are - carried out by other enterprises in the case of non-finance-capital firms. The immediate differentiation between the combined activities and the non-combined ones manifests itself in surplus value and profit. Differentiation also occurs at the level of technical improvements, obtaining financial and credit facilities. In this context, those firms which are combined either in the production process or cross-sectorally are in a better position in to compete with non-combined firms of the same production line or of the same economic sector. The same argument applies to the competition between firms that are based on one specific economic base - such as commerce or industry - and those that are more diversified, e.g. combining import activities, manufacturing and banking.

In addition to what was said above, and following Lenin and Hilferding, another important aspect of the finance capital is the fusion with the state or the state bureaucrats. Such a bond with the state can provide the finance capital with better conditions, than those enterprises that have no such attachments. The importance of the state becomes more relevant in the case of Jordan, since it constitutes a big market for the activities of the bourgeoisie.

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*Highest Stage in Capitalism*, p657), the acquisition of countryside property by the finance capital seeking social status, and the involvement of the two classes in the same social circles. In short, finance capital was extended to include the big landholders. Furthermore, the labour shortage in the countryside, which had been one the main factors underlying the rivalry between landholders and industrialists, became another element strengthening their alliance. Hilferding reported that the working class's demands for increased wage levels were faced by a hostile attitude from the landholders, thus putting the latter into greater alliance with the industrialists (Hilferding, R. (1910), *Finance Capital*, p340-342).

However, it is important to modify the usage of the notion of finance capital in order to have a better application in the case of Jordan. The bourgeoisie is going to be analyzed in terms of economic bases and sectors, taking into consideration the presence of the finance capital. Such an analysis will not be based on enterprises' data, but on the characteristics of the bourgeois members. In other words, the point of departure when investigating the different fractions of the bourgeoisie and finance capital will be the members of the bourgeoisie rather than the enterprises in which these members hold equities. The differentiation is not between combined enterprises and pure ones that could be referred to from one time to another, but between finance capital members and pure enterprise members. In its technical sense, the finance capital bourgeoisie is a fraction that represents a combination in the production and economic activities, resulting in favorable conditions for its members compared with those bourgeoisie members who do not belong to this particular fraction.

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<sup>246</sup> Hilferding, R. (1910), *Finance Capital*, p343.

## CHAPTER TWO

### THE HISTORICAL, SOCIAL AND ECONOMIC CONTEXT OF JORDAN

In the previous chapter the focus was on the theoretical framework that may be used when analyzing the bourgeoisie. Such concepts as Mode of Production (MP), Social Formation (SF) and articulation were considered because of their importance when looking at the socio-economic context in a SF such as that of Jordan, where capitalism<sup>1</sup> was installed rather than born. Studying the main characteristics of the bourgeois class requires an analysis of the context of its SF. Hence, it is important, at this point, to establish a link between MP and SF as analytical tools and the concrete SF that exists in Jordan, with wider reference to the Middle East in general.<sup>2</sup>

In the case of the Arab region at large (and this can be applied to the rest of the third world countries) and of Jordan in particular, such a study requires the treatment of two historical dimensions, which played a role in the particular evolution of the Arab SFs, and which are still of relevant influence. These are (a) the pre-capitalist formations that dominated the Arab region and (b) the process by which these SFs were incorporated into the capitalist system and the current position that they occupy within world capitalism. These two factors together serve to explain the specific characteristics of the composition and formation of the Jordanian bourgeoisie and its capacity to act collectively, and therefore constitute the focus of this coming section.<sup>3</sup>

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<sup>1</sup> There is no doubt that the capitalist system is the prevailing one in the case of Jordan, not just because this country is fully integrated in the world capitalist system by means of exchange, but also because the capitalist system covers all aspects of relations of production of the Jordanian SF. This capitalist formation, however, is by no means analogous to those of the western countries and Japan, which constitute the center of the world capitalist system. Jordan, like the other developing countries at large and the Middle Eastern ones in particular, is part of the periphery.

<sup>2</sup> The question to be posed here is not why capitalism did not emerge in the Arab region, and neither what the rational-explanation of the backwardness of this region is; it rather concerns the impact of these realities on the SF, economically and politically. When confronting such a task, however, one cannot avoid the afore-mentioned questions.

<sup>3</sup> In covering the first, reference will be made to the Arab region in general, since the geographical territory where Jordan was founded was socially and economically part of natural Syria (for the purpose of this study, this term covers the following modern states and territories: Syria,

In addition to an introductory section, which gives a brief review of the main arguments concerning the pre-capitalist MPs and SFs, this chapter is divided into three sections, each of which is concerned with a specific stage of the history of Jordan prior to the period of this study. The first will cover the second half of the 19<sup>th</sup> century up to the formation of the Jordanian polity in 1921; the second the period during which Jordan was under British mandate rule; finally, the third section will cover the period postdating the British mandate up to the 1967 war. It is not the intention to give a detailed account of Jordan's history, but rather to trace the main trends of its socio-economic development, attempting to achieve a better understanding of the Jordanian social structure and Jordan's bourgeoisie.

## 2.1 THE PRE-CAPITALIST FORMATION DEBATE

There is a great deal of literature which tackles pre-capitalist SF and the articulation of the MPs within the dominant one, and a considerable amount of literature concerning the non-European pre-capitalist formations. Many of the texts concerning these issues focus on the absence of indigenous capitalism in the non-European world and on its SFs, which did not lead to the emergence of capitalism. Thus, these studies cannot avoid taking the European pre-capitalist SF as a point of comparison, and even attempt to reconstruct pre-capitalist formation outside Europe by analogy with the European one. Those arguments concerning the pre-capitalist formation of the Arab region or the Middle East can be classified into three main categories.

The first category comprises arguments which suggest that the SF of the Arab region was feudalist in nature, since the feudalist MP was the dominant one. In this sense, the pre-capitalist formation was either identical or similar to that of European feudalism. Hence, the pre-capitalist formation in the Arab region would be

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Lebanon, the Palestinian territories (West Bank, East Jerusalem and Gaza strip), Israel and Jordan) or the Fertile Crescent. Additionally, the literature about pre-capitalist formation in the Arab region can to some extent be applied to Jordan, which is part of it.

nothing but a variant<sup>4</sup> of the European one.<sup>5</sup> The misleading use of the concept of 'feudalism' can also be explained in terms of a linguistic dichotomy within the Arabic word 'iqṭaa'.<sup>6</sup>

In the course of their conflict with the colonial powers, and in the period that followed de-colonization, those political movements in the *Mashreq* which sought modernization, development and preservation of independence adopted the term 'iqṭaa'iin (feudal lords) to designate both their traditional opponents, i.e. politicians who were identified with the colonial powers, and traditional notables (especially the agrarian ones).<sup>7</sup> This gave the term 'iqṭaa' 'feudal' currency, not just in the political discourse, but also in the academic circles, especially in countries such as Syria, Iraq and Egypt.<sup>8</sup>

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<sup>4</sup> Such arguments, which were widely used by Arab scholars, were strongly influenced by the western European historical experience and historical methodologies. They simply aimed to reconstruct the pre-capitalist history of the Middle East in parallel to that of Europe, especially since these post-Ottoman studies were critical towards the Ottoman period. Besides, they were classical in their historical approach, which was imbalanced in favour of political history at the expense of social and economic history.

<sup>5</sup> Al-Sharief, Munier (1961), p 21-58; Hana, H. (1984), p47-49. Saalah, M.S. (1978), p90-95.

<sup>6</sup> On the one hand, such a term was used throughout Arab Islamic history to refer to land allocated to a person – usually an official – in return for collecting taxes, typically without allowing this person complete ownership of the land, which was not inheritable and could be subtracted (see Ayubi, N. (1985), p65-67; Mansuur, F. (1994), p35). On the other hand, the same word was used to describe the feudalism of Europe, although this was by no means the same phenomenon as the above-mentioned (see for example Mutawalli, Mahmud (1974) *Al-uṣūl al-taariikhiyya lil-ra'ismaaliyya al-masriyya wa tatawurhaa*, p12-22). Mutawalli draws a comparison between the main features of European feudalism and the pre-capitalist formation of Ottoman Egypt, showing that the main characteristics of the former were not present in Egypt. The shortcoming of such a comparison lies in the fact that it does not conclude that the pre-capitalist formation of Egypt was of an altogether different sort with respect to European feudalism. On the contrary, Mutawalli insists on claiming that the Egyptian pre-capitalist formation was simply a different type of feudal system.

<sup>7</sup> For instance, the political document that declared the foundation and political program of the Jordanian Communist Party (Al-Mwqaamah Al-Sh'abiha (1951), issue (1); see also Al-Masri, M. (1995), p67-71) suggested that the social base of the Jordanian regime lay on the alliance of the feudal and tribal elements. Pan-Arab nationalist parties like the Arab Socialist Party (Salaamah, A. (1991), p46-48) and the Baath party also emphasized the feudal character of the Arab region (Al-'iisamil, S.H. (1979), p145-152; Al-Masri, M. (1995), p74-80). The communist parties and Marxist scholars of the Mashreq were highly influenced by Soviet literature in the period in which Stalinism was being built, when the Soviet establishment adopted a dogmatic and extreme position as well as a Euro-centered one (according to this view, five MPs characterize the SF witnessed by human social history, in a succession that, starting with the communal MP followed by slavery, feudalism and capitalism, culminates in socialism). This argument could be found throughout Soviet literature, providing the Stalinist variation of Marxism which fed into the so called 'Marxist scientific historical account' of the Middle East. An important source in this regard is Lutski, G. (1971), which was published by the Progress Publisher of Moscow, and Sleminsikia, translated and published by Al-Faraabi, the publisher of the Communist Party of Lebanon.

<sup>8</sup> Hamaadi, S'aduun, (1965), p 13-14. See also 'Abd-al-Karriim, A. (1967), p57-59.

Another factor that gave currency to the concept of feudalism was that a form of feudalism displaying the same characteristics as that of Europe arose from time to time in Islamic history or in the Ottoman period. Additionally, feudal features appeared in some parts of the Arab region as a result of the contact with capitalist (and later imperialist) Europe, combined with the responses in terms of 'reforms' undertaken by the authorities.<sup>9</sup>

The second category contains arguments that revolve around the Asiatic Mode of Production (AMP)<sup>10</sup>. The genealogy of the concept goes back to the Enlightenment period but, as Hamarneh<sup>11</sup> and others claim, was given a status by Marx.<sup>12</sup> Marx's argument about the AMP ranges between a formation of communal character and a primitive MP with embryonic class relations. The main principles of this MP lie in the relationship that is established between the community since its settlement and the means of production, i.e. the land. Belonging to the community is defined by literal engagement in labour, which characterizes the right of each individual to consider him/herself as a possessor of the land. In this context, the concept of 'ownership of the land' refers to the natural relationship between the individuals in the community and nature.<sup>13</sup> This is a very important proposition, since Marx indicates another precondition in the case of the AMP, i.e. that 'the *all embracing unity*'<sup>14</sup> which stands above all these small common bodies may appear

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<sup>9</sup> Awad, A. (1969), p222-226.

<sup>10</sup> The revival of this approach was triggered in Europe to address the distinctive features of non-European pre-capitalist MPs that do not conform with the notion of feudalism, in addition to some specific problems that the independent third world countries advanced (see Rodenson, M. (1974) *Islam and Capitalism*, 119-137).

<sup>11</sup> Hamarneh, Mustafa B. (1985), p15-16. Also Anderson, Perry (1989), p 465-473.

<sup>12</sup> In fact Marx's treatments of this MP were fragmented and appeared in the form of comments or indications in some of his correspondence. Besides, Marx used the two notions of *rural Asiatic commune* and of *AMP* alternately as one concept and as two different concepts referring to two distinct realities (Marx, K. (1858), p88-92). However, these fragmented comments are the basis on which not only the Marxist concept of AMP, but also non-Marxist elaborations such as Wittfogel's well-known work were established (see Wittfogel, K.A. (1957) *Oriental Despotism*, Yale University Press, Newhaven). Anderson highlights the limits of Marx's comprehension of the Asian societies and their dynamics, as well as the influence of the Enlightenment's discourse about Asia on Marx's thought. He attributes to these factors Marx and Engels's comments about the stagnant character of the Asian societies, dominated by oriental despotism. He adds that the development of such societies and their advances in different periods of history were generally overlooked because of the general lack of information and of the fact that, contrary to those of feudal Europe, these advances did not lead to it into capitalism (see Anderson, P. (1989) *Lineages of the Absolutist State*, p489-496).

<sup>13</sup> Marx, K. (1858), p89-90.

<sup>14</sup> In italics in the original.

as the higher or *sole proprietor*'.<sup>15</sup> Hence, according to Marx, the AMP operates as follows: the community has the right to use the land, thus producing a surplus which is appropriated by the highest unity that stands above the 'numerous and lesser' communities and has the real ownership over the land, appearing as the father figure or despot.<sup>16</sup>

Other principles that can be deduced from this abstraction, and which are emphasized by Marx and in some cases by Engels, are the absence of private property and the fact that the appropriation of the surplus is rendered in two forms: in form of a tribute to the higher unity or in form of labour to the glory of God. Marx delineates the internal structure of the base community in terms of its self-sustained character, which came about with the unity of agriculture and industry, resulting in the proposition that such communities had existed for thousands of years in static isolation under highly centralized states.<sup>17</sup> In short, public works are the most important factor in generating the principal characteristics of the AMP as described by Marx and Engels. The most typical examples of such a formation are the ones that existed in the areas surrounding great valleys, where land could be artificially irrigated, such as Egypt, China, Indochina, Mesopotamia and India.<sup>18</sup>

Some or all of the characteristics of the Asiatic SF have been employed by some of those authors who have tackled the issue of the Middle Eastern pre-capitalist formation. It is not surprising that Egypt is often the center of such treatments, since its conditions constitute the best example that could fit within the model of Asiatic formation.<sup>19</sup> Among the Arab scholars' production, Sa'd's work

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<sup>15</sup> Marx, K. (1858) *Pre-capitalist Formation*, p69.

<sup>16</sup> Marx, K. (1858) *Pre-capitalist Formation*, p69. Marx, K. (1853), *The British Rule in India*, p578-579. Compare these principles with those that are illustrated in Anderson, concerning the economic structure of the Orient according to the Enlightenment and the 19<sup>th</sup> century thinkers (Anderson, Perry (1989), p465-472).

<sup>17</sup> See, in this context, Marx's analysis concerning India (Marx, K. (1853), *The British Rule in India*, p579). See also Anderson, Perry (1989), p473-484.

<sup>18</sup> Marx, K. (1853) *The British Rule in India*, p579-580.

<sup>19</sup> Among the Arab authors, Ibrahim 'Amir does not only apply Marx's comments, but goes back to comments of Enlightenment thinkers such as Montesquieu and Adam Smith in order to confirm that a pre-conditional factor that distinguishes the Asiatic formation is the climate, which requires artificial irrigation, in contrast to the natural one of European feudalism ('Amir, I. (1959), p47-59). Abdel-Malek briefly reviews the history of Egypt from the ancient times up to the 18<sup>th</sup> century to confirm almost all of the main principles of Marx's Asiatic formation. However, he labels this system as 'Oriental Feudalism' (Abdel-Malek, Anouar (1968), *Egypt: Military Society*, p25-41). Tuuma follows Abdel-Malek's example (Tuuma, Amiil (1985), p 24). According to Hamdaan, the need for artificial irrigation characterizes the Egyptian pre-capitalist formation in terms very close to the Asiatic formation (Hamdaan, J. (1970), p 203-210).

about the socio-economic history of Egypt<sup>20</sup> is the most faithful treatment of the concept of AMP as was formulated by Marx and Engels, although it also benefits from discussions concerning this concept in the mid 1960s.<sup>21</sup> The objective conditions of agriculture revolving around the Nile, such as artificial irrigation and its huge public works,<sup>22</sup> the nature of the Nile floods and the need to control them, land fertilization and so forth, would not have allowed such a civilization to thrive without the existence of an organized community. The latter is the essential condition that flattened the ground for the AMP to develop. A central state that was legally the owner of the land and forbade private ownership was an objective necessity to maintain the organization of labour around the valley.<sup>23</sup>

The AMP was subject to criticism at different levels.<sup>24</sup> Hindess and Hirst explain that the AMP principles<sup>25</sup> reveal a dual mode of appropriation of 'rent/tax' that should correspond to two distinct forces of production, which is not possible in the Asiatic societies. Therefore, the entire MP in question would not exist.<sup>26</sup> At another level, the AMP – though it might explain some aspects of the pre-capitalist formations outside of Egypt, China, India<sup>27</sup> etc. – is not a sufficient explanatory device in formations whose conditions are different, as in arid and semi-arid areas.

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<sup>20</sup> Sa'd, Ahmed S. (1979) *Taariikh Masr al-ijtimaa'ii – al-iqtisaa'dii*.

<sup>21</sup> Mainly those initiated by the French Communist Party.

<sup>22</sup> Sa'd's main theme is that of public works related to agricultural production rather than that of hydraulic agriculture, even though the latter was the prevailing form in Egypt. This is one ground on which he distinguishes himself from Wittfogel, whose emphasis is on hydraulic agriculture. Sa'd, Ahmed S. (1979) *Taariikh Masr al-ijtimaa'ii – al-iqtisaa'dii*.

<sup>23</sup> The relations of production between the state and the rural community are characterized by the appropriation of surplus in form of tax and rent. This type of relation of production could be defined as 'oriental despotism' or 'comprehensive slavery'. In this sense, Sa'd follows literally Marx's comments about oriental despotism, but fails to determine whether the community is part of the means of production and to locate the differences between the system under the Soviet state and the one under the Asiatic state. Sa'd seems to accept Marx's argument about oriental despotism with a good effort to rationalize it, while he refuses Wittfogel's arguments, which he heavily criticizes (Sa'd, Ahmed S. (1979) p9-11).

<sup>24</sup> Among those rejecting the concept of AMP, Amin puts forward another valid argument: it is not justifiable to use the term *Asiatic* to describe a typically non-European formation that existed throughout the globe and even within the European domain. This would only be possible if the purpose were to talk about an Asiatic formation as opposed to an African, a Russian, etc. Such a distinction, however, would deprive the abstract concept of MP of its universality, to the extent that the need for it would be only nominal. Amin, Samir (1976) *Unequal Development*, p16. Amin, Samir (1978) *The Arab Nation*, p10-23, 87-88.

<sup>25</sup> These are the absence of land private property and of an exploiting class independent of the state and the non-commodity production in agriculture. Hindess, B. and Hirst, P. (1975), p182-184.

<sup>26</sup> Hindess, B. and Hirst, P. (1975), p182-186. Hindess, B. and Hirst, P. (1977), p15-16. Hamameh, Mustafa B. (1985), p20.

The fact that some areas, which are generally termed Asiatic formations, experienced the emergence of feudalism in different periods and for different lengths of time,<sup>28</sup> could not be explained according to the principles of the AMP, since the latter is completely different from feudalism.

The third approach that this study considers is an abstract concept that could operate within the conditions of pre-capitalist formation in the Arab region and explain the Jordanian concrete formation and its impact on the bourgeoisie: TMP as it was proposed by Amin.<sup>29</sup> Amin's thesis of unequal development runs through the known human history, covering the pre-capitalist SF as well as the capitalist one.<sup>30</sup> In accordance with this theory, he argues that the most prominent pre-capitalist MP is the tribute-paying one. The tribute-paying SF was born from within the communal formation.<sup>31</sup> By regarding the tribute formation as the first SF after the communal one, with either a classless structure or an embryonic class system, Amin discards the Stalinist version of the SF trajectory, which could find some reference in some of Marx's own works,<sup>32</sup> providing an alternative universal interpretation.

The universal SF based on a single dominant MP varies from one area to another. It is determined by the degree of development that the forces and relations of production have reached in a certain area, which gives birth to a specific formation that differs from another governed by the same MP. According to Marx, objective conditions and the path that these classless societies took towards developing a class structure have a great deal of influence on the variation in SF.<sup>33</sup> In Amin's postulation, the variation in SFs is not just confined to the objective conditions, but it extends to the influence of external factors. In other words, the development of one formation, which is termed the 'core', could affect, and even hinder, the development of another (termed the 'periphery') at the universal level.

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<sup>27</sup> Mainly the presence of hydraulic agriculture, the particular organization of the rural community, the nature of the state.

<sup>28</sup> Mansuur, F. (1994), p29-44.

<sup>29</sup> Amin, Samir (1976) *Unequal Development*, p14-50. Amin, Samir (1978) *The Arab Nation*, p10-23, 87-92. Amin, Samir (1989) *Eurocentrism*, p3-24.

<sup>30</sup> Amin, Samir (1989) *Eurocentrism*, p5-7. Amin, Samir (1976) *Unequal Development*, p14-16, 365-369, 382-385.

<sup>31</sup> Amin, Samir (1976) *Unequal Development*, p13-17.

<sup>32</sup> See, for instance, Marx, K. and Engels, F. (1848), *The Communist Manifesto*.

<sup>33</sup> Marx, K. (1857), p69-71.

The concepts of core and periphery and the relations between them regard the pre-capitalist formation as well as the capitalist one.

Following the argument concerning the different variations of the same MP, the objective conditions and interconnections of the different formations give rise to two variants of the TMP. The most widespread form is the 'well-developed' one, which Amin terms 'TMP in its complete form' or simply 'TMP'. This emerged, developed and functioned in the different continents, apart from Europe, constituting the core of the pre-capitalist formation in universal terms. In the periphery, an undeveloped form of the TMP comes to existence, which corresponds to the feudalist one. Although feudalism is the underdeveloped variant of the TMP that evolves in the periphery, it can be seen as an advanced form from the point of view of historical trajectory.<sup>34</sup> In this respect, it may be useful to note that the periphery could allow variants of any given MP to emerge, and consequently to break from the universal formation into a new type of MP.<sup>35</sup>

The main characteristic of this MP in its well developed state - which is our main concern - is the separation of society into two main classes: 'the peasantry, organized in communities, and the ruling class, which has monopolized the function of a given society's political organization and exacts the tribute'<sup>36</sup> from the rural community. The tribute, here, does not take the form of commodity. The main contradiction of this MP arises between the continued existence of the rural community and the negation of it by the state, which results in the fusion between the class which exploits and that which dominates the political organization.<sup>37</sup> That is, the exploitative relation is, in this context, interwoven with the relation of dominance. These characteristics do not allow production to be reduced to mere legal property relations. This fact could sufficiently explain the widespread lack of

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<sup>34</sup> Amin, Samir (1976) *Unequal Development*, p16.

<sup>35</sup> In this context, Hamarneh points out the importance of the space that the periphery occupies as a result of its objective position within any system compared to the core, which could explain some of the important and sometimes fundamental changes that Jordan underwent not just at the socio-economic level, but even at the political one. Jordan, which is placed at the periphery of the Arab system according to its structural capacities, could be able to take certain development paths at different levels that the core is not able to take. Hamarneh's analytical device, which was used in studying the process of 'political opening' and the role of the civil society in Jordan during the 1990s, could help deduce possible scenarios of the development of Jordan (interview with Mustafa Hamarneh).

<sup>36</sup> Amin, Samir (1976) *Unequal Development*, p1.

<sup>37</sup> Amin, Samir (1978) *The Arab Nation*, p 89.

private property of the land (without eliminating the possibility of its presence), which was one of the focal concerns of the Enlightenment thinkers and of some Marxist scholars.

As was mentioned above, an analysis of the class system of a SF dominated by the tribute-paying MP reveals two main classes: the exploiting class, which includes courtiers (or imperial courts) and gentry officials, and the exploited one, i.e. communal peasants (or village communities).<sup>38</sup> The fusion that takes place between the class and the state in the developed form of tribute formation gives rise to other social groups whose functional role is extracting the surplus labour, such as the agents of the state, who fulfill the function of levying the tributes and organizing public works of irrigation and the water control wherever the agricultural activities require it, as in ancient Egypt or China.<sup>39</sup> According to Amin, such social groups do not belong to any specific class, but to a mere bureaucracy.<sup>40</sup> Amin's valuable analysis of the tasks within the social production explains the existence of a relatively large state apparatus without falling into cultural explanations and the use of the label 'oriental despotism'. In a typically rich agricultural tribute formation, the city, which is separate from the village community and in which the ruling exploiting class and its army of officials resides, is the sphere within which other social classes exist. Surplus-labour, which is concentrated in the hands of the ruling class and its assistants, gives rise to craft production of those luxurious goods which urban society demands. The production relations which control the craftsmen's activities are often of the petty commodity type. The production, however, may also be organized in enterprises in which the producers are slaves or wage-earners.<sup>41</sup> Among the different classes and social groups that the tribute formation surplus

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<sup>38</sup> Amin, Samir (1976) *Unequal Development*, p47. Amin, Samir (1978) *The Arab Nation*, p13-14.

<sup>39</sup> Amin, Samir (1976), *Unequal Development*, p34.

<sup>40</sup> In spite of Amin's claim, one could argue that some strata of this bureaucratic apparatus can be conceptualized in terms of class, since they have some control over some sort of organization. In this context, one could look at the different layers of the bureaucracy within a pre-capitalist state such as the Islamic empire and link each of them with a specific function within the social production. Such an interpretation could lead to look at the bureaucracy in terms of different strata, some of which could be qualified to join the state class due to the control they exert over a sort of organization that has a certain importance in the social production. However, such considerations go beyond the scope of this study.

<sup>41</sup> Hence the misconceptions of the two Bulgarian scholars Christo Gandev and Nicolai Todorov, who assume the existence of capitalist relations under the 'feudal state' during the 18<sup>th</sup> century in some parts of Bulgaria. In light of the concept of tribute formation, small manufacturing enterprises based on wage-earning relations according to the simple commodity MP could come into existence to satisfy the demands of the cities (see Karpat, K. (1968), p 81-82).

gives rise to are the state-class, the village community, commodity enterprises, craftsmen, the bureaucracy and merchants, who come to play the role of intermediary, organizing the trade circuit.

In fact, the articulation of the different MPs that could exist under the tribute formation reflects a complex of relations of production and circulation, as well as of social classes and groups.

Amin puts forward a question that is arguably important not only for the analysis of the tribute formation, but also for the study of any concrete capitalist formation, namely *what is the origin of the surplus?* This question is followed by another of equal importance, i.e. *is there any surplus that is transferred to the SF under study?*<sup>42</sup> In order to answer these questions Amin postulates the existence of two types of tribute formation in its well-developed form. One is the rich agricultural formation, as in Egypt, China and, to a lesser extent, Mesopotamia and India, where agriculture was the major or the only source of surplus and made a spectacular civilization possible.<sup>43</sup> The other type of formation emerges in areas where (at least some of) the natural conditions, such as the quality of the soil and the necessity to rely on fluctuating rainfall rates, do not favor a rich agriculture that could provide an adequate surplus for a civilization to develop. This is the case of the poor tribute formations of semi-arid or arid areas such as the Arab Mashreq, Greece or North Africa, where nonetheless astonishing civilizations were formed.<sup>44</sup> Amin enumerates the conditions that explain this contradiction between poor agricultural formation and civilization, in particular the articulation of the tribute formation with long distance trade. The latter cannot be considered as a MP; it is rather a mechanism according to which the surplus can be transferred from one SF to another. Control over the trade routes that linked the different SFs was a corner stone in transferring the surplus, since the recipients of the goods did not have knowledge concerning their cost in the formation in which they were produced, and at the same time the producers were denied knowledge of the value of the same goods in the consuming formation.<sup>45</sup>

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<sup>42</sup> Amin, Samir (1976) *Unequal Development*, p18.

<sup>43</sup> Amin, Samir (1978) *The Arab Nation*, p 14-16 and 87-92.

<sup>44</sup> Amin, Samir (1976) *Unequal Development*, p 40-43. Amin, Samir (1978) *The Arab Nation*, p13-18.

<sup>45</sup> Amin, Samir (1976), p 17-18.

This surplus could thus become a substitution revenue for the missing agricultural surplus when the formation was subject to poor agricultural conditions. Amin further points out that these surplus transfers could even be used to pick up the agricultural production, but that they inevitably became the life vein of the different urban social groups and classes which were dependent on the courtiers, i.e. of the class-state fusions.<sup>46</sup> The advancement of a tribute formation reveals two levels of articulation: one where the articulation of MPs revolves around a dominant tribute mode, and one in which tribute is combined with long distance trade. This second level of articulation brings about other dimensions of complexity concerning social structure at large and the social classes and groups in particular. The external revenue that is brought in from other formations reshapes the interest of the classes and groups not just at the social and economic levels but even at the political one, despite the fact that, at the economic level, these classes are determined by the relations of production of the MPs rather than being an outcome of trade. However, the long distance trade surplus flattens the ground on which dramatic changes could occur in the composition of the different social classes, such as the state-class or the merchants, the scope of whose activities goes beyond internal circulation, giving them the role of transferors of the surplus.

The Mashreq, with the exception of Mesopotamia, can be placed in the poor tribute formation, since it occupies a semi-arid and arid area where agriculture depends largely on rainfall. The civilizations of this area and large flourishing cities such as Aleppo, Damascus and the coast cities largely depended on the surplus that was transferred as a result of the control over the long distance trade routes.<sup>47</sup> A subsequent shift in these routes would have a severe impact on the urban civilizations that had flourished in the period when the routes of this international trade passed through their cities. During the Ottoman era, the organization of the Mashreq - including what will be known as Jordan - could be construed in terms of a tribute formation articulated with long distance trade.<sup>48</sup> Therefore, as Amin points

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<sup>46</sup> Amin, Samir (1976), p18-20. Amin, Samir (1978), p14-16

<sup>47</sup> Along the lines of the class concept that was constructed in the previous chapter, one may argue that the class-state fusion in the TMP could provide services that are of considerable importance to maintain the trade routes going through its formation. In other words, control over the routes and their safety becomes one of the tasks of the state in tribute formations to secure the inflowing surplus from other formations.

<sup>48</sup> The distinctiveness and characteristics of all the communities that lived in the area of Jordan was determined by the relations of production that the combined MPs dictated and by the effect of articulated long distance trade. Even when the area of Jordan did not lie on one of the trade

out, the center of gravity was the town rather than the countryside, which could not provide the sufficient surplus. The peasants in such a formation were living in their isolated communities, independent of the state-class and producing enough to sustain themselves and to provide a small surplus that was extracted from them. These terms can provide valuable insights when considering the area of Jordan in the last period of the Ottoman rule.

Before looking at the main features of the 'Jordanian' SF during the Ottoman rule and other periods, it is important to examine the objective conditions that to a large extent determined the specificity of the Jordanian tribute SF. As was mentioned above, the area of Jordan could be characterized as a poor agricultural tribute formation, since it is prevalently arid and semi-arid, with the exception of the limited area of the *Ghor* Region<sup>49</sup> and three relatively humid and semi-humid patches in the Eastern Highlands Region<sup>50</sup>. The area surrounding these humid patches, which makes up the rest of the Eastern Highlands and occupies 7.5% of the total Jordanian land, is characterized by being relatively semi-humid and semi arid.<sup>51</sup> In

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routes, as was the case in different historical periods, its development still depended on this articulation, which appeared in the larger context that Jordan belonged to, such as that of natural Syria.

<sup>49</sup> This area is part of the Dead Sea basin and lies between the *Yarmouk* River in the north and the *Khneizere* Valley in the south, with the Dead Sea in the middle, while to the east lie the Eastern Highlands. Besides the *Yarmouk* River, the *Jordan* River also runs through the northern part of this region, which is called the north *Ghor*, while the *Hedath* and *Khneizere* Valleys occupy the south *Ghor* (Aresvik, O. (1976) *The Agricultural Development of Jordan*, p 57). The south and north *Ghor* are two of the most fertile agricultural areas in Trans-Jordan, due to the availability of water from the rivers and valleys mentioned above. Furthermore, the land of this region, which is estimated at a 100 thousand hectares, is characterized by its ability to produce more than one crop per year in many rotations, as well as by its early production capability relative to other regions (Aburamillah, (1986) p 68). This area was the centre of the agricultural activities in the 19<sup>th</sup> century as well as in the 20<sup>th</sup>.

<sup>50</sup> The region of the Eastern Highlands falls to the east of the *Ghor* region and *Wadi Araba*, and lies between the *Yarmouk* River and the Syrian borders in the north and *Wadi Mousa* in the south. It borders on the *Badia* region on the eastern and southern sides (Aburamillah, (1986) p 68-69). These patches include a small area between *Ajulan* and *Irbid* in the north, one around *Karak* in the south and one between the two regions around *Salt*. They make up the most suitable area for agricultural activities in the semi-humid and humid zone, since the average rainfall ranges between 500mm. and 800mm. However, their area is very small, being of about 1 million *dunum* and making up 1.1% of the total land of Trans-Jordan.

<sup>51</sup> This area can be divided into two zones: the first one, whose area makes up 1.8% of the total Jordanian land, is the semi-arid zone, where the rainfall ranges from a minimum of 300mm. to a maximum of 500mm. This region lies both in the northern part of Jordan, between *Madaba* in the south and the *Yarmouk* River in the north, and in the southern, around *Karak*. The second zone, which occupies 5.7% of the total land, is more arid than the first, since its rainfall averages between 200 and 300mm. ( Aburamillah, S. (1986) p 69-71. Aresvik, O. (1976), *The Agricultural Development of Jordan*, p 58-60). The average volume of the annual rainfall in the Eastern Highland region represents 44.0% of the total volume of rainfall in Transjordan. The rainfalls in this region are characterized by variation in volume, density and duration from year to year. Furthermore, rainfall is the main source of water used for agricultural purposes in this region, although other limited sources are exploited for irrigation, such as several scattered springs and a small amount of ground water.

general terms, these areas put together are the ones which are suitable to carry out agricultural activities, while the majority of the land (91.4 % of the total) is occupied by the *Badia* Region (desert), which is very arid in character.<sup>52</sup>

The absence of a vital continuous<sup>53</sup> long distance trade route reduced the socio-economic historical paths of the area of Jordan to its ecological and climatic conditions, to the extent that one could argue that the story of its socio-economic development is the story of land and water. This reality is enhanced by the fact that even the cultivable areas where the sedentary community came to exist constitute the fringes of the desert. These factors made it possible for two ways of life, the rural and the Bedouin, to coexist. Prior to the capitalist encroachment, a peculiarity of the Jordanian SF - which was in its essence a tribute one - was the wide spread of the Nomadic Mode of Production (NMP) and its articulation with a very poor agricultural TMP. This articulation with the NMP, which was a result of the above-mentioned factors, greatly contributed to hindering the possibility of any accumulative development, as will be shown in the coming section, covering the final period of the Ottoman rule.

## 2.2 FROM OTTOMAN DIRECT RULE TO THE FOUNDATION OF THE STATE

This section deals with the period that preceded the detachment of Trans-Jordan from its natural context (i.e. natural Syria) and the foundation of a separate political entity. It attempts to reconstruct the main features of the SF in the area where the Trans-Jordanian state would be built in 1921, giving a brief account of the

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<sup>52</sup> The average rainfall in this region is of less than 200mm. per annum. The data about the different rainfall rates come from the 1940s and 50s. Lack of information concerning the 19<sup>th</sup> and the early 20<sup>th</sup> century and lack of accurate and comprehensive data concerning the 1920s and 1930s, coupled with the fact that the purpose of these data is to show the objective conditions not just under the Ottoman rule but also during the periods which are the focus of this study, dictate the use of data from different periods, assuming that the variations of the data between the mid and late 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century are not of absolute significance. For information concerning the estimations of the rainfalls in the 19<sup>th</sup> century and the first half of the 20<sup>th</sup>, see Abu-Jaber, R. (1989), p 255-266.

<sup>53</sup> The only vital activity that passed through the area was the annual pilgrimage caravans. In this sense, Ayubi correctly describes Jordan as being a 'corridor' without users (see Ayubi, N. (1995) p114).

main communities that existed in that period and of their articulation. A sub-section will be devoted to each of the peasant, bedouin and merchant communities that together made up the SF of the area under the Ottomans. The point of departure, however, will be the reinstatement of Ottoman rule, and the main policies that the Ottomans adopted with the local population under their authority will be covered.

## 2.2.1 THE OTTOMAN CENTRAL AUTHORITY IN JORDAN

Annexing the area of Jordan was of a certain importance to the central authority, based in Damascus, due to the potential revenue that could be poured into a treasury that suffered from deficit.<sup>54</sup> In particular, the northwest of Trans-Jordan (i.e. 'Ajlun), which was its most potentially rewarding agricultural area, bordered on Damascus. The vitality of this area lay in the fact that the Ottoman authorities kept the 50% tax increase that the Egyptian rule had imposed on the peasants.

In fact, the area of Trans-Jordan was brought back under Ottoman direct rule gradually. The effort to extend the Ottoman *ilyate's* direct rule over the area started some time after the end of the Egyptian administration. Rogan traces the different attempts that took place between 1844 and 1867, when the Ottoman administration was able to establish the *Qadaa' al-Salt*. He argues that the latter date could be taken to mark the restoration of the Ottoman rule in Jordan. Reinstating security for the peasants of the *Qadaa' 'Ajlun*, which was considered to be part of the *ilyate*,<sup>55</sup> was apparently a matter of concern for the administration in Damascus, since various strategies were drawn to fulfill this purpose.<sup>56</sup> Nevertheless, these various

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<sup>54</sup> Rogan, E. L. (1991), p 60-62.

<sup>55</sup> Rogan, E. L. (1991), 65. Awad, Abdelaziz M. (1969) *Al-idaara al-'uthmaaniyya fii wilaaya suriyya 1864-1914*, p67-70.

<sup>56</sup> Different policies were proposed, some of which were put into practice. For instance, in the 1840s a specific scheme based on an outmoded *timaar* land system was enforced in order to guarantee the security of the peasants of 'Ajlun and at the same time to provide a revenue for the treasury without any financial burden being imposed on the latter. According to this scheme, the area of 'Ajlun was assigned to a notable from Damascus who had to use his own financial resources to secure the area and collect the taxes, providing the treasury of Damascus with a fixed annual amount of money. Another important strategy was implemented for a short period in 1850-1851, namely the creation of a whole community of immigrants who would be in charge of security and tax collection. This was the short-lived experience of the Algerian colony in 'Ajlun. Another policy was drafted in the so-called 'al'aal project, according to which a permanent administrative body was to be established.

policies did not lead to the full presence of the Ottoman authority, and the region continued to be, in some specific phases and seasons, at the mercy of the Bedouin tribes' raids extorting the *Khaawah*. However, the presence of Ottoman rule was probably felt in the northern area of Trans-Jordan, since the moneylenders of Beirut granted loans to some of the peasants of that area.<sup>57</sup> In fact, the selfsame deficit that motivated the authority of Damascus to be concerned with the area of Trans-Jordan also hindered its effort to secure it, stretching it over an extended period of time. Damascus could not at the time afford the budget and the armed forces necessary to bring the region back under its rule: it had to wait until the 1860s, when a more conspicuous army became available as a consequence of the brutal events in Damascus.<sup>58</sup>

Following Karpát in his argument concerning the different social powers in the 19<sup>th</sup>-century Ottoman empire,<sup>59</sup> and the development that occurred in the socio-economic structure of Jordan under the state presence (see below),<sup>60</sup> one could argue that it was in the interest of the merchants of the Palestinian and Syrian coast as well as of those of the cities of the interior to see an extension of Ottoman rule to the area of Trans-Jordan. As much as the bureaucracy was interested in increasing the revenue, these social groups were driven by the profit that could be made through the purchase of agricultural commodities from this area, especially given the increase in European demand. Another source of profit could have been money-lending itself.

It is not the concern of this study to detail the activities that the central authorities undertook in order to bring the area of Trans-Jordan back under their direct rule. Although, the success met by the authorities' effort was remarkable, the area was still never under direct control and remained an open venue for the

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This project, which the *ilyate* of Sham presented before the authority in Istanbul, was not implemented. In the 1850s, a few military expeditions took place, targeting the different Bedouin tribes (Rogan, E. L. (1991), p66-73).

<sup>57</sup> Rogan, E. L. (1991), p 72.

<sup>58</sup> Rogan, E. L. (1991), p 72-73. Owen, R. (1993), *The Middle East in the World Economy, 1800-1914*, p169-171. see Owen for more details concerning the Damascus riots.

<sup>59</sup> Karpát's argument about the different social powers within the Ottoman empire in the 19<sup>th</sup> century was applied specifically to their role in the promulgation and implementation of the land code. However, his account is still relevant to other issues. Karpát, K. (1968), *Land Regime, Social Structure, and Modernization*, p84-88.

<sup>60</sup> Concerning what the presence of the state brought to the area of Jordan, especially in the sedentary areas, see Hamarneh, M. (1985), 83-91, Fischbach, M. (2000), p 36-49. Rogan, E. L. (1994), p 48-49. Rogan, E. L. (1991), p 120-140.

nomadic activities. The real challenge that faced the government in Jordan was battling with the nomadic tribes in order to put an end to their raids against settled communities, which were burdened by the *Khaawah*. Apart from the different factors that motivated such a policy, including the cooperation of the peasants seeking a higher degree of security, Lewis argues that the success of the expeditions<sup>61</sup> against the Bedouin tribes in the area of Trans-Jordan lies in the improvement of Ottoman armed forces, principally in their use of modern rifles, which shifted the balance of power in their favor against the less sophisticated weapons of the Bedouins.<sup>62</sup>

Hamarnah's<sup>63</sup> explanation of the success of the Ottoman efforts shifts the gravity to the socio-economic transformation that many of the tribes underwent during that period, by going from the purely nomadic, based on camel husbandry, to the semi-nomadic, based on multi-animal husbandry. This process meant that the tribes gave up their strategic asset, embodied in their mobility and the ability to move into the depths of the desert, which were unreachable by the Ottoman authorities.<sup>64</sup> The movements of some tribes came to correspond to the sheep's life cycle, limiting the area that the Ottoman armed forces had to cover in order to subject them. Apart from its explanatory power in understanding the facilitation of direct rule, Hamarnah's argument is vital in reflecting the social change that the break down of the NMP brought about.<sup>65</sup>

Other policies used by the Ottoman government to subdue the Bedouin tribes were made effective by the articulation of the NMP with the tribute formation and by its decline in the case of some nomadic tribes, which increased the reliance of the nomadic community on other sources of revenue.<sup>66</sup> Such policies included formally

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<sup>61</sup> The reference is to the expeditions that the Ottoman authority undertook during the 1860s in the eastern desert of Syria as well as in the area of Trans-Jordan. The expeditions in 'Ajlun in 1851 and Al-Salt in 1867 resulted in installing a governor for the district. A punitive expedition targeted *Beni-Sakher* two years later, resulting in the latter's submission and its paying the cost of the expedition. Lewis, Norman (1955), *The Frontier of Settlement in Syria, 1800-1950*, p262.

<sup>62</sup> Lewis, Norman. (1955), *The Frontier of Settlement in Syria, 1800-1950*, p262-64.

<sup>63</sup> Hamarnah, M. (1985), p49-50 and 61-64.

<sup>64</sup> See Appendix 3 concerning the NMP and its decline.

<sup>65</sup> Lewis's argument on its own cannot explain the Ottoman authority's success in obtaining the submission of the Bedouin tribes and assuring the end of their raids, taking into account the size and quality of the Ottoman armed forces that were used for that purpose. The presence of strong tribes such as *Beni Sakhr* and *Al-Adwaan* and the availability of the desert as a safe haven for them should have made such an achievement difficult. However, Lewis's argument can be valid if it comes within the framework that Hamarnah's argument establishes.

<sup>66</sup> As was argued in Appendix 3.

rewarding those tribal sheikhs who collaborated with the Ottoman representatives in the area by awarding them title to the land or an official position within administrative bodies.<sup>67</sup> The Ottomans used the means at the state's disposal to ensure the cooperation of certain tribes, such as giving one of them rather than others the right to protect the pilgrims' caravans, which meant extra revenue for the sheikhdom and for some of the tribesmen.<sup>68</sup>

Besides the rewarding and incorporating policies, the state was determined to implement punitive policies towards the sheikhs who showed a resistance to its authority. Such policies ranged from depriving the whole tribe of the possibility to conduct any services to the state, and consequently of potential revenue, to the imprisonment of their sheikhs, and the treatment of them as rogue figures.<sup>69</sup> These policies were often very effective and resulted, in some cases, in turning the body of the tribe against the sheikhs or shifting the sheikhdom from one leader to another.<sup>70</sup>

A further policy was the Ottoman's establishment of settlements in different areas within the sphere of influence in order to host immigrants who were pouring into the area for reasons such as its wars with Russia or in the Balkans. Such settlements also proved to be effective in maintaining its direct rule in the area of Trans-Jordan.<sup>71</sup> The settlement policy became more central during the 1860s and 1870s, when the Circassians were settled in Amman, Jerash and Zarqa. Lewis argues that these settlements and others, such as the Christians<sup>72</sup> of *Al-Karak* in *Madaba*, resulted in extending the cultivated area,<sup>73</sup> with the result that they constituted a buffer zone between the already settled communities and the nomadic

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<sup>67</sup> Rogan, E. L. (1991), p74-75 and also Hamarneh, M. (1985), p 64-65.

<sup>68</sup> See Hamarneh, M. (1985), p67-69. Rogan, E. L. (1991), 139-144.

<sup>69</sup> Rogan, E. L. (1991), p72.

<sup>70</sup> Concerning 'Adowaan tribe see Hamarneh, M. (1985), p66-68. Rogan, E. L. (1991), p72. Rogan, E. L. (1994), p33.

<sup>71</sup> Even though, according to Owen, the settlement policy took definite shape in the 1860s with the settlements that were established in different places in Syria (Owen, R. (1993) p 170-172), Rogan shows that the first attempt to use this policy in Transjordan goes back to 1850, when an Algerian colony was established in Ajlun for a short period of time, mainly to play the role of challenging the Bedouin raids and thus securing a revenue from the peasants (Rogan, E. L. (1994), p35-34; Rogan, E. L. (1991), p72).

<sup>72</sup> Rogan shows that the Ottoman authority encouraged the cultivators to settle in villages that had been abandoned over the previous periods. The first two new villages, *Al-Fuhis* and *Al-Rumiimin*, were Christian ones (Rogan, E. L. (1994), p.105-107). See also Abu-Jaber, R. (1989), p134-145.

<sup>73</sup> Lewis, Norman. (1955), *The Frontier of Settlement in Syria, 1800-1950*, p265-66.

and semi-nomadic tribes. The settlements policy continued into the early 1900s, when four new mixed Circassian/Cecen villages which were founded to the east of Amman.<sup>74</sup> The internal social structure of these communities, which was essentially sedentary, their lifestyle, which had been imported from their original homeland, the support that they obtained from the central authority and their being armed, introduced a new balance of power between the rural and Bedouin communities.<sup>75</sup> It is worth-mentioning here that these settlers remained a closed community because of the continuous confrontation with the indigenous peasants and Bedouins. This fact can explain the lack of complete integration of the Circassian and Cecen communities into the Jordanian social texture of the 20<sup>th</sup> century, highlighting the importance of ethnicity as a social factor according to which the components of the Jordanian society should be studied. In this context, this vertical social factor will be incorporated into the analysis of the bourgeoisie.

The socio-economic change that the Bedouin tribes had undergone, the policies of the state and its determination, the interest of some social groups (within the Jordanian domain and outside it) and the role of the settlements made the return of the state to the area of Trans-Jordan successful to a large extent. At one level, these factors themselves and the successful presence of the state meant the redrawing of relations between the different components of the SFs. At another level, the relations established between the different components of the society, or between some segments or individuals and the state, became a vital factor reflecting the importance of their status within the society. One could argue that the relations established between Ottoman authority and society in the late 19<sup>th</sup> and early 20<sup>th</sup> century gave a shape and characteristics to the forthcoming relations between the Jordanian state and society.

The process of reintegration of the area of Trans-Jordan within the domain of the central authority control brought to the area the Ottoman administrative system.<sup>76</sup>

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<sup>74</sup> Rogan, E. L. (1991), p113.

<sup>75</sup> Lewis, Norman (1955), *The Frontier of Settlement in Syria, 1800-1950*, p265-66. Rogan, E. L. (1991), p117-120. Rogan reports some incidents where confrontations, some of which were bloody, broke out between the Circassians and the Bedouins when the former refused to pay the *khaawah* on the harvest seasons or the Bedouins released their herds in the Circassians' fields.

<sup>76</sup> In brief, the Ottoman system was a hierarchical pyramid centralized in the capital, at the top of which was the Sultan. The empire consisted of different provinces called *Vilayets* (*Wilaayat*) and ruled by a Vali. Each *Vilayet* was divided into *Sancaks* (*Liwa'* or *Mutasarrifiit*), each of which was under the rule of a *Mutasarrif*. In its turn, the *Sancak* was made up of smaller administrative units called *Kazas* (*Qadaa'*), which were under the management of a *Kaymakam*. The smallest unit in this

However, since the second half of the 19<sup>th</sup> century and up to the First World War, the area of Trans-Jordan did not enjoy a consistent administrative status. On the contrary, the different administrative units were subject to a continuous readjustment that affected both their centre and their subordinate units.<sup>77</sup> The way in which the administrative units of Jordan were connected to one another and were answerable to superior units could also vary over time.<sup>78</sup> This lack of consistency can be largely attributed to the fact that integrating the area of Jordan was a gradual process. In this context, the change in administrative structure coincided with new conditions brought about by the extension of the central authority within Jordan. Other factors contributed to the frequent changes in the structure of the administration, such as the need to find an efficient system for collecting taxes, or to take into account the local balance of power. Moreover, one could claim that this distribution was not based on specific criteria, but rather on the old divisions and on the consideration of provincial differences which contributed to the continuous changes in the empire at large.

At the turn of the century, the administrative structure of the area of Trans-Jordan was subject to further adjustments.<sup>79</sup> In the last phase of the Ottoman rule,

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system was the *Nahiye*, which belonged administratively to the *Kaza* and usually consisted of different villages and/or of a geographical area based in one village of some relative importance. The *Nahiye* was ruled by a *Mudir* (Awad, Abdelaziz M. (1969) *Al-idaara al-'uthmaaniyya fii wilaaya suriyya 1864-1914*, p67-70. Rogan, Eugene L. (1994) *Bringing the state back: the limits of Ottoman rule in Transjordan, 1940-1910*, p37-38).

<sup>77</sup> In 1893, for example, the *sancak* Ma'an was established, having its center in Ma'an and including the *qadaa'* Karak, Ma'an and Al-Tafila (Awad, Abdelaziz M. (1969), p78-79). One year later, on request of the inhabitants of Karak, the authorities established a *sancak* Karak to replace that of Ma'an. Later still, the *qadaa'* Salt was included, and became the center of the *sancak* together with Karak (Madi, M. and Musa, S. (1988), p8-9).

<sup>78</sup> For instance, the *qadaa'* Karak and Ma'an were linked to the *sancak* Jerusalem up to 1879, when they became connected to the *sancak* Nablus (Awad, Abdelaziz M. (1969), p78). The *qadaa'* Salt had been attached to the *sancak* Nablus since its establishment in 1867; however, this link was changed in 1905 to the *sancak* Karak (Madi, M. and Musa, S. (1988), p7-8).

<sup>79</sup> At the beginning of the 20th century, it included the *qadaa'* 'Ajluun, whose center was Irbid and which included 2 *Nahiyes* and 102 villages. This *qadaa'* was answerable to the *sancak* Hawran and consisted of almost the whole northern part of Jordan down to the river Zarqa, which lies to the south of Jerash and to the north of Amman and Al-Salt. Some of the area which became part of the Jordanian state in the 1920s was not included in the *qadaa'*, namely the Northern Ghor, which was linked to the *qadaa'* Tiberias, which was part of the *sancak* Acer. Ramtha and the surrounding villages, on the other hand, were connected to Dar'a (now a Syrian town), which was itself part of Hawran (Awad, Abdelaziz M. (1969), p78-79, 340-342. Madi, M. and Musa, S. (1988), p7). To the north of Karak was the *qadaa'* Balqa, whose center was in Al-Salt and which comprised the area to the south of the river Zarqa, including the town of Zarqa and extending south to the Wadi al-Mujib, which ends in the center of the Dead Sea. As was mentioned above, this *qadaa'* was linked to Nablus up to 1905, when the link shifted to Karak (Madi, M. and Musa, S. (1988), p8). In 1900 it consisted of 2 *Nahiyes* (Amman and Ziza) and 9 villages (Awad, Abdelaziz M. (1969), p79, Madi, M. and Musa, S. (1988), p8). By the end of the 19th century, with the foundation of the *sancak* Al-Karak, the southern

the area that made up Jordan in the aftermath of the First World War already had its administrative unity. By then it comprised two main units, i.e. the *qadaa'* Ajluun, which was linked to Hawran, and the rest of the area, which since 1905 was revolving around the *sancak* Al-Karak. The existence of administrative links between the different districts did not by any means imply analogous economic ties; such ties remained, in the majority of cases, horizontal, i.e. with the urban centers of what would become the British mandate of Palestine. Certainly, economic relations between each of the Jordanian districts and Damascus - and to a lesser extent between them and the other Syrian urban centers - varied in strength and nature according to the district. However, these ties did not necessarily imply corresponding ties or even sub-ties between the different districts; in fact, mutual ties between the districts were almost non-existent. In this context, one could argue that the different districts of the area of Jordan were mere satellites or regions of influence of other urban centers, principally Palestinian or Syrian.

The internal relations between tribes, villages and tribal confederations and the administrative structure of the area as they existed in the last phase of the Ottoman rule determined the regional differentiation of the areas of Jordan. Three distinct regions resulted: *Ajluun*, in the far north, *Balqa* in the center and *Karak* in the south. These areas, which did not correspond to any solid geographical foundation, became one of the bases by which the Jordanian society could be distinguished, and even regionally mobilized, throughout its historical development until the present day. In other words, these historical factors and the Ottoman administrative structure within the area of Jordan established the ground upon which regionalism was enforced as a base for social differentiations and mobilizations. Regionalism is thus a further vertical factor which must be taken into consideration in any analysis of Jordanian society at large and of the bourgeoisie in particular.

## 2.2.2 THE PEASANTS' COMMUNITIES

The miserliness of nature was decisive in shaping the life styles in this region during the 19<sup>th</sup> century. As was mentioned above, the majority of the land is arid and uncultivable, while the actual cultivable area is about 6.0-8.0 %<sup>80</sup> of the total

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part of Jordan constituted one administrative body, with the exception of Aqaba, which was linked to Hijaz.

<sup>80</sup> These data are based on the figures of the 1950s.

land, including the irrigated area. However, it should not be assumed that this small proportion was regularly cultivated. The fluctuation of the rainfall from year to year was a significant factor causing variation in the size of the cultivated area on an annual basis.

Other reasons outside the natural and climatic realm, such as the limited population of the region over the 19<sup>th</sup> century, contributed to keep the cultivated area smaller than the cultivable one. By reviewing the accounts of the western travelers who visited Trans-Jordan or some parts of it in the 19<sup>th</sup> century, Hamarneh<sup>81</sup> demonstrates that the population of the settled community was limited.<sup>82</sup> The natural and climatic conditions together with 'famine, plague, and poor hygienic conditions'<sup>83</sup> put pressure on the natural growth of population, resulting in limited settled communities and consequently limited cultivated areas.

Another important factor which had an impact on the area cultivated and limited the population of rural areas was the lack of security that the peasants faced due to the Bedouins' raids. The villagers had to cope with the burden of the tribute that the state exacted plus that which the Bedouins imposed in the form of *Khaawah*, which was sometimes more than they could tolerate and in some cases drove them to abandon their villages. In situations like these, they<sup>84</sup> kept changing village every few years, seeking more secure locations.<sup>85</sup> In addition to the above factors, abandoning villages was a practice known among peasants who were unable to pay back debts owed to urban lenders.<sup>86</sup>

The means of production are another rational explanation for such a limited cultivated area. Hamarneh stresses the fact that the tools of production were very

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<sup>81</sup> Hamarneh, M.B. (1985), p72-74.

<sup>82</sup> In 1879, the population of the northern qadaa' was estimated around 20,000 inhabitants occupying some 60 villages, while the population of northern 'Ajlun (excluding Tibneh) was estimated at 10,463, covering some 36 villages. The population of Al-Salt was about 3,000 in 1812 and 6,000 in 1879. In 1848, the population of Al-Karak was estimated at 300 families, while in 1886 it was estimated at 4,000-5,000, in 1889 at 8,000. Hamarneh attributes the variation in the population of Al-Karak in particular to some of the population being excluded due to the fact that these estimations coincided with the annual cycle of people who were still semi-nomadic, though part of the community of Al-Karak (Hamarneh, M.B. (1985), p72-77).

<sup>83</sup> Hamarneh, M.B. (1985), p72.

<sup>84</sup> Lewis, Norman (1955), *The Frontier of Settlement in Syria, 1800-1950*, p259-264.

<sup>85</sup> See Hamarneh, M.B. (1985), p71-74. Also Abu Jaber, R. (1989), *Pioneer over Jordan*, p27. Lewis, Norman (1955), *The Frontier of Settlement in Syria, 1800-1950*, p259-264.

<sup>86</sup> Rafeq, A. (1984), p388.

primitive and did not witness any significant improvement; for the most part the villagers of the Jordanian area continued to use the same tools of production that their ancestors employed. The only exception,<sup>87</sup> in this context, was the introduction of the oxen plough.<sup>88</sup> In fact, the villagers kept using traditional agricultural methods up to the first few decades of the 20<sup>th</sup> century.

The characteristics of land ownership are of vital importance to review the sedentary communities. Along with the theoretical framework that Amin advances concerning tribute formation in arid and semi-arid contexts, the ownership of the land within the sedentary community in the Ottoman Empire at large and in Jordan in particular should be understood. The different land regimes that the Ottoman Empire, and consequently the area of Jordan, experienced maintained the principles of the TMP, according to which the peasants had the usufruct of the land and the state exacted the surplus in form of tribute. According to this equation, various land regimes were subject to change or complete replacement. The process of replacing one regime by another was an evident sign of the exhaustion of the old one to serve the relations of production maintaining their tribute and maximizing it when needed. In this context, the *timar*<sup>89</sup> system was probably applied and then replaced<sup>90</sup> by the *iltizam* or tax farming<sup>91</sup>. The latter system went through the same process and the *tanzimat* that the state undertook were aimed at reconstructing the tribute relations

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<sup>87</sup> Abu Jaber claims that in large landholdings more advanced tools of production were used compared to those used by the villagers. This claim, which is based on some remaining records of the agricultural activities of some of the large landholdings, indicates that certain techniques and organizational methods were adopted in these farms (Abu Jaber, R. (1989), p131-139).

<sup>88</sup> Hamarneh, M.B. (1985), p79-80.

<sup>89</sup> This system was widespread in the Ottoman empire in the formative period up to the beginning of the 17<sup>th</sup> century. According to it, the state assigned an area of land known as a *timar* to military officers, who collected the taxes from the peasants in order to support themselves and provide the state with the required services in return. This practice was the spine of the fiscal system in the Ottoman Empire (see Karpas, K. (1968), 69-70).

<sup>90</sup> The need for replacing this system came about when it could no longer maintain the relations of production of the tribute formation: the presence of the central government was weakened and the power of the officers who were granted the land was strengthened, leading to a drop in the tribute to the state and evolving towards forming relations of production that could give the military officers the status of an independent class (Karpas, K. (1968), p71). According to Amin, this is the core idea of a TMP evolving into feudal relations (see Amin about the TMP in the previous section of this chapter). The process of centralization that the state sought was aimed at reinforcing the tribute relations of production. In this context, the *timar* system was abolished and the social bases of its power were replaced by changing the land regime.

<sup>91</sup> In this system, which replaced the *timar*, the state auctioned the right to collect the taxes from a given area to a local notable. The duration of this right varied and became at one point for life (see Rafeq, A. (1984) p382-385 and Karpas, K. (1968), p 71-72).

of production.<sup>92</sup> In this sense, the 1858 land code was instituted in order to eliminate the old land systems.

From the peasants' point of view, the relationship to the land could be of three main types: *mashaa*<sup>93</sup>, *miri*<sup>94</sup> and, to a lesser extent, private property. The concrete examples from the area suggest that these various forms of ownership co-existed within a complex structure, and that the patterns in which they were combined were not comprehensive ones<sup>95</sup>. The underlying factors<sup>96</sup> that gave birth to and maintained the *mashaa*' system in the area of Trans-Jordan are of vital importance, considering that this system continued to exist even after the restoration of the Ottoman direct rule and the implementation of 1858 land code. Regardless of the importance of his argument for looking at the system in the framework of communal stages,<sup>97</sup> Warriner claims that the *mashaa*' system evolved from the

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<sup>92</sup> However, the context in which these latter attempts came about coincides with the rise of capitalism in Europe and the gradual incorporation of the Ottoman Empire into the capitalist system. Moreover, as Karpat argues, the Ottoman government managed to hit the *a'ayaan* (local notables), who were the representatives of the *illizam* regime, but was not successful in destroying the basis of its social power as it had been done with the *timar* (Karpat, K. (1968), p72-75).

<sup>93</sup> The *mashaa*' can be defined as the distribution of the land in equal shares between cultivators of one community, such as a village or tribe. In this sense, every member of the community has a right of usufruct on the land. For more information, see Warriner, D. (1944), p75-76; Hamarneh, M. (1985), p82; Fischbach, Michael R. (2000), p44-46.

<sup>94</sup> The term *miri* refers to state land. In many cases, the *miri* that lay outside the boundaries of the village was given in form of *mazara*', *ciftlik* or *timar*, depending on the land system used by then. However, that did not mean that the state was not the owner anymore. Rafeq, A. (1982) p 374-375.

<sup>95</sup> The area of *qadaa*' 'Ajlun had the various kinds of land ownership prior to the direct Ottoman period. The *mashaa*' was the most common and the land used to be re-divided every two or three years, when each peasant took a share in the land that he could cultivate. Redistribution of the land took place when outsiders came to settle in the village. The rivalry between two family confederations in the town of Al-Salt led to a division of the land into sections: the first confederation was collectively assigned the land within the town, the other one the land outside the town. Al-Haara, a neighborhood in the town center, consisted of 'Awaamilah and Qat'iishaat, while the confederation of families outside the town was called Al-Akraad and comprised 'Arabiaat, Khariisaat, Hyaaraat and Nsuur. The three confederations that dominated the politics of Al-Karak also had a great impact on land tenure, since the land was divided into three sections among the confederations (Fischbach, M. (2000), p10-15).

<sup>96</sup> Despite the fact that there is general consent among the scholars on the concept of *mashaa*', the interpretation of the underlying factors that contributed to the preservation of this type of property is not unanimous.

<sup>97</sup> There was a stage that preceded the *mashaa*' which was equivalent to the communal stage in a sedentary community, in that the members of such a community had equal rights in the usufruct of the land and each member had the same share of the land quantitatively and qualitatively. Such an argument has a ground, since important factors kept the *mashaa*' system alive, such as natural conditions, social insecurity, general poverty and instability and their consequences (Warriner, D. (1944), p75-76). Hamarneh, who agrees with Warriner's definition, places great emphasis on the two stages of communal community. In the case of Jordan, some of the conditions are clearly natural, such as the need to rely on fluctuating rain-falls, while others are related to security, being the result of the articulation of the NMP with the sedentary community as part of the tribute formation (Hamarneh, M.B. (1985), p76-77).

Arabian tribal customs.<sup>98</sup> Such claims have been recently challenged by some scholars, based on the co-existence of private property and the *mashaa'*, as noted above and to be considered below.<sup>99</sup> According to these scholars, the persistence of the *mashaa'* is a consequence of the taxation policy. The *mashaa'* system was a very effective device for the community to bear the taxes levied on their lands.<sup>100</sup> Such an argument has explanatory power as regards the preservation of the system; however, other factors believed by Warriner to explain the emergence and reinforcement of the *mashaa'* are also vital in the case of Transjordan. This acquires a certain significance, bearing in mind that the NMP was articulated with the TMP<sup>101</sup>. In this context, the raids of the nomads were equivalent to a taxation system; hence, the peasants collectively tried to protect themselves or paid the *khaawah*. The continuous alteration of villages and plains that the peasants practiced in natural Syria reinforced such a system.<sup>102</sup>

Private ownership existed along with the *mashaa'*. Fischbach argues that some sheikhs of 'Ajlun acquired the land as their own private property, especially when they led their tribes and followers to conquer new villages. On some occasions, the sheikh managed to reduce the peasants to sharecroppers, claiming the whole land for himself.<sup>103</sup> In more common circumstances, the sheikh divided the land into two (not necessarily equal) sections, one of which was distributed

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<sup>98</sup> Warriner, D. (1944), p75-76. In very similar fashion, Rafeq emphasizes the fact that the limited number of the peasants, which favoured a distribution of work according to family unit, contributed to extend the life of this system (Rafeq, A. (1982) p 382-385). On the basis of Warriner's tribal customs interpretation and Hamarneh two routes that nomads take to sedentary, one could argue that some nomadic unit, in its process of sedentarization, carried with it a distribution of the cultivations based on kinship ties, which had developed in the period of nomadism. The unfavourable conditions, whether they were environmental or related to the structure of the SF, reinforce such trend. See Appendix (3) about the tribes of the weakest link in process of abandoning the nomadic relations of production.

<sup>99</sup> The fact that there was not a unique system even within the domain of one village or one tribe, in addition to the existence of private property in some tribes and the *mashaa'* in other neighbouring ones, makes it difficult to accept Warriner's arguments without a great deal of precaution.

<sup>100</sup> Fischbach, M. (2000), p44-45. Mundy, M. (1994), *Village Land and Individuals Title*, p60-65.

<sup>101</sup> About the two forms that break down of the NMP relations take and their consequences see Hamarneh (1985), p51-57 and see also Appendix 3.

<sup>102</sup> Based on Amin's thesis concerning the peasants in the poor agriculture tribute formation, the peasant communities were isolated and their production was limited to their own sustenance.

<sup>103</sup> The example that Fischbach gives is the case concerning Sheikh Jabr al-Warda in the village of Amraawa. Fischbach, M. (2000), p49-50.

among the villagers, while the other was privately owned by him.<sup>104</sup> In many of the cases in which the sheikhs appropriated some land, the land size was not their main concern, but the land quality: the irrigated lands or the ones with olive trees and vines were the domain of their interest. Based on Fischbach's account concerning land distribution, one could argue that the tendency towards having plots owned by sheikhs was more common among the stronger tribes than among the weaker ones. However the land was distributed, the sheikhs had a determinant role in the division of the land and in the decision of whether they themselves would possess any private plots. The strong tribes in an area played the role of tribute collector from different villages for the state. The social power of the sheikhs of such tribes was thus based on their exaction of the surplus rather than on the possession of agricultural estates, which in fact was not their main concern.<sup>105</sup>

The forms of ownership should have undergone a change after the introduction of the 1858 land code and its implementation. In some specific areas of the Ottoman Empire, this assumption is to a large extent correct. Therefore, in dealing with the sedentary community in Jordan, it is necessary to take a better look at the code and its objectives. The objectives of the land code, according to scholars who studied it, can be summarized as follows: to re-assert state ownership over the land that had slipped away as a result of the previous land systems.<sup>106</sup> A direct relation between the state and the cultivators was established by granting the latter a title to the land and flowing revenue to the treasury. In this context, the code's main objective was to weaken the power of the feudal notables and sheikhs that flourished under the previous land regimes and to favour the centralized state by reasserting its ownership over land.<sup>107</sup> Warriner extends this argument to suggest that the code's main political objective was to reconstruct a strong centralized government presiding over a basis of smallholding cultivators.<sup>108</sup> The concrete

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<sup>104</sup> For instance, Falaḥ al-Ruusaan took a large share of Umm Qeis village when he led his tribe to conquer it; the rest of the land, however, was left to be distributed among his followers.

<sup>105</sup> Fischbach, Michael R. (2000), p4.

<sup>106</sup> Karpāt, K. (1968), *Land Regime, Social Structure, and Modernization*, p86.

<sup>107</sup> Baer, G. (1962), *The Evolution of the Private Landownership in Egypt and the Fertile Crescent*, p84-85; Warriner, D. (1944), p-73-74; Karpāt, K. (1968), *Land Regime, Social Structure, and Modernization*, p86.

<sup>108</sup> Warriner, D. (1944), 73-74.

reality<sup>109</sup>, however, suggests that what was achieved was not consistent with the above-mentioned objectives. For example, the application of the land code resulted in ownership<sup>110</sup> forms that did not correspond to the literal meaning of some of the code articles, with no attempt on the authority's side to challenge them,<sup>111</sup> especially as regards the emergence of the large land owners, who evicted the peasants or reduced them to sharecroppers.<sup>112</sup> In Trans-Jordan, in some cases the authority reinforced old land regimes. For instance, in 'Ajlun tax-farming was reintroduced in 1875, when the land was auctioned, and it took a villagers' revolt in 1877 to persuade the government to stop collecting taxes according to this system.<sup>113</sup> Moreover, the government never attempted to challenge the Transjordanian villagers' conceptualization of land ownership, which remained outside the essence of the code.<sup>114</sup>

On another level, an argument of Warriner's - widely adopted by other scholars - is that the intention of the land code was to weaken the power of notables, tribal sheikhs and local powers. This is challenged by the Slugletts,<sup>115</sup> at least within

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<sup>109</sup> This contrast is attributed to implementation faults, inaccurate land surveys in the rural areas, an insufficient and incompetent registering body and the fact that the peasants preferred not to register the land in their names fearing this could lead to conscription (Awad, A. (1969), p 2).

<sup>110</sup> These ownership forms were sometimes in contrast with each other, some of them being consistent with the articles of the code, others standing in complete contradiction with respect to what the law stated. For instance, shared ownership of the land among the inhabitants of a given village continued to exist, contrasting article 8 of the code. In contrast with this form, the large land-holders emerged in the process of land registration to oppose the code, which sanctioned that the title of the entire village land should not be given to one person. In certain villages, on the other hand, the land was distributed among the villagers in conformity with the articles of the code, establishing another form of ownership.

<sup>111</sup> On the contrary, it seems that the authority was satisfied with the results of the implementation of the code, and that its main concern was to improve the efficiency of tax collections.

<sup>112</sup> Sluglett and Farouk-Sluglett refute the claims suggesting that the large-holding lands in Syria were the result of the application of the land code, regardless if this result was due to implementation faults or to a conscious state policy. According to them, the large-holding lands were a direct outcome of the extensions of security and of the economic conditions that made continuous cultivation more feasible, rather than of the introduction or application of the code (Sluglett, P. and Farouk-Sluglett, M. (1984), *Applications of the 1858 Land Code*, p413). This becomes apparent in the fact that there was a quantitative increase in the large estate private ownership rather than a changeover to this form of ownership. Such arguments find a great deal of support in Rafeq's assertion that in Syria the large-holding lands emerged prior to the introduction of the code, as a main result of money-lending and other practices. Loans and advanced payments were common in different areas of Syria since the 1840s, especially in *Hawraan*. Rafeq claims that the interest rate for such advances and loans stood at 25% in the early 1850 (see Rafeq, A. (1984), p389-390). The transfer of the land from the peasants' hands to the urban notables', however, took place mostly during the process of implementation of the code after 1858.

<sup>113</sup> Fischbach, M. (2000), p32.

<sup>114</sup> Fischbach, M. (2000), p49-51.

<sup>115</sup> Sluglett, P. and Farouk-Sluglett, M. (1984), *Applications of the 1858 Land Code*, p413.

the domain of the Syrian case, since such notables and tribal sheikhs maintained their power and actually gained ground in the process of land registration. Moreover, the authority used the power of the sheikhs and notables in order to extend its direct rule, collect taxes and implement the land code. Incorporating sheikhs and notables of the Transjordanian area was in fact one of the policies implemented during the late-19<sup>th</sup> century.

In this context, it is appropriate to recall the Slugletts' claim that the code was intended by the Ottoman authorities 'as a revenue-raising device to take advantage of the evident demand for the formalization of 'property rights', however defined'<sup>116</sup>. In this sense, the interpretation of the code and the results of its implementation were highly hallmarked by the socio-economic conditions and the politics of the environment.<sup>117</sup> The variations in the results of the implementation of the code over the different regions of the Ottoman empire was by no means a reflection of faults in its application or of the underlying objectives of the code, but rather of the flexibility of the law<sup>118</sup> and of its application, which resulted in making the role of the objective conditions of each region determinant. This provides a point of departure for looking at land tenure and ownership and at the relations of production within the sedentary domain in light of the application of the land code.

In Jordan, since land registration varied from one region to another, the significance of the code also varied. In this context, Fischbach claims that 'Ajlun was the only region that experienced a comprehensive registration, which began in the late 1870s and lasted for about 30 years. In the first years of the 20<sup>th</sup> century, the majority of the land of 'Ajlun was registered according to the 1858 code. However, several factors contributed to the delay in the registration and hindered its completion, such as the fact that the local cultivators were suspicious that the registration was associated with conscription, the lack of budget for carrying out a swift registration and the alterations in the land policy dictated by the difficulties that

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<sup>116</sup> Sluglett, P. and Farouk-Sluglett, M. (1984), p414.

<sup>117</sup> See the contribution of Rogan on the debate concerning the code, and in particular on the Slugletts' conceptualization of the aims of the code. The relevance of Rogan here is that he conceived the aim of the code in light of its applications in Ottoman Jordan (Rogan, E. (1991), p304-305).

<sup>118</sup> Clearly, the flexibility of the law was not exclusively dependent on the essence of the code and of its articles, or on their objectives, but reasons such as the lack of a sufficient budget or of a capable cadre and the inaccuracy of the land surveys contributed in some cases to the flexibility of the code at large and of its implementation in particular.

the center faced.<sup>119</sup> Contrary to 'Ajlun, where the implementation of the code was based on instructions from the authorities to the *qaḍaa'* to carry out registration, the application of the code in *Al-Balqa* was carried out voluntarily by the villagers. A registry office had been there since the establishment of the *qaḍaa'* in 1867. Despite the fact that land continued to be acquired according to the customs and the rural/Bedouin politics, land registration and the legitimization of titles to land by deeds from the Ottoman authorities became a trend in the last two decades of the 19<sup>th</sup> century. Several factors encouraged this voluntary registration, including the fear of some tenants of losing the usufruct of their lands, which could be acquired<sup>120</sup> by other tenants or by a tribe, especially if such lands were a subject of dispute. The settlement of Circassians in Amman and Zarqa, where lands were given to them by governmental deed, motivated others to request deeds over their lands for fear that they could be reassigned. Land transaction by the registry office was another channel through which lands were registered. The need to officially register loans and advanced payments that cultivators obtained from money-lenders were further factors which favored the registration process.<sup>121</sup> In Al-Karak, since the documents of the registry office were destroyed in the 1910 revolt, information concerning the registration are limited;<sup>122</sup> however, Fischbach claims that there is evidence that voluntary registration took place from 1899 in Al-Karak and Al-Tafiila and from 1905 in Ma'an. Mandatory land registration was introduced in Al-Karak in 1909.<sup>123</sup>

Apart from the relief from the *khaawah* and the improvement in the security measures, the impact of the code and of the direct rule of the Ottomans on the general conditions of the peasants' lives was insignificant. The means of production remained at the same primitive level. The increase in the agricultural output was mainly due to the extension of the cultivated land that came about as a result of introducing better security conditions for the peasants and for the new settlements, rather than to any development in the agricultural methods. The only cases in which better agricultural methods, and to a lesser extent improved means of production,

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<sup>119</sup> Fischbach, Michael R. (2000), p29-32.

<sup>120</sup> The acquisition of the land in the region of Al-Balqa and to the south of it was done just by tribal encroaching of a given land or by changing the boundaries of the land.

<sup>121</sup> Rogan, E. (1991), p142, 300, 308, 313-315, 317-318, 324-328.

<sup>122</sup> Rogan, E. (1991), p308.

<sup>123</sup> Fischbach, Micheal R. (2000), p47.



were applied were the large-holdings.<sup>124</sup> Communication between the different peasants' communities remained almost absent.

Concerning the implementation of the code and its impact on the ownership of the land, Fischbach claims that the different land types of the 1858 code were of no significance in the perception of the villagers in Trans-Jordan. A parallel simpler inventory was known among the villagers and better reflected their conceptualization and perception of the land, i.e. the classification of the land into *mashaa'* and *mafruuz*.<sup>125</sup> The latter refers to plots privately owned by individuals. There was no unique pattern concerning which type of land was divided according to the *mafruuz* system, nor a particular region that had this system rather than the *mashaa'*. In the different regions, the two systems might co-exist even within the same village. Concerning the type of land, it seems that there was a sort of correlation between the irrigation of a land and its being privately owned according to the *mafruuz* system, though irrigated lands owned according to the *mashaa'* could be found in several places in the northern part of Jordan and elsewhere. The other tendency, which again does not constitute a rule, is for plots privately owned by individuals to be in the tree lands.<sup>126</sup>

These systems were the continuation of those that existed before and which were covered above. However, in accordance with the articles of the code, the holdings were registered in the name of individuals, hence the plain villages were registered in the form of shares, that is the village land was divided into shares representing the entire land of the village. According to this method, the individuals owned a certain share of the village holdings,<sup>127</sup> although the area that corresponded to the individual shares was not specified or fixed. The peasants' conception of the land remained as it had been before, since the land still formed 'a whole divided between cultivators'.<sup>128</sup> In this sense, the *mashaa'* system was the peasants' device

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<sup>124</sup> Abu-Jaber, (1989), p46-57.

<sup>125</sup> Fischbach, Michael R. (2000), p49-51.

<sup>126</sup> Fischbach, Michael R. (2000), p49-55. Also Mundy, M. (1994), p65-66.

<sup>127</sup> The village land was typically divided into different quarters, in which each member of the community or each family had a share. The land division into areas reflected a qualitative differentiation concerning the topography of the land, the water sources (irrigated or rain-fed) and the presence of tree land (Fischbach, Micheal R. (2000), p38; Mundy, M. (1994), p64).

<sup>128</sup> Mundy, M. (1994), p65-66.

to bear the taxes collectively, and this system would continue until the British land program abolished it in the 1930s.

One of the main applications of the code in Syria in particular and in other Ottoman regions at large was the emergence of large-holdings. Several factors contributed to such a phenomenon, one of which was the tendency on the cultivators' part to register the land in the name of notables, merchants or sheikhs,<sup>129</sup> based on the peasants' suspicions concerning the 'hidden' objectives of the registration process.<sup>130</sup> Contrary to other areas of Syria, where this practice took the form of a trend, in Jordan it remained rare. This is supported by Rogan, who concentrated his examples on Al-Balqa,<sup>131</sup> and by Mundy and Fischbach, whose examples are from 'Ajlun.<sup>132</sup>

According to Hamarneh, large land-holdings emerged in the area of Jordan as a result of two developments which took place in the sedentary community. The first is that the tax-farmers, who were mainly from the local community and had a certain social status within it, were instated in order to tax the rest of the villagers within their areas. Some of these, according to the several examples that Hamarneh<sup>133</sup> reports, managed to acquire large portions of land, which qualified them to be part of the large landholders.<sup>134</sup>

The other process that paralleled the previous one and had the same effect was money-lending. The presence of the central government and the implementation of the new land law encouraged capital money to flow into different regions of Trans-Jordan, especially into the areas where the influence of the Ottoman authority was more profound. The level of security that was brought around by the presence of the state was one of the factors that induced the merchants and other wealthy peasants or bureaucrats to invest in agricultural

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<sup>129</sup> Rafeq, A. (1984), p393.

<sup>130</sup> As was mentioned above, in general terms the Transjordanian peasants were suspicious for a period of time before the registration went smoothly.

<sup>131</sup> Rogan, E. (1991), p304.

<sup>132</sup> Fischbach, Micheal R. (2000), p 54-58. Mundy, M. (1994), p76-79.

<sup>133</sup> Hamarneh, M. (1985), p84-86.

<sup>134</sup> Through his examples, Hamarneh makes a very important correlation between the wealth of a community and the emergence of large land-holders within it. Hence, in poor agricultural communities within the sphere of Trans-Jordan, the possibility of the materialization of a large landholder is rare (Hamarneh, M.B. (1985), 84-88)

lands.<sup>135</sup> The different types of money-lending, none exclusive to Jordan, placed neither the lender nor the borrower in social stigma. Moreover, the moneylenders did not constitute a specific class of capital holders providing loans: the lenders whose extra capital made it possible for them to provide loans ranged from small shop owners to great merchants. Loans were vital for the peasants, since some needed them to keep carrying out their agricultural activities based on rain fluctuation, while other loans were just for personal use.<sup>136</sup> Money-lending was promoted, regardless of the harsh conditions of loans, by the absence of any financial institutions specialized in this sector according to clear regulations. The state's sole agricultural bank which advanced loans at an interest rate of 8.0% was of no significance, since the budget of its Transjordanian branches could not satisfy the needs of the peasants<sup>137</sup>.

Based on Rogan's sample, the data shows that the great majority of the lenders' place of origin was not Al-Salt (only 23.0% were from there), nor the area of Trans-Jordan; almost half of the loans were by lenders who came from the Palestinian cities, in particular *Nablus*, whose lenders provided 39% of the total loans. Moreover, 27% of the loans were provided by lenders originally from Damascus.<sup>138</sup> Such percentages suggest something about the integration that was taking place within the region's wider context. It is not surprising that the majority of these lenders were from outside the region, since the commercial sector was under their dominance. Another important feature is that money-lending operated as an integrating device not among the regions that would make up Jordan later on, but horizontally with the Palestinian towns and vertically with Damascus.<sup>139</sup> In contrast

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<sup>135</sup> Karpas highlighted that the urban elite developed high interest in securing a right to the land in the light of the European demand on the agricultural products from the Ottoman Empire. (Karpas(1968), p73) The share of agricultural exports in net agricultural production rose from 18.4% and 17.8% in 1889 and 1899 respectively to 22.3% in 1910 and 26.5% in 1913. (Pamuk, S. (1987), *The Ottoman Empire and European Capitalism 1820-1913*, p83-84.)

<sup>136</sup> The sample that Rogan worked on concerning the loans provided within the al-Salt domain shows that the money lending peak lied over four months of each year, from October until the end of January. Relatively moderate activities could be witnessed over the spring and the months from July until September. The activities of money lending were clearly influenced by the agricultural base of the Trans-Jordanian community of the time: it increased in the sowing period and decreased in the period of the harvest (Rogan, E.L. (1991), p279-280).

<sup>137</sup> Fischbach, Micheal R. (2000), p 60-61. See in Fischbach the assests of three branches (Irbid, al-Salt and al-Karak) of the Ottoman Agricultural Bank in 1918, p62

<sup>138</sup> Rogan, E.L. (1991), p281.

<sup>139</sup> Rogan, E.L. (1991), p282-83. See Hamarneh concerning these economic ties of each region that could to some extent explain the distinction between the different regions. (Hamarneh, M. (1985), p85-86 and Hamarneh, M. (1996), p1-2)

to the lenders, the majority of the borrowers were from *Al-Salt*,<sup>140</sup> since 86% of loans were taken by them. Borrowers whose place of origin was Syria and Palestine<sup>141</sup> possessed only 6.9% each of the total loans represented in the sample.<sup>142</sup> Hence, the sample and the other data in Trans-Jordan up to the end of the Ottoman rule indicate that money-lending was a common practice according to which the ownership of large tracks of land was transferred from peasants or semi-nomadic individuals to money-lenders. The money-lending relationship tied mainly native borrowers and non-native money-lenders. The importance of such an arrangement lies in the fact that the almost complete division between the two agents of the money-lending process would have an imprint on the emergence of the bourgeoisie and its composition in the later periods of Jordanian history.

Hence, large estate holders emerged within the sphere of Trans-Jordan; some of them acquired large extensions of land through money lending, others through their social status or their ties with the state. However, the emergence of large land-holdings did not result in the general evacuation of the peasants. As Hamarneh<sup>143</sup> points out, the relatively underdeveloped means of production used on large estates, the limited population of the area and the fact that the development towards large land holdings was not a comprehensive change prevented this.<sup>144</sup>

### 2.2.3 THE MERCHANTS

The above review of the money-lending activities leads logically to a consideration of merchants, who were among the most active lenders and

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<sup>140</sup> Among this majority of native borrowers, 12.6% were Bedouins. Rogan, E.L. (1991), p282-83.

<sup>141</sup> Rogan shows through some examples that there were some cases in which the borrowers were also active lenders in the same period of time. His interpretation for such phenomena is at times that the lender ran out of credit due to his extended loans and was thus forced to start borrowing, at other times that the lender decided to borrow because of investment opportunities (Rogan, E.L. (1991), p284-85).

<sup>142</sup> Rogan, E.L. (1991), p281.

<sup>143</sup> Hamarneh, M. (1985), p75-78.

<sup>144</sup> The process by which land ownership slipped from the peasants' hands into the emerging large landholders' was not an intensive process, due to reasons such as the natural conditions of the area, the lack of security and the delay in incorporating the area in the sphere of the state. Since the population was limited, the formation of large estates did not lead to the evacuation of the peasants from the Transjordanian countryside.

constituted another component of the SF. Amin's tribute formation in the arid or semi-arid areas, which is articulated with long distance trade, gives rise to urban centers that could benefit from the transferred surplus of other formations by virtue of control over trade routes. Amin states that other commercial activities take place within the domain of the tribute SF, i.e. those activities that bind the different communities of the formation together.

However, the area of Jordan did not enjoy a status that could allow it to benefit from long distance trade, the only exception being the *hajj*. The *hajj* caravan was not a normal procession that went through the region, but was a whole city on the move, containing all people who served the pilgrims and merchants who sought some trade.<sup>145</sup> Nevertheless, the impact of this annual activity on the formation of the area of Jordan was not profound. The period in which the caravan remained in the area was relatively short and the exchange with the local communities was limited.<sup>146</sup>

In light of these circumstances, Trans-Jordan was confined to the second type of commercial activities, i.e. to the internal trade that connected the peasants, the Bedouins and the urban centers together.<sup>147</sup> The fact that Jordan did not develop any urban centers in the late Ottoman era due to the nonexistence of trade routes and the lack of security in the presence of the articulation of the NMP and TMP, left a great deal of the commercial activities to be conducted by merchants from Palestine or Damascus. There are two forms in which the commercial activities can be categorized: in the first instance, the Bedouins and the peasants approached the urban centers either in Palestine or Syria to exchange their products for necessary goods,<sup>148</sup> in the second, the exchange process was reversed, the merchants being the ones who targeted the communities of Trans-Jordan. The

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<sup>145</sup> Hamarneh, (1985), p67-68.

<sup>146</sup> Hamarneh, (1985), p68-69. The *hajj* had a certain impact on the nomadic tribes in the area of Jordan, as will be covered below.

<sup>147</sup> Amin, (1975), p12-16.

<sup>148</sup> Such a form, which was practiced at the tribal or regional level, was organized in seasonal caravans, some of which were periodical. The members of a given community would contribute to the composition of the caravan, while the exchange process was in the hands of those who travelled with the caravan. Doumani, relying on Burckhardt, shows that in the summer season the Bedouin tribes, such as Beni-Sakhr, Huuataat and 'Adwan, gathered large quantities of *barilla*, processing it to produce *qillw*, which was vital for the soap production in Nablus, and sent it in caravans to Nablus. See Doumani, B. (1995) *Rediscovering Palestine: Merchants and Peasants in Jabal Nablus, 1700-1900*, p203-304.

latter is the main concern of this section. This form of exchange, which was employed mainly by non-native merchants, and even the character of the commercial activities in the area were to a large extent determined by several factors, above all by security considerations and the motivation that moved the merchants to take up such adventures. In this sense, it is correct to claim, as Rogan does, that the patterns and intensity of the commercial activities in the area changed according to improvements in security.<sup>149</sup> Prior to direct Ottoman rule, the lack of the state's presence and consequently the low level of security moulded the pattern of commercial activities.<sup>150</sup> Relying on Burckhardt's accounts in 1812, Al-Salt had around 20 shops, which served the communities of Trans-Jordan. These shops operated on a commission basis for Palestinian merchants from Jerusalem, Nablus and Nazareth and were supplied by monthly caravans<sup>151</sup> from Nablus.<sup>152</sup>

Lack of security was the main factor limiting the number of shops and the way in which such shops operated. However, the security factor did not result in the abandonment of this form of commercial activity and in its complete replacement by the first form, according to which the members of the Trans-Jordanian communities would go to the urban centers seeking the exchange of their products. Hamarneh advances an important argument to explain the desire of the merchants from the surrounding areas to participate in commercial activities in the high-risk region of Trans-Jordan. The main incentive was the high profit that could be obtained, since the prices in Trans-Jordan were about 50% above their level in Damascus or the Palestinian urban centers<sup>153</sup>. Other factors motivated merchants – and particularly those from Palestine – in their establishment of commercial activities in the area,

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<sup>149</sup> Rogan, E.L. (1991), p244.

<sup>150</sup> Rogan claims that commercial activities prior to the Ottoman direct rule can be characterized under what he calls entrepot phase (Rogan, E.L. (1991), p242-246).

<sup>151</sup> The exchange activities were affected by the frequency of caravans, which in turn was strongly influenced by the levels of security.

<sup>152</sup> Hamarneh, M. (1985), p 90-92, and Rogan, E.L. (1991), p244.

<sup>153</sup> Comparisons between the prices of animals such as camels, sheep and horses in Trans-Jordan and their prices in other parts of Natural Syria such as Palestine, as well as the prices of different agricultural products showed by Hamarneh, reveal that prices in Trans-Jordan were considerably low. This meant that a high margin of profit could be gained by the merchants who traded with the area (Hamarneh, M. (1985), p66-68). Rogan adopts Hamarneh's argument, showing the profit factor as the main incentive for Palestinian merchants' activities in Trans-Jordan (Rogan, E.L. (1991), p251-253).

such as the dependence on *qwil*<sup>154</sup> for the soap production in *Jabal Nablus* and elsewhere<sup>155</sup>. This situation, as Doumani demonstrates by means of different examples, made *'Ajlun* and *al-Balqa* part of the natural commercial domain of Nablus in particular.<sup>156</sup> The development which took place from the 1840s onwards in the Palestinian domain, resulted in the rise of the economic importance of some cities such as Jerusalem and Akar at the expenses of Nablus, and forced the latter's merchants to intensify their commercial activities in Trans-Jordan<sup>157</sup>. This factor, together with better security conditions, modified the characteristics of the commercial activities<sup>158</sup> in the area. At one level, an increased number of Syrian and Palestinian merchants began to settle in Trans-Jordan, which for some became a permanent residence, while others settled only on a seasonal basis.<sup>159</sup> At another level, those shops that had previously existed on a commission basis were replaced by shops completely owned by Palestinian and Syrian merchants or owned jointly with native merchants.<sup>160</sup> The scope of the products that were offered by these shops increased dramatically, compared to those of the early 19<sup>th</sup> century, and the merchants' interest in the wider range of products which could be exported to the Palestinian and Syrian coasts increased as a result.

These developments in commercial activities continued to take place, to the extent that one could argue that a merchant class was in the process of formation, during the last decades of the 19<sup>th</sup> century and the first two of the 20<sup>th</sup>. To end this section, it is important to emphasize again that the merchant class which was in the process of formation was mainly made up of non-indigenous merchants. This fact

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<sup>154</sup> The importance of the *qilw* as a source of income for the Bedouins dramatically declined in the 1860s, after the introduction of cleaner and cheaper industrially produced caustic soda (see Abu-Jaber. R. (1989), p139).

<sup>155</sup> Abu-Jaber. R. (1989), p139. Doumani, B. (1995), p203.

<sup>156</sup> Doumani, B. (1995), p203.

<sup>157</sup> Doumani argues that the rise in importance of Jerusalem and the shift of the economic gravity to the coast cities had an impact on Nablus's economic role within the Palestinian sphere. The need to overcome such an impact led the merchants of Nablus to focus more on their activities eastwards (Doumani, B. (1995), p47-48).

<sup>158</sup> Rogan argues that the first three decades of the second half of the 19<sup>th</sup> century could be categorized as a 'peddler phase' with regard to the commercial activities. The improvement in the security conditions was manifested in the presence of the peddlers, who used to travel to different regions of Trans-Jordan among the tribal and peasant communities, selling their various products. For more details see Rogan, E.L. (1991), p247-249 and also Hamarneh, M.B. (1985), p68.

<sup>159</sup> The fact that these merchants had shops in Palestinian cities or Damascus that needed looking after limited their settlement in Trans-Jordan to a certain period of time.

<sup>160</sup> Rogan, E.L. (1991), p250

did not constitute any obstacle to their commercial activities, neither from the point of view of the local communities nor of the merchants. This situation advances the argument that the presence of non-indigenous merchants during the British mandate in Jordan was no alien dimension, but a continuous trend rooted in the socio-economic structure of the Ottoman era that the indigenous communities were not unfamiliar with.

#### 2.2.4 THE BEDOUINS

This subsection is an overview of the main features of the Bedouin community, which is an essential part of the formation of Trans-Jordan during the 19<sup>th</sup> century and afterwards. It is important from the outset to state that, in this context, the term 'Bedouin' refers both to the pure nomadic tribes and to the semi-nomadic tribes<sup>161</sup>.

With regard to the socio-economic change, this study argues that the Bedouin community can be analyzed in terms of the NMP, which embraces two sets of means of production, herds and land.<sup>162</sup> The NMP is an analytical device capable of designating both the Bedouin tribes whose herds are made exclusively of camels and the tribes that practice multi-animal husbandry. The latter is nothing but a tribe whose NMP is in the process of decaying, i.e. in its transition period towards adopting a sedentary mode of existence. The NMP is also a useful device to analyze inter-tribal relations and the interaction amongst the Bedouins and the sedentary formation.

As far as the socio-economic structure is concerned, the area of Trans-Jordan witnessed a profound but gradual break-up of the nomadic relations of production. One could correctly characterize the 19<sup>th</sup> century as a continuous wave of sedentarization, according to which the Bedouin communities were generally passing through a transitional period towards complete settlement. However, the capacities, forms and paths that this process assumed vary from one tribe to another. As asserted in Appendix 3, this study argues that the tribes which

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<sup>161</sup> The tribes that owned exclusively camels and those whose herds were diversified and practiced some agriculture (see Appendix 3).

<sup>162</sup> See Appendix 3.

constitute the weakest link in the nomadic formation are the ones that are most likely to experience the disintegration of the nomadic relations of production, taking the path towards sedentarization. That was the case in the area of Trans-Jordan, where the tribes that were under continuous pressure<sup>163</sup> from more powerful tribes were the first to suffer from the deficiency of the nomadic relations of production, giving up their sole animal husbandry and adapting themselves to an annual migration cycle dictated by the herds' diversity. As Hamarneh states, around the second half of the 19<sup>th</sup> century a substantial proportion of tribes – such as Beni Hamiida, Beni Hassan, and al-Balqa tribes - took the initiative to move towards a sedentary lifestyle. It is not surprising that the majority of them were under continuous pressure from more powerful tribes. Raids, *khaawah*, small portions of *diirahs* and limited access to the desert resulted in the gradual decay of the NMP into a MP articulated with the tribute formation.<sup>164</sup> The goat and sheep, in addition to the camel, became important breeding animals. Members of these tribes started to cultivate limited land tracks in the outskirts of villages or lands of abandoned villages.<sup>165</sup> The cultivation continued to proceed well in the following years.<sup>166</sup> As Hamarneh argues, these tribes continued to live in tents; however, their mobility was further limited by virtue of the migration cycle of goats and sheep and by the boundaries of the *diirahs* of more powerful tribes.<sup>167</sup>

Concerning the internal structure of these tribes, no revolutionizing process took place, since the transitional period upheld the same structure that was promoted by the NMP and because the interaction with the other nomadic tribes

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<sup>163</sup> Concerning some of the raids and disputes between the different Trans-Jordanian tribes, see Peake, F.G. (1958), *The History of Jordan and its Tribes*, p125-139. Concerning the power relations between the different rival tribes in Al-Karak, see also Gubser, P. (1973) *Politics and Change in Al-Karak, Jordan*. Hamarneh, M. (1985).

<sup>164</sup> The Beni Hamiida tribe is a good example, since it started the process of sedentarization after its defeat. This resulted in reducing the size of its *diirah*, which is very unfortunate when qualitative criteria are taken into account (Hamarneh, M. (1985), p53).

<sup>165</sup> Hamarneh relies on Henry Layard's travel account of 1840, which reveals that, in the area of Al-Balqa, limited patches were cultivated with corn and barley. Hamarneh points out that the Awazem tribe started to cultivate in the vicinity of Main, near Madaba. The tribes of Al-Balqa, such as 'Al Abad, the Ajarmeh, Al Hadeed, Al D'ajeh, and Al Ghneimat, cultivated scant portions of land in the area west of Madaba, north through Hisban and Amman to Yajuz and west to Wadi Sir and Naur.' (Hamarneh, M. (1985), p54).

<sup>166</sup> In 1872, Dr. H. B. Tristram, Canon of Durham stated that '[I]nstead of heads of camels, [we] had before us an almost unbroken reach of corn land, the wheat well up, thick and vigorous, and of the deepest green; while many yokes of dwarf oxen were dotted about, ploughing' (quoted in Hamarneh, M. (1985), p54).

<sup>167</sup> Hamarneh, M. (1985), p53.

enforced such a structure.<sup>168</sup> Based on Hamarneh's rewarding observation and postulation concerning the routes to sedentarization, this study argues that the transformation of the weakest-link tribes into sedentary communities reinforced the tribal structure and its unity. Hamarneh states that these 'poor tribes were less hierarchal and socially differentiated therefore, the more egalitarian and semi-nomadic they became, i.e. land for cultivation was distributed more equally among the various clans and each clan divided its allocated parts into shares among its households.'<sup>169</sup> Certainly, the ownership of the flocks was still individual, but the cultivated area was collective property or usufruct.

Intertribal relations around the second half of the 19<sup>th</sup> century reveal that Beni Sakhr, 'Adowan and Hwaiṭaat were the most dominant tribes within the nomadic domain. The absence of the direct rule of the state was a fundamental factor in maintaining their superiority. The socio-economic change towards sedentarization had begun when they were at the peak of their power. Important factors associated with this reality made the process of sedentarization and the transitional period differ in their socio-economic features from those which affected the other tribes. It could also be argued that they were less costly and more fortunate either in their process or in their prospect for the coming periods. Factors such as the accumulation of surplus were at their highest level, which meant that a given tribe was not under pressure to adopt a specific route towards sedentary life or to accelerate the entire process. Dominance over both the nomadic and the sedentary domains had many

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<sup>168</sup> Applying the concept of articulation as was discussed in the first chapter is appropriate here, since the stage of transition from one MP to another can reinforce some relations of the previous MP to be dominant in one stage of the transition. In this sense, the internal structure that is important in regard to the relations that tie the tribe to the land becomes dominant. A similar structure is promoted amongst the peasants by virtue of the lack of security and the taxation system.

<sup>169</sup> Hamarneh, M. (1985), p53. Rogan supports this argument through his review of land registration in the last two decades of the 19<sup>th</sup> century and the first one of the 20<sup>th</sup>. He notes that the land was communally registered in the names of the households of the poor tribes, while in the rich tribes some of the land was registered in the name of individuals, especially when it came to the land of the sheikhs. Rogan suggests that the sheikhs of the poor tribes could not keep the title for themselves, due to the fact that cultivation had already become a source of subsistence for these tribes. On the contrary, subsistence for the rich tribes was widely based on sheep-breeding. This fact enabled the sheikhs to assume a legal title over large tracks of their tribes' *diirahs* (Rogan E. (1991), 332-334). The shortcoming of this explanation lies in the fact that it deals with the consequences of the process of sedentarization. The poor tribes were forced by inter-tribal relations to accept the areas that were confined as their *diirahs*. Under these circumstances, they started the process of sedentarization. The fact that they relied on cultivation more than sheep-breeding was mainly due to the early start of such a process compared to other tribes and to the limited size of their *diirahs* and their lower quality. Hence, although it was possible for a rich tribe to draw the bulk of its substance from cultivation carried out by different means, the qualitative aspects of the *diirah*, such as size and location, could be used by the tribe if it was to decide to give up cultivation.

important applications.<sup>170</sup> This dominance, which included a military aspect, produced an extra surplus in the form of *khaawah* and raids, which could in its turn lead towards a more privileged route to sedentarization. Their dominance also meant that these tribes possessed a larger and better portion of the land. A significant application of such a dominance within the particular domain of a given tribe occurred when the relationship with the state was redrawn in the light of the new circumstances.

In the case of Trans-Jordan, military ability and significant power over the area had given certain tribes privileged status when they were subjected to Ottoman direct rule. To different degrees, these factors had an impact on the sedentarization of the Beni Sakhr and 'Adwan tribes. In the case of Beni Sakhr, for instance, early in the second half of 19<sup>th</sup> century multi-animal husbandry was practiced; however, camel herds were still substantial in both their number and relative importance, indicating their significance not just in securing part of the surplus but in equipping the tribe or some of its clans with a potential to go back to exclusive camel husbandry.<sup>171</sup> Cultivation started to be practiced on Beni Sakhr's *diirah* further into the 19<sup>th</sup> century, and in a gradual fashion. The earliest example of cultivation was probably under Sattam El-Fayez, who took Egyptian peasants<sup>172</sup> to cultivate the land around *Ziiziiaa*.<sup>173</sup> Hence, cultivation within Beni-Sakhr's *diirah* took another route compared to that which was experienced within the poorer tribes' domain. Accordingly, the tribe gave the right to the cultivators to use some of its land in return for a share in the harvest or the use of slaves in cultivation. In any case, this

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<sup>170</sup> For the power that Beni Sakhr manifested in the different conflicts, see Peake, F.G. (1953). Hamarneh also shows how the Beni Hassan tribe occupied an unfortunate location, since it was to the west of the Beni Sakhr *diirah* and to the east of a sedentary community that was already under the protection of Beni Sakhr (Hamarneh, M. (1985), p54).

<sup>171</sup> Based on Henry Layrad, Hamarneh shows that around the mid 19<sup>th</sup> century al-Jahawsheh, a section of Beni Sakhr, became the shepherds of the rest of the tribe, which, in its turn, continued in its camel migration cycle. Interestingly, a further social division of labour, outside what the nomadic system dictated, took place, indicating a different mode of socio-economic change brought by adopting multi-husbandry (Hamarneh, M. (1985), p55).

<sup>172</sup> These Egyptian peasants fled harsh life conditions in Egypt to arrive at Beni-Sakhr's *diirah*.

<sup>173</sup> Hamarneh, M. (1985), p59. Fischbach claims that 15 Palestinian families were given the right to settle and cultivate land around the village of Sattam el-Fayez, in return to one fifth of the harvest (Fischbach, M. (2000), p15-16). Another form of expansion of the agricultural activities came about under what is called 'opening the land' agreements, according to which members of the Abu Jaabar clan were granted cultivation rights in al-Yaaduudah by the Rumayh al-Sulayman al-Fayez, in return for a portion of the harvest (Abu-Jaber, R. (1989), p 138-139). Similar arrangements were made between the Huwautaat tribe in the south and the inhabitants of Ma'an (See Fischbach, M. (2000), p15).

provided the tribe with another sort of surplus without the need to give up the advantages on which its nomadic system was based.

The social differentiation that had its expression in the nomadic system took another turn in the transitional period of articulation with the sedentary formation, which asserted its nature and pushed it further. In the rich and dominant tribes like Beni-Sakhr, the land was not just held communally as in the case of the poorer tribes: individuals or households owned tracts of land which at times were very large. As a matter of fact, around the last quarter of the 19<sup>th</sup> century the Beni-Sakhr *diirah* was subdivided among the different clans. The better portion of the land was divided into three parts and distributed among the three main sections possessing the sheikhdom of the entire tribe.<sup>174</sup>

The state attitude towards the Bedouin tribes in the transitional period was not consistent. One can distinguish between two different approaches used by the state in dealing with the Bedouin tribes: the first one was employed with tribes which were forced to sedentarize, the other one with tribes that went through the process dictated by the accumulation of surplus. The tribes of the first type, such as Beni Hassan, were subjected violently, the state having no difficulties in gaining their compliance. Regardless of the fact that the state used punitive expeditions and other sorts of violent measures to subdue dominant tribes such as Beni Sakhr, its approach to such tribes was mainly based on co-opting the recognized sheikhs by alternative means, such as granting them official positions that could bring them salaries, bribing them with money, registering lands in their individual names or hiring them for specific service. By these means the Ottoman managed to gain the tribes' consensus through influence on their sheikhs. Bribes, salaries, gifts and hiring for certain services are all further means of transferring some of the surplus that was extracted from weaker domains to the dominant tribes. The most well-known service performed by the Trans-Jordanian tribes was without any doubt protecting the Hajj caravans. The Beni Sakhr, which was in charge of this service during the best part of the second half of the 19<sup>th</sup> century, was able to gain access to sources of surplus not available to other tribes, thus maintaining its superior position within its domain.

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<sup>174</sup> The northern part was given to el-Khreeshaa and al-Jbur, the middle part to el-Fayez and the third was given to al-Zaben. For details about the different parts and the parts which were given to the rest of the Beni Sakhr clans, see Hamarneh, M. (1985), p57-59.

## 2.3 JORDAN UNDER THE BRITISH MANDATE

Undoubtedly, the creation of the state was the most important development of the 20<sup>th</sup> century concerning the history of the area of Trans-Jordan, and was also, to a great extent, one of the pivotal events in the history of the region.<sup>175</sup> The creation of a political entity in the area of Trans-Jordan added new dimensions to the area, bringing about objective conditions that had never been experienced before. At the regional level, the state of Trans-Jordan would play a vital role in all the major political developments, and particularly in the Palestinian question, which continued to constitute the central political issue in the Middle East in the second half of the 20<sup>th</sup> century.

Despite the fact that a considerable number of modern states were created by the colonial powers in the third world, the case of Jordan exhibits a certain peculiarity. The conditions necessary for state formation - namely surplus and a social force or elite or class that could initiate such a process - were both absent.<sup>176</sup> Moreover, the area where the state had to be created was extracted from its natural context, by a process which destroyed many of those long-existing relations which had tied it to neighboring areas,<sup>177</sup> and which left it with scant natural sources that, if exploited, might not provide the necessary surplus. The poor natural resources of the country continued to be one of the squared pillars of the socio-economic

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<sup>175</sup> Such an argument could be used for the different states that were created in the Mashreq or the Gulf. However, the importance of Jordan lies in the maintenance of the state with the same regime that was built within the process of state formation, with little modification concerning its broad ideological, political and social economic structure.

<sup>176</sup> A leadership or social force across the area of Jordan as representative of an interest in building national polity within national identity never emerged, despite the fact that a leadership having a social base had occurred from time to time in specific areas: the objective conditions that were briefly reviewed in the previous section never gave such leaders the opportunity to go beyond the boundaries of the areas in which they emerged.

<sup>177</sup> See in this context Hamarneh's argument concerning the emerging of the modern state national identity in the Mashreq at large, with a specific reference to Jordan (Hamarneh, M. B. (1996) *The Jordanian-Palestinian Relationship "The Domestic Dimension"*, Center for Strategic Studies, Amman, p3-6). See also Hamarneh, M.B. (1985), p113-114.

structure of Jordan, which made the survival of a political entity with almost no profound political and ideological change a miracle.<sup>178</sup>

The creation of a state in the area of Trans-Jordan was a deliberate British policy, based on the premise that Jordan was nothing but a 'buffer zone' and that maintaining it was a necessity in the context of regional security. This situation, coupled with the fact that Britain was the provider of the surplus, required the creation of a state apparatus. Moreover, the different agendas and interests that were held by the different political actors such as the emir, the Istiqlal party, and the influential sheikhs and notables<sup>179</sup> in the blurred period of 1920-1924 obstructed complete British control over the country.<sup>180</sup> This latter was to be institutionalized by the local army, better known in the West as the Arab Legion, under the command of British officers and the British air-forces, as well as by the tight control of annual financial sources through what was called 'aid in grant'. On the other hand, the complete submission of emir Abdallah, who put himself in the British camp as early as 1921 and the expulsion - first from power and then from the country - of the active leaders of the Istiqlal party in 1924,<sup>181</sup> made colonial control complete. Hamarneh points out that, after the British managed to take a tight grip over the political, financial and military powers, they consolidated their control over the population in two stages: 'the first stage was the pacification of the settled community and the second was the pacification of the nomads.'<sup>182</sup> The scope of this section does not include a discussion of the process of creating the state nor of the political and social actors that had a role in the history of the period. The section will be restricted to an

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<sup>178</sup> One could argue that the Gulf States were in similar conditions when they were created. However, their rich oil and gas resources, which were exploited later on, made the idea of their survival more conceivable than that of Jordan.

<sup>179</sup> These are the main political actors in the years of the foundation of the state. For more details see Hamarneh, M. (1985), p 125-134

<sup>180</sup> In this sense, a complete proposal about what to do with the area was not at the British hand from the outset, i.e. 1919. Different points of view towards the area within the constraints of British security strategy were held by the British policy makers either in London or in Palestine. For example, it seems that in 1920 Churchill and the commissioner in Palestine held two distinct viewpoints (see Hamarneh, M. (1985), p 136-148). For the period of the local governments, see Hamarneh, M. B. (1985), p 136-148, Madi, M. and Musa, S. (1988), p 127-144.

<sup>181</sup> Concerning the arrival of Emir Abdallah from the Hajaz to Jordan, the alliance between him and the Istiqlal party until its collapse, his relations with the British starting by the meeting with Churchill in Jerusalem, the different agendas of the British, the Istiqlaliis, the Emir, the relations between the government in its early years and the population of the area and other issues that led to the complete control of the state, see Hamarneh, M. (1985), p 137-138, Madi, M. and Musa, S. (1988), p 86-98.

<sup>182</sup> Hamarneh, M.B. (1985), p133.

overview of the main social communities in the country and reference will be made in the different sub-sections to state policies and their impact.

The lack of natural resources and the almost complete dependency of the agricultural activities on the fluctuating, ungenerous rainfall rates, coupled with the incorporation of the poorest areas of internal Syria put together in one separate entity, made it difficult to achieve the conditions necessary for economic development, such as the presence of surplus, the formation of an internal market, circulation and a developed social division of labor. This reality did not just determine economic development, but, at another level, it gave a great deal of importance to the economic policies of the colonial power as another determining factor. As Hamarneh concludes,

' In brief, Trans-Jordan was emerging as a dependent and underdeveloped country with no possibility of initiating an autonomous, self -generating process of economic development as a result of the existing, internal conditions coupled with colonial rule which determined the process and the direction of Trans-Jordan's development.'<sup>183</sup>

### 2.3.1 THE SOCIAL FORMATION COMPONENTS

#### 2.3.1.1 *Peasants*

Under the British mandate, the agricultural sector and the rural areas of Jordan were the cornerstone of the entire social formation. The majority of the economic activities revolved around agriculture, which represented the main means of existence for the great majority of the population, since the other sectors, such as mining, manufacturing and services, were underdeveloped if not inexistent in the first place. As was mentioned in the previous section, since the mid 19<sup>th</sup> century, the NMP had been in the process of breaking down, resulting in the nomadic tribes taking the only available sedentary option, i.e. agriculture, as their main mode of existence. On the threshold of the British mandate, some of these nomadic tribes

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<sup>183</sup> Hamarneh, M.B. (1985), p150.

were already cultivators, while the majority of the others were in their transitional period towards agriculture. Hence, the agricultural sector was the principal sector and the rural population was ultimately the most important component of the entire population. Before looking at the main features of agriculture and the rural population, however, it is important to reassert the argument that the development in this sector and the extent of population that was engaged in its activities was largely determined by the British policies in Trans-Jordan.

The point of departure will be to recognize the importance that objective conditions<sup>184</sup> had, as had been the case in the previous periods, for the entire agricultural activity - its output, problems and development - since their importance was not undermined by serious investment in the production factors.<sup>185</sup> During the 1930s, agricultural output and the prosperity of the rural population were based on the fluctuation of the rainfall. A year of drought and/or frost meant a poor harvest, with severe consequences for the rural population and mainly for small cultivators, affecting their financial liability and the depth of their poverty. The only option for these cultivators was to hope for a better season the following year, since the possibility of having a major investment in their production sector was untenable and the development of other sectors able to absorb some of the rural population was not at hand. On the other hand, the selfsame fluctuation in the rainfall and other natural conditions meant that the surplus that resulted in a good year season was not directed towards investment, but rather kept to be consumed in bad seasons or was used to balance debts that had accumulated in earlier bad seasons.

Concerning the means of production, Hamarneh notes that the great majority of the cultivators, both on small and relatively large holdings,<sup>186</sup> used the same means of production that they had in previous periods.<sup>187</sup> The only expectation was

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<sup>184</sup> Some such conditions were the rainfall rate or the limited area suitable for cultivation.

<sup>185</sup> The main British policy towards agriculture was tax remission when a bad season prevailed. Fischbach shows that these measures were put in action in 1933, 1935, 1942 and 1948. Tax remission or tax reduction was based on authority assessment, which varied from one region to another. Therefore, the percentage of tax reduction varied in some cases from one village to the other (Fischbach, M. (2000), p127-128). Hamarneh claims that this policy was too insignificant to have an impact concerning the development of agriculture (Hamarneh, M.B. (1985), p178-179).

<sup>186</sup> The development of the means of production and a comparatively respectable investment in the factors of production had already taken place in the large-holdings since the last quarter of the 19<sup>th</sup> century (see the previous section; see also Abu-Jaber, R. (1989)).

<sup>187</sup> For details about the means of production used during the last period, see the previous section. See also Hamarneh, M.B. (1985), p72-78.

the introduction of the iron-tipped plough. The use of tractors, on the other hand, was rare. The old system of fallow farming was kept intact and represented for cultivators the only method by which to challenge the fluctuations in weather conditions. Large scale usage of tractors, pest control, fertilizers corporations and other methods were absent.<sup>188</sup> In this sense, the means of production was an indication of the state of backwardness that characterized this sector. As Hamarneh puts it 'Thus, in the absence of any government initiative for the development of agriculture, this sector, like the rest of the economy, remained backward and peripheral to Palestine'<sup>189</sup>.

When considering the social structure in the rural areas, patterns of land ownership reveal the importance of the British land policy as a determining factor in this period of the history of Jordan and in periods to come. Despite the fact that different policies towards the rural areas were introduced as early as the foundation of the state, the milestone of these policies was the British land program implemented in the early 1930s. Before giving an overview of that program, it is important to point out that land ownership in the early years of state building continued to be the same as in the previous period. The *mashaa'* system remained the prevailing one in the areas where it had already been in the Ottoman era. The *mafrooz* system continued to co-exist with the dominant *mashaa'* without having any transforming influence on the latter. In this sense, the conceptualization and perception of the cultivators towards land ownership continued within the limits dictated by the *mashaa'* and *mafrooz* systems<sup>190</sup>. Small-holding ownership was the main feature of land ownership; however, the large-holdings that had emerged in the second half of the 19<sup>th</sup> century continued to exist and to increase at a moderate rate, encouraged by the comparative security and stability brought about by the establishment of the state, although this cannot be seen as a change in ownership.

The second half of the 1920s witnessed the British efforts<sup>191</sup> to introduce what would be the British Land Program.<sup>192</sup> From the British vantage point, the land

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<sup>188</sup> Hamarneh, M.B. (1985), p174-175.

<sup>189</sup> Hamarneh, M.B. (1985), p181.

<sup>190</sup> Fischbach, M. (2000), p65-70. Fischbach, M. (1994), p82-84.

<sup>191</sup> The state policy towards the land at large and the cultivators during this phase revolved around the provision of security to the rural areas and the collection of land tax. For the latter, which was one of the main priorities in order to cut down the cost of administering the country by increasing the domestic revenue, the Ottoman land records were still used. The Registration Office (whose

program aimed to stimulate the agricultural sector, to increase domestic revenue from the land tax, to enable the state to assume control over land that had belonged to the Ottoman authority, to solve the disputes that occurred from time to time between different villages, tribes and cultivators concerning the boundaries or possession of the land by granting the individuals a title and finally to establish a direct relationship between cultivators and the state by reducing the power that the sheikhs had assumed.<sup>193</sup> In order for the above objectives to be achieved, the land program needed to accomplish the following: a full fiscal survey, partition of the *mashaa'*, registration of the land in the name of individuals, taxation as the 1927 report, which laid the ground to the land program, recommended.<sup>194</sup>

Regardless of the difficulties that faced its implementation, a fiscal survey<sup>195</sup> took place over the period 1928–1933, which resulted mainly in the destruction of the *mashaa'* system by granting individual title to the land. Moreover, the state assumed the ownership of the land that was deemed to have belonged to the Ottoman state<sup>196</sup> and of the forests<sup>197</sup>. A taxation system was put forward according to the assessments made about the different types of land. The British land program had a vital role in shaping the new relationship between the cultivators in particular and the population at large and the land.

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name changed to Land Registration Office in 1924), which was established in 1921, used the available land records due to the fact that these records did not cover the entire land. Few attempts were made by the government to acquire a copy of the land records in order to fix the title and tax the land. (Fischbach, M. (2000), p70-72).

<sup>192</sup> Fischbach argues that the British land policy in Trans-Jordan was not different from the policy they implemented in different colonies after the First World War. This policy was 'based on three main points: surveying the land and drawing cadastral maps, determining title or at least provisional title to specific plots of land and partitioning collectively owned *mushā'* land where possible, and recording information about property rights in central government land registers' (Fischbach, M. (2000), p78-82. also Fischbach, M. (1994), p81-83).

<sup>193</sup> The aims of the land program are put together from different sources: Fischbach, M. (2000), p84-86, Robins, P. (1988), p188, Amawi, A. (1992), 370-374. Fischbach, M. (1994), p80.

<sup>194</sup> Fischbach, M. (2000), p84.

<sup>195</sup> Fischbach gives a detailed account of the implementation of the fiscal survey, the difficulties that it faced, the methods that were used and the disputes between the different villages and communities concerning the boundaries. However, the cultivators generally welcomed the program (Fischbach, M. (2000), p104-116).

<sup>196</sup> Different types of land, such as the *Mudawwara*, which is fertile and has access to the water from the Jordan valley, and the *Mahlul*, whose area was about 2 million *dunum*, were part of the Ottoman state domain and were transferred as the land of the new state (see Hamarneh, M.B. (1985), p171-172).

<sup>197</sup> This was one of the issues that the villagers were disputing, claiming that the forests were part of their *mashaa'* (Fischbach, M. (2000), p145-146).

The aims of the program were not entirely achieved. For instance, enhancement of the productivity of the agricultural sector was not accomplished, and agricultural output continued to be determined by the weather conditions and lack of any investment in the sector.<sup>198</sup> On the contrary, in the long term the fragmentation of land that the implementation<sup>199</sup> of the program brought about had a negative impact on agricultural output, especially since there was no genuine cooperative effort. Besides, land taxation did not lead to any increase in the domestic revenue.<sup>200</sup>

The land program assigned land titles to individuals, which meant socially the creation of a large class of small cultivators. In some respects, this corresponds to the natural evolution of the *mashaa'* system when it breaks down on its own. However, in social and political terms, the destruction of the *mashaa'* by state policy resulted, to some extent, in the production of a direct relation between cultivators and the state, which replaced an earlier reliance upon intermediate channels, such as the *mokhtaars* of villages or tribes chiefs.<sup>201</sup> It would be simplistic, though, to conclude that the role of the local power elite, whether at a tribal or at a village level, was definitely waning, since sheikhs were still influential at different levels, between the cultivators and the state, as well as in the social and political sphere of the village or the tribe. In addition, they were still consulted concerning land partition and some of them obtained huge gains from the land settlement.<sup>202</sup>

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<sup>198</sup> Hamarneh gives the best account of the lack of investments in the agricultural sector, regardless the fact that some British officials recognised the misery of these investments (Hamarneh, M. (1985), p151-155 and 166-167).

<sup>199</sup> Fischbach shows, by means of a detailed table, the respectable increase in the number of the owners in 1954 compared to the different base-years in the 1930s and 1940s (Fischbach, M. (2000), p134).

<sup>200</sup> The late years of the British mandate show that the income of land tax was almost the same as in the years before the program; in real terms, however, it was less (Fischbach, M. (2000), p129).

<sup>201</sup> This argument is taken from Fischbach's account, which is supported by some examples according to which the fiscal survey committee or the land dispute court did not rule in favour of the sheikhs, when a dispute over land arose between the sheikh and a fellow member of his tribe. Another ground on which this argument has credibility is that the land survey and the title assignment were not based on the accounts of the sheikhs, as was the case with the implementation of the Ottoman land law of 1858 (Fischbach, M. (2000), p 164-166).

<sup>202</sup> Some of Mudawwara and Mahlul lands that were appropriated by the state during the fiscal survey were disposed of. Hamarneh shows that corruption factored in the latter process led in some cases to register the land in names of influential sheikhs, such as 'Adown, who managed to assume the ownership of 108,000 dunum of the mahlul lands in one transfer (Hamarneh, M. (1985), p172-173).

The fact that the land program resulted in a large class of small cultivators did not mean that it constrained the expansion of the large landholdings. On the contrary, one could argue that the measures the program brought about – i.e. the destruction of the basis of the *mashaa'* system, the grant of the land title to individuals and the establishment of a more efficient taxation system - provided a better context for land acquisition and the growth of large landholdings. The different means which led to the conservation and growth of the large holdings were almost identical to those that were used in the preceding period and mentioned in the previous section. Money-lending was the main mechanism through which land slipped from the hands of indebted cultivators, usually small-holders, into those of the money-lenders. The fluctuation of agricultural output, which was largely the result of climate conditions, coupled with the underdeveloped means of production, resulted in demand for loans.

The absence of a governmental development policy to target the agricultural sector in particular or the rural areas at large, meant that the small cultivators were forced to find other avenues for their personal financial obligations, as well as for the requirements of their agricultural activities. The Agricultural Bank, which provided loans at an interest rate of 9.0%, was neither powerful enough to eliminate the money-lenders' activities, nor to be a serious competitor that would lead to lower their interest rates. Hamarnah attributes the failure of the Bank to provide major investment to its lack of assets, limited capital and credit inability. The Bank, according to British policy, was to provide the farmers with assistance to survive the unfortunate seasons. The great majority of the loans that were provided by the Bank were below PP 5.0. This situation allowed to money-lending to flourish in the different regions of the country at very high rates (between 30.0% and 100.0%). Hence, the land slipped from the hands of the cultivators who could not meet their obligations to the creditors. Furthermore, the merchants, who were the main money-lenders, invested part of their profit in land purchase.<sup>203</sup> It is important to point out that money-lending and continuous accession to the land by merchants, money-lenders, sheikhs and others did not result in the eviction of cultivators from the countryside, mainly because of the lack of development of the urban economic

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<sup>203</sup> Hamarnah, M.B. (1985), p183-184.

sectors, such as industry and services<sup>204</sup>. Consequently, as British officials noted, the landless stayed in the countryside as agricultural workers.<sup>205</sup>

Fischbach argues that the land program had important political and social implications for the regime's social base in the countryside and its overall survival. His argument is based on the fact the small cultivators felt that land settlement was in one way or another in their own interest, even when the results were not actually favorable.<sup>206</sup> Larger landholders also benefited from land settlement, as did merchants, who could continue to buy and sell the land<sup>207</sup> as they wished. This triangle of satisfaction among such different social actors harvested social support for the regime.<sup>208</sup>

### 2.3.1.2 Merchants

As was mentioned in the previous section, the term 'merchants' covers all those who are involved in trade and commercial activities, whether they are middlemen, shop-owners or seasonal traders. The great majority of these merchants were not originally from the area of Trans-Jordan, but from urban centers such as Nablus, Jerusalem and Damascus. They were motivated to move to Trans-Jordan, regardless the lack of security, by the high profit that could be gained in the area compared with elsewhere in the Levant. The trade activities developed rapidly during the second half of the 19<sup>th</sup> century and the last phase of the Ottoman era. The security that the direct rule brought about,<sup>209</sup> the demands on agricultural

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<sup>204</sup> Hamernah, M.B. (1985), p183-184.

<sup>205</sup> Fischbach, M. (2000), p 172.

<sup>206</sup> The assignment of titles to individuals meant that the farmers in Jordan were in a better position compared to their counterparts in other Arab countries, where they fed the revolutionary actions or supported regime changes (Fischbach, M. (2000), p176-177).

<sup>207</sup> Concerning the discrepancy between the land policies in the neighbouring Arab countries and in Jordan, Fischbach states that 'the land program can be characterized as a type of Jordanian *laissez-faire*' (Fischbach, M. (2000), p175).

<sup>208</sup> Fischbach, M. (2000), p170-178.

<sup>209</sup> The building of the garrison, the presence of the troops and their administration could be added as dimensions that contributed to stimulate some commercial activities. It is noteworthy that one of the main trading families during the late 19<sup>th</sup> century and throughout the 20<sup>th</sup> was Seeduu 'Ali al-Kardii, whose father arrived to al-Salt with the garrison troops (see Robins, P. (1988), p296).

products due to the incorporating process of the Levant in the capitalist system, the building of the Hajaz railway and the First World War were all factors that gave a boost to the commercial activities<sup>210</sup>. Besides the considerable growth in commercial activities, a few important changes took place in the sphere of the merchants, one of which concerned their composition, which started to include some native Trans-Jordanians. An other important development was the significant level of engagement of some merchants in money-lending. Some of the profit made through trade and (for some) through money-lending was invested in land purchasing, which resulted in a significant fraction of large land-holdings being owned by merchants<sup>211</sup>.

These features of the merchants' activities in the last phase of the Ottoman rule continued after the foundation of the state. However, it is reasonable to suggest that the state foundation became one of the main structural determinations of such commercial activities. Different factors contributed to such a situation. Firstly, relying on several British reports, Robins shows that the merchants benefited from the improved security conditions, extending their trade activities in different regions of the country and scrapping the cost that had been devoted to security purposes, which had an influence on the development of the commercial sector compared with its conditions before the state was founded<sup>212</sup>. Secondly, the different British financial resources which were allocated to the building and preservation of the state according to the British strategic perspective were unprecedented in size, continuity and detachment from any domestic revenue or economic performance. This created greater liquidity into the economy and enhanced circulation. Not infrequent were recipients of annual British financial expenditure in Trans-Jordan, such as that upon the Emir and his court<sup>213</sup> and the annual military grant devoted to building the army<sup>214</sup>, which include not only buildings and equipments, but also salaries of the

<sup>210</sup> See the previous section. For more details about the merchants, see Rogan E. (1991), p 208-216, Hamarneh, M.B. (1985), p84-93.

<sup>211</sup> See in this context Rogan E. (1991), p234. Hamarneh, M.B. (1985), p76. Robins, P. (1989), p 294-297

<sup>212</sup> Robins, P. (1989), p 300-302.

<sup>213</sup> For the first six months, the British allocated to the Emir's private expenses L 5000 per month. This grant was fixed at L 36000 per annum. See Robins, P. (1989), p 298.

<sup>214</sup> The British grant-in -aid varied from year to another as the figures below indicate

22	1921-	23	1922-	24	1923-	25	1924-	26	1925-	27	1926-	28
	180000		90000		150000		75632		101358		66000	

Arab and Jordanian soldiers and officers and the expenses of the military and civil British mandate administration. All these dimensions of the British financial injections resulted in the expansion of the local market by increasing purchase power and creating the rising demand for more diversified goods. The foundation of the state thus meant a general rise in expenditures, whether devoted to the establishment of required institutions or to the building of edifices, which resulted in increase demand for particular goods, such as construction materials, furniture for offices and other necessities.<sup>215</sup>

The composition of the merchants in this period and up the Second World War was mainly consistent of non-indigenous Trans-Jordanians.<sup>216</sup> The Trans-Jordanian faction was small compared to both the Palestinian and the Syrian one. The peculiarity of the Jordanian tribute formation of the 19<sup>th</sup> century was the main factor determining such composition, projecting its shadow well beyond the Ottoman era, into the British mandate period.

The overwhelming majority of the members of the Council of Amman Chamber of Commerce from the 1920s to 1945 were not originally from Trans-Jordan. Just 16.7% of the entire Council was made up of Jordanians, compared to 39.6% each of Palestinians and Syrians. In fact, the Jordanian presence in the Council stretched over the period between 1926 and 1935, while they were absent from 1936 until 1941 and had three members only in 1941-1943, while the Syrians and Palestinians were present throughout the whole period.<sup>217</sup> This statistics, however, especially prior to the 1948 war, can be highly misleading, since there is no solid evidence that divisions within the merchants' circles were drawn according to the new national identities, which in their turn were in the process of being

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These figures are taken from Hamarneh, M.B. (1985), p 135. See also Robins, P. (1989), p 298-299.

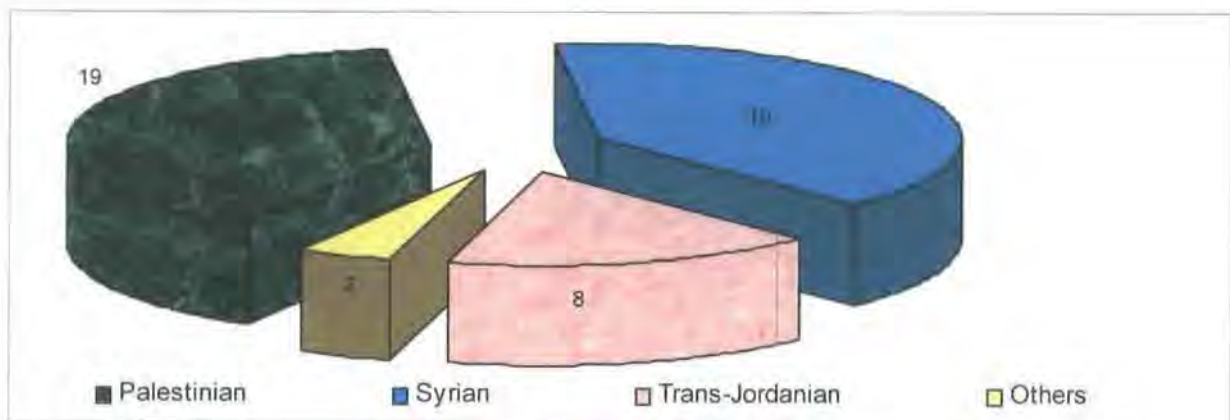
<sup>215</sup> As Robins claims, the establishment of a political entity attracted professionals such as doctors, lawyers, pharmacists and others from the neighbouring countries to Trans-Jordan, where their services were needed. This fact made some difference in the demand on consuming goods (see Robins, P. (1988), p300-301).

<sup>216</sup> Using the term 'indigence' can be highly misleading, since there had been no separate state in the area of Trans-Jordan prior to the British mandate. No national bonds were expressed at the socio-economic level, or at the political and ideological levels. The area of Trans-Jordan before the mandate and in the first few years of it was still considered to be part of natural Syria when it comes to people who had immigrated in the 19<sup>th</sup> century or in the first three decades of the 20<sup>th</sup>. The distinction is very hard to make especially for those people who had settled in Jordan in the late 19<sup>th</sup> century or early 20<sup>th</sup> century.

<sup>217</sup> All the data concerning the members of the council are taken from Amman's Chamber of Commerce. Those about the country and city of origin were obtained from a wide range of interviews.

articulated just after 1919, not just amongst Jordanians, but also amongst Syrians and Palestinians. Breaking down each of the above components reveals that the majority of the Syrian merchants were Damascene, while among the 19 Palestinians who occupied positions within the Council, 13 (68.4%) were from Nablus; i.e. 27.1% of all the Council's members were from one Palestinian region. Thus regional breakdown may be a more appropriate ground on which the alliance and contradiction can be traced.<sup>218</sup> Such an argument finds further evidence in the merchants' composition in Al-Karak, where Trans-Jordanians owned just 10.0% of the shops, while Syrians and Palestinians owned 50.0% and 30.0% respectively. However, all of the Palestinian merchants were Hebronese and all of the Syrians were Damascenes.<sup>219</sup>

Figure 2-1: The Distribution of Council of Amman Chamber of Commerce according to country of Origin



The formation of the state was a determining factor in bringing better conditions for the commercial activities and therefore better opportunities for merchants, who efficiently exploited them, making of themselves a wealthy social group. In addition to their wealth, the merchants may have been the most powerful

<sup>218</sup> For example, the marriage relations that tied the Damascene commercial families in Amman were not induced by the fact that these families were Syrian, but by the fact that they were part of the Damascene community, which was culturally distinct from the rest of the population. In fact, no inter-marriages took place between Damascene and non-Damascene elements of the Syrian community. Even if such marriages were motivated by the fact that these families were commercially orientated, such a tradition was likely to be brought from the Damascene social and cultural domain.

<sup>219</sup> The commercial shops in al-Karak in 1948 can be grouped according to the country of origin, as follows: 25 shops owned by Syrians (from Damascus), 15 owned by Palestinians from Hebron, 5 owned by Trans-Jordanian from al-Karak, and the last 5 owned by Armenians (see Gubser, P. (1973), p33-34)

social group, by drawing on their wide range of economic involvement, from money-lending to retail activities, and also by employing their favorable position with the state<sup>220</sup> at one level and with the Emir at another.<sup>221</sup> However, their importance was confined within the Trans-Jordanian domain; as Robins puts it, 'Neither the wealth nor the operations of these merchants [in Trans-Jordan] compared with those of merchants in Syria, Lebanon and Palestine.'<sup>222</sup> The British economic policy, the poverty of the state and of the territory, and the small size of the market were factors reinforcing this situation.

The situation started to change in the late 1930s. First, the merchants of Jordan took advantage of the Palestinian rebellion of 1936, which was observed closely by the British.<sup>223</sup> However, it was the Second World War that made all the difference for the merchants in the entire period of the mandate.

At one level, the war highlighted the importance of Trans-Jordan. It was a strategic policy of the British in the Middle East during war time to have one integrated system, treating the entire region 'as one economic unit [...] supposed to be self-supporting in order to reduce the demand on shipping'<sup>224</sup>, to overcome the limitation and shortage in supplies as well as to ensure economic stability, unleashing inflation rates and avoiding riots through implementing a fair system of distribution concerning the imported supplies. On these premises, MESC<sup>225</sup> was erected to control the imports and exports in the region. This control was put in

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<sup>220</sup> see the importance of the trade and commercial activities in the perception of the British administration that contributed to favourable position of the merchants. Robins, P. (1988), p312-320.

<sup>221</sup> the Emir had a close relations with the merchants. At one level he was keen on such close relations with merchants from Syrian origin since the latter could provide him with some influence in the Syrian political domain that might contribute to his long-lasting ambition to gain that crown. At another level, the merchants regardless their origin were important as an important social force with a certain power that could limit the power of other social forces. The Emir found in the merchants a financial source on which he can rely whenever he needed for that. After his, for example, it was found that he owed the Ottoman Bank and other merchants about JD 70,000. (Robins, P. (1988), p309-312).

<sup>222</sup> Robins, P. (1988), p324.

<sup>223</sup> Robins relies on the reports of the acting British representative in November 1936, in which the latter mentions that some merchants were unhappy at the end of the strikes in Palestine, since they curtailed opportunities that could have been exploited (Robins, P. (1988), p325).

<sup>224</sup> Hamarneh, M. (1985), p184.

<sup>225</sup> MESC stands for the Middle East Supply Center, which was established by the British in 1941 to coordinate the imports and exports in the Middle East. This body, which took Cairo as its headquarter, became an Anglo-American enterprise controlling all the imports of the Middle East after the US joined in December 1942 (Hamarneh, M. (1985), p185; Robins, P. (1988), p325-330; Amawi, A. (1992), p422-425).

place through the issue of licenses for importation by the local governments and shipping space by MESC. The MESC meant that governments including the Trans-Jordanian exerted direct control of the over the import-export activities.

This policy brought about effective control over the entire trade system, which was in the hands of a few British officials, and stretched from assigning the commodities to be imported to shaping the conditions in which retail was conducted. It was up to the judgment of the Director of Customs not only to issue import quotas, but to decide the size of these quotas, the commodities to be imported, the merchants who were to be given the quotas and whether there would be a monopoly over the commodities. The merchants to whom the quotas were given benefited from the system, in addition to their access to the general benefits and opportunities that the war brought about<sup>226</sup>. In short, the quotas were a landmark of the wealth, the success, the economic power and the prospects of their holders<sup>227</sup>. Despite the great increase in commercial activities, only a small number of merchants managed to acquire the quota licenses<sup>228</sup>.

It is not within the scope of this study to give an account of the commercial activities which took place during wartime; however, it is still vital to look at the criteria that were employed to select those merchants who were given quotas. Based on the accounts of the scholars who studied this period, one can deduce two sets of rules that made it possible for specific merchants to obtain quotas. The first set of rules, which served the goals and purposes of the entire system, were experience, ability, reliability and expertise. These conditions were necessary to maintain the functioning of the system. The other set of rules was based on the relations that the applicants had with the power circles of Trans-Jordan, or with one

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<sup>226</sup> See Hamarneh for details about the increase of the profits from the commercial activities during the wartime. Hamarneh, M. (1985), p183.

<sup>227</sup> Apart from what the privileges that quota holders enjoyed over the commercial activities of the commodities were assigned to them, another dimension for their wealth came from smuggling and contraband trade. Two main factors laid the ground for such activities, the first is the shortage in the necessary materials and other in the neighbouring countries especially Syria and Lebanon which made smuggling very rewarding. The second was the grain-extraction policy according to which the grain supply is to be secured to the markets keeping its price at low level. In order to implement such a policy the British increased the supply of the consumer goods that would be purchased by the cultivators whose grain is targeted rather than keeping the money in their hands. Since Jordan was one of these countries that was included in the scheme, quotas were issued to import such consumer commodities. However, some of these commodities found their way to neighbouring countries returning high profit. See in this matter Amawi, A. (1992), p440-446. Wilmington, M.W. (1971), *The Middle East Supply Centre*, p120-132.

<sup>228</sup> Robins, P. (1988), p325. Amawi, A. (1992), p449.

of them. Such circles included Emir Abdallah, the government's ministers and under secretaries and the British officials<sup>229</sup>. Factors such as the undeveloped socio-economic structure compared to the neighboring countries (let alone to the colonial power), the small size of the merchants' community and the limited population of Amman (the center of political and economic power), made the relations which are included in the second set of rules contribute to satisfy the first set of rules.<sup>230</sup> Such a suggestion indicates that the second set of rules displays two aspects, one of which covers favoritism as a device that helped some merchants to obtain quotas, while the other one is the mechanism according to which the quota providers examine the first set of rules. Another dimension that is important and tightly related to the second set of rules is the competitive advantage that some merchants had over others, i.e. the scope of their economic activities, which provided them with more expertise of the regional and international import-export.

The main outcome of the WWII was an unprecedented level of accumulation of capital in the hands of merchants. Moreover, a differentiation in wealth and economic power took place between those merchants who benefited from the quota system and those who did not. Quota holders also benefited from the wide range of expertise that import-export operations provided them with and from trade links that were developed with new economic centers and enterprises, which put the other merchants at a disadvantage. These process allowed new economic opportunities and new economic areas to be exploited by these merchants. Newcomers entered the domain of the commercial activities in particular and the economic sphere at large attracted by new opportunities or by the prospect of obtaining a quota.

The fact that this subsection started by asserting the broad definition of the merchants to include even shopkeepers does not mean that this period ended with the same features. On the contrary, the commercial activities concluded by the end of this period saw a cleavage between a limited number of merchants who constituted the core of the commercial bourgeoisie and the rest of the commercial private sector participants. The development that had undergone during wartime and the quota system brought different types of opportunities and resulted in

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<sup>229</sup> Robins, P. (1988), p325.

<sup>230</sup> The suggestion here is to consider the structural determination on the function of the policy. In other words, what is at hand at the structural level will have a sharp influence on the paths that the implementations of economic policy would take. In this sense, the ways such a policy is implemented in each of the colonies differ.

accumulative capital and expansion in the activities of some merchants, and in turn led to their separation from merchants who did not take advantage of wartime or were excluded or at least did not try direct their profits in rewarding investments. the characteristics either at the level of the interest or activities (or prospects) of the late 19<sup>th</sup> century or early 20<sup>th</sup> merchants does not subscribe to the merchants who benefited in qualitative and quantitative terms from the wartime.

## 2.4 AN OVERVIEW OF JORDAN (1949-1967)

This section is an overview of the period 1949-1967, the phase immediately preceding that which constitutes the focus of this study. During this phase, Jordan experienced a considerable amount of political and socio-economic challenges and changes. It is relevant to mention that this is the period between the two wars in which Jordan was directly involved in the 20<sup>th</sup> century: the 1948 and the 1967 wars. These had a great impact on the country not just at the political level, but also on its economic and social texture. Despite the fact that Jordan gained its independence in 1946, this event did not bring a profound change in the political or in the economic and social structure of the country. As for relations with Britain, the ties that were institutionalised in the form of the alliance treaties of 1946 and 1948 maintained Jordan in an inferior position with respect to the former mandate power. Apart from the political and economic dependency of the new independent state on its ally, the British continued to dominate more than one vital state apparatus, especially the army and the police. The British commissioner and subsequently ambassador became the legitimate inheritor of the influence and internal political power that mandate residents had. The political system that resulted from the foundation of the Kingdom was a continuation of the old one, which had governed the country under the Emirate. Such a conclusion can be applied to the state's military and civil apparatus, and even to the political and economic elite and ruling figures. The state/society relations did not experience any profound change in their legal form nor in their functions, the same methods in ruling the country and the same channels being maintained<sup>231</sup>. Jordan had to wait until the early 1950s before it entered a comprehensive process of change that affected its different domains and almost

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<sup>231</sup> Al-Masri, M. (1995), *The Political Development in Jordan (1953-1957)*, p15-33.

lasted for the entire decade. Such a process was so profound as to threaten the very existence of the regime.

The creation of the state of Israel on 78% of the Palestinian mandate, apart from having a vital impact upon the whole contemporary history, politics and international relations of the Middle East, had an incomparable impact on Jordan in particular. It was after the 1948 war that Jordan, for the first time and the only one so far, expanded its territories. In addition to the territory of the West Bank, quantitative and qualitative socio-economic, cultural and political aspects were added to the state of Jordan. These were brought not only by the West Bank population, but also by the influx of the refugees from the territories where Israel was established and would continue to exist. This population, which settled on both the West and East Banks of the Jordan, did not just bring the entire social and political complexity dictated by its different backgrounds. The uprooting process according to which they became refugees did not only deny them their homes, but also destroyed the socio-economic, cultural and political context whose existence they had pursued, projecting them in an entirely new context. In other words, at least at the socio-economic level, a process of proletarianization took place, where the refugees were transformed economically by evacuating them from where their old system existed.<sup>232</sup> Recognising the socio-economic, cultural and political variations that the refugees brought with them and that continued to function making differentiations, the above dimensions and others contributed to the formation of an identity distinct not just from the Trans-Jordanian, but even from the West Bank Palestinian. The '*Laajiin*', or 'people of the camps', became a distinct community within the boundaries of each camp and the new socio-economic structure that they were forced to live in, as well as in the perception of the other communities. Over the years, this reality gave them not only distinctive socio-economic characters, but also peculiar features at the political level.

Having said that the war had a great impact on the new state's population, territories, socio-economic and cultural texture, other dimensions were born with the new state. The fact that a high percentage of the population was Palestinian and

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<sup>232</sup> Apart from the physical assets such as houses, land, tools, etc., there was another type of assets which were vital for their existence in their homeland even in case of natural socio-economic transformation. These comprised the experience from careers that they were pursuing in the pre-war period and other sorts of accumulated knowledge.

that the state possessed the longest borders with Israel<sup>233</sup> made the Palestinian question interwoven in the domestic sphere, having a profound impact on internal politics in a way that none of the frontline countries ever experienced.

The reality of the new state involved a process of moulding the different aspects of Trans-Jordanian society, the West Bank and the refugee population in one nation. The indications at several levels reveal that such a process was to a large extent smooth and successful. The Palestinians, and mainly the West-Bankers, were incorporated into the Trans-Jordanians' society, forming together with them the political elite of the new state, and political parties and groups, both conventional and radical, merged and emerged in the new national domain. The economic sphere became the domain of the new state. The bourgeoisie, which in Trans-Jordan had started to form in the 1940s, was widened to cover those of the West Bank and those who came from Palestine in 1948.

Serious turning points that the new state experienced making a break with its predecessor are the 1952 constitution and its amendments in 1953, which made the government accountable to the lower house of the parliament, restraining the unleashed power of the executive authority.<sup>234</sup> Laws about the press and the political parties, which stressed the concepts of freedom and political participation, reflected the political opening process and the sense of liberalism in the 1950s. The process of breaking up the mandate patterns that governed the alliance with Britain during the 1950s was established in 1957.<sup>235</sup> This process, limiting the influence of the British, brought the USA to be Jordan's principal ally and the latter to be dependent on American military and economic aid. The honeymoon between Jordan and Nasser's Egypt, which finished as early as 1957, was replaced by the

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<sup>233</sup> In reality, it was not just a matter of borders: many of the inhabited West Bank villages (better known in that period as 'front line villages') lay on the lines of the armistices, thus being easy targets for the Israeli aggressions during the 1950s and 1960s (for more information, see Madi, M. and Musa, S. (1988)).

<sup>234</sup> See the constitution of 1952, the political parties law of 1953 and the press law of 1953. Madi, M. and Musa, S. (1988), Al-Masri, M. (1995), pp62-77.

<sup>235</sup> One could argue that this period stretched from 1951 up to 1957, when the Anglo-Jordanian treaty was ended. However, the road to such a conclusion came through Jordan's refusal to join the Baghdad pact and the dismissal of Glubb pasha as the commander of the Jordanian army. For more details, see Al-Masri, M. (1995), *The political development in Jordan: 1953-1957*.

alliance with the Saudis, which will be known as 'the conservative alliance', as opposed to the radical Arab regimes<sup>236</sup>.

A detailed account of the different social components of the country during this period is not possible within the limited scope and size of this section. For the same reasons, a detailed account of the state of the private sector or of the bourgeoisie over those years will not be given. Moreover, the fact that during this period the state included the West Bank, which would be under the Israeli occupation from 1967, means that such an account will be of little use for the following chapters, which deal exclusively with the East Bank, not to mention the lack of data concerning the West Bank. However, in the course of the analysis of the following periods, reference to the developments at the level of the bourgeoisie or of the socio-economic structure of these years is to be made when it is needed. Hence, the coverage will be confined to an overview of three main areas of the economic development of the country, namely the development efforts, the governmental budget and the main indicators of the macro-economy. During the first few years of the 1950s, a process of break-up with the economic patterns and policies that dominated the mandate period took place. It took a long spell of time for this process to be accomplished, because of the resistance that the British showed against softening the grip on such policies and because Britain was the only possible potential provider of development loans.

#### 2.4.1 THE DEVELOPMENT PLANS

The Jordanian government started its economic development efforts<sup>237</sup> in this period. They were manifested first in 'the five-year program for economic development (1962-1967)<sup>238</sup> which, in 1963, was replaced by a 7-year program

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<sup>236</sup> Dann, U. (1994), p50. and also see Madi, M. and Musa, S. (1988)

<sup>237</sup> As a matter of fact, an earlier development plan was proposed by the International Bank for Reconstruction and Development (World Bank) in 1955. This 10-year plan was the product of the World Bank's mission in 1954 upon the request of the Jordanian government for economic technical assistance in order to undertake a general review of the country's economic potentialities and to provide the government with recommendations for a long term development program (Hourani, H. (1994), p103). See the preface of The International Bank for Reconstruction and Development (1961), The Economic Development of Jordan).

<sup>238</sup> The theme, assumption and expectations of this plan were, to a large extent, comparable to the ten-year development program proposed by the mission of the World Bank. Even the goals, the investment, and the expenditure of this plan were the same as, or derived from, the World Bank recommendations. This is not unexpected in the light of the fact that the program was the first

(1963-1970)<sup>239</sup>. The two programs, sharing the same destiny of not being implemented (the latter because of the 1967 war), reveal in their objectives the state's economic strategies of that period. The two programs<sup>240</sup> aimed at accomplishing three broad targets: reducing the trade deficit, increasing income per capita and reducing the unemployment rate.<sup>241</sup> Agriculture and industry were the two main sectors around which the Jordanian planners' strategies revolved, in order to expand the economy and accomplish a growth of GDP and GNP at an annual rate above 10.0%, and to achieve the implementation of the above-mentioned aims. The planners were not in the process of undertaking a radical change in the base of the Jordanian economy; rather, they were determined to keep the economy as it was, i.e. based on agriculture, whose contribution to the national income ranged between 20.0% and 30% and absorbed almost a third of the labor force. The devolvement effort in agriculture, which took up the largest share of the plans' expenditure, targeted the implementation of stages I, II and VI of the East *Ghor* Canal, which would result not just in increasing the cultivated areas (especially the irrigated ones), but in stabilizing the agricultural income, which would become less affected by the fluctuation of the rainfall.<sup>242</sup> This project became of vital importance in the 7-year

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concrete and comprehensive development plan prepared for the country, and that the World Bank was represented on the Development Board of Jordan.

<sup>239</sup> The Jordanian planners attributed the introduction of the new plan to the reduction in the external financial budget support which occurred in 1962/1963 for the first time, as well as to the expectation that a further reduction would take place in the coming years. According to the planners, this evolution would have a negative impact on the entire economy and on the whole development process. Hence, an appropriate economic response was needed in order to hold down the effect of the reduction (see Jordan Development Board, *The Seven Year Program for Economic Development of Jordan 1964-1970*, p24 ). Mazur argues that the availability of development grants that could be obtained only by assigned projects led the planners to make a change to enhance their projects. He adds that the finance of the 5-year plan should not have been affected by budget support cuts, since its projects were not financed by external aid, but rather by development loans and grants (see Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p244).

<sup>240</sup> It is very important to highlight that the aims of the two development plans were very close to those of the World Bank's 10-year plan, extended to the aims of the different sectors, especially agriculture and infrastructure projects. Such a similarity can be attributed to the fact that the World Bank report itself was one of the main sources available to the Jordanian planners concerning the state of the economy (*The International Bank for Reconstruction and Development (1961)*, p 5-12 and 152-173.) Furthermore, Anani claims that the economic and development policies of the state during the 50s and 60s were influenced to a large extent by the recommendations of the consultant from the World Bank (Anani, J (1994), p 92).

<sup>241</sup> There are two slight differences between the objectives of the two plans. The first is the order of importance of the goals: reducing the trade deficit was the third objective according to the first plan. The second discrepancy is that the second plan associated the reduction of the trade deficit with a reduction of dependency upon external budget support; hence, Jordan could rely on itself to sustain itself (see *The Jordan Development Board, The Seven-Year Program for Economic Development of Jordan 1964-1970*, p137 and Klat, P.J, (1962), *Jordan's Five-Year Program for Economic Development, 1962-1967*, p. 53).

<sup>242</sup> Klat, P.J, (1962), *Jordan's Five-Year Program*, p. 54.

program, since it was the main project allowing for the export of agricultural products.<sup>243</sup> In fact, the 7-year program centered its plans around increasing exports and replacing imports with domestically produced goods.<sup>244</sup> Along the line of production for exportation, industry was the second most important sector to be emphasized. The second plan stressed that the state would step into direct investment in mining projects to enhance the country's exports of phosphate and introducing potash production.<sup>245</sup> As for manufacturing, the plans leaned heavily on private sector investment, while the state's co-operation would focus on providing the industrial projects with loans, training facilities, modern laws and feasibility studies. The other sectors that were assigned a great deal of investments were transport at 19.3%, housing at 12.1%, tourism at 4.4% and electricity at 3.1%. The governmental investment concentrated on transport, which obtained 76.8% of the sector's entire allocated investments, followed by electricity at 66.8% and tourism at 20.5%.<sup>246</sup>

At the level of financing the development efforts, the planners stated that the investments of both plans<sup>247</sup> would be divided almost equally between the private and the public sector. For the latter, the 7-year program relied heavily on loans from foreign sources.<sup>248</sup> The second biggest source would be the development grants, and finally modest domestic sources would be available through the issue of

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<sup>243</sup> Jordan Development Board, *The Seven Year Program*, p43-49.

<sup>244</sup> The seven-year program, in fact, introduced a distinction between two major types of development projects. One type aimed to increase the national income without necessarily expanding exports, but, conversely, by frequently increasing net imports. The other type of projects was designed to increase the exports and diminish the imports, which would inevitably lead to an increase in national income. The planners, who made it clear that the program would adopt the second option, assumed that increasing the exports would be accomplished through investments in the agriculture and mining sectors. The substitution of some of the imports by domestic products would be achieved mainly through supporting and encouraging the investments in the manufacturing sector. See *Jordan Development Board, The Seven Year Program for Economic Development of Jordan 1964-1970*, p.3-7.

<sup>245</sup> The Jordanian planners predicted that the phosphate exports would reach the value of JD 7 million in 1970 by improving the productivity of the al-Rasiifa mines and completing the works in the al-Hasaa mines to be ready for production and exportation in 1966. They also assumed that exploiting the potash of the Dead Sea would make this product available for exportation by 1968, bringing JD 5.3 Million by 1970.

<sup>246</sup> Jordan Development Board, *The Seven-Year Plan*, p5-15.

<sup>247</sup> The fixed capital formation of the 5-year program was estimated by JD 126 million, while the 7-year program was at JD 260 million (Jordan Development Board, *The Seven-Year Program*, p12-16).

<sup>248</sup> JD 100 million would be provided through loans, JD 35.6 million would be obtained from development grants, and JD 5.1 million would be secured through governmental bond sales (*Jordan Development Board, The Seven year Program*, p16).

governmental bonds by 1966. In contrast, the plan did not explicate the financial sources that the private sector would depend on to cover JD 129.1 million, its projected share of investment.<sup>249</sup> Focusing on the projects and their financing, some scholars argue that the plans were not national development plans. The lack of sufficient economic data as well as the absence of detailed projects and available finance for the private sector made the plans look more like governmental investment programs.<sup>250</sup>

As was mentioned above, the outbreak of the 1967 war and the lack of stability of the period 1968-1971 brought the plan to an end. However, the achievements of the plan before the war suggest that it was not implemented before the spring of 1965. This was due to the slow approach that the government adopted in approving the plan or in proposing it for parliament's approval. Such a delay on the behalf of the government was possible because of the cabinet change and the fact that the Jordanian Development Board was not a power pole in the Jordanian political context, or in relation to the cabinet.<sup>251</sup> Nevertheless, the figures during the first three years (1964-1966) show that the real gross capital formation amounted to JD 110.5 million, at an average of JD 36.5 million per year. That figure was almost the same as had been predicted according to the plan. The actual governmental investment, however, did not meet the planned figures and averaged JD 12.1 million per annum, i.e. it was JD 6.5 million short. The real GDP at market price showed an average growth rate of 11.3% yearly during the period 1964-1966, exceeding the planned one. The high increase in the agricultural output was the main reason of such a high GDP rate.<sup>252</sup>

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<sup>249</sup> However, the plan emphasized that the saving deposits would arise due to the predicted difference between the high GNP growth rate and the slow rate of consumption, which would presumably be diverted to private investment. Private sector investment in housing and transportation was anticipated to grow at 5% and 4% respectively per annum, which was the natural annual expansion computed on the basis of the annual growth rate between 1959-1963 (*Jordan Development Board, The Seven year Program*, p19).

<sup>250</sup> Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p243. Hourani, H. (1994), p104.

<sup>251</sup> Nielson, Howard, C. (1970), *The Hashemite Kingdom of Jordan: Seven-Year Program for Economic Development, An Evaluation*. Amman, Unpublished Report, chapter 1, p5-7. Nielson provides another reason for the delay in the implementation, i.e. the leaving of the Ford Foundation team, which was on the board for consultancy proposes.

<sup>252</sup> El-Ahmad, A.Q. (1980), *The Effect of the Encouragement of Investment Law on the Jordanian Economy*, p34-35.

## 2.4.2 THE BUDGET

If the development plans reveal some aspects of the economic policy of the state, the budget is certainly the other main indicator. Hamarneh claims that the British mandate's economic policies reproduced the lack of development and the dependency of the country. The legacy of this conclusion and its continuation can be seen in the overview of the state's budget during this period. One can identify three main pillars that characterized the budget over these years: its chronic deficit, its reliance on external aid to cover the deficit and the high proportion of its defense expenditures.

Table (1)<sup>253</sup> shows the extent to which domestic revenue failed to cover expenditure. The external aid that came to central government to compensate this deficit was neither steady nor fixed. As part of Britain's obligation to Jordan according to the Anglo-Jordanian treaties, the latter continued to receive budget support from the former until 1957, when it was replaced by American assistance.<sup>254</sup> It was not only the source of the budget that was not steady, but its value fluctuated over the years. It increased from JD 10.2 million in 1953/54 reaching a peak of JD 16.4 million in 1960/61 and 1961/62. However, it started to decline from 1962/63, reaching JD 12.4 million in 1966.<sup>255</sup> The budget support does not only exposes the financial dependency of the state on its western allies, but it conditioned its political options in a period dominated by the Arab cold war. If the proportion of this aid to other sources of revenue indicates the degree of the state's dependency, in this period it showed a dramatic decline: after having reached a substantial percentage of more than 50% during the 1950s, it went down in the 1960s, registering 25.5% in 1966.<sup>256</sup> Although the decline in the proportion reflected a decrease in aid's absolute value and an increase in domestic revenue, the economy started to rely on new external sources, i.e. development grants and foreign loans. These two new

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<sup>253</sup> See table 1, Appendix 4.

<sup>254</sup> This financial support was part of the American commitments towards Jordan, which were created in the light of the political circumstances that took place at the regional level in 1957, in order to substitute for the British financial aid.

<sup>255</sup> Despite the fact that 1960/61 showed the largest amount of budget support, the highest proportion of it - i.e. 63.8% - to the entire receipts was experienced in 1953/54. See table 3, Appendix 4.

<sup>256</sup> Jordan Development Board, *The Seven-Year Program for Economic Development of Jordan 1964-1970*, p 42. See also Porter, R.S. and others (1963), *The Economic implication of Balancing the Jordan Current Budget*, p 1-2.

avenues kept the proportion of the whole external<sup>257</sup> financial sources at more than 50.0% of the entire state's revenue.<sup>258</sup>

The state was bound to the provider of the external budget not just at the economic level, but also at the political one. The continuation of its political dependency had been a serious issue since the early 1950s. In the context of fiscal policy, the government pursued the possibility of augmenting its domestic revenues. Despite the latter's share increase up to an annual average of 56.6% of the total receipts over 1962/63-1966 compared with 40.7% during 1953/54-1961/62, it remained inadequate to replace the foreign aid.<sup>259</sup>

The tax regime and its application was the main factor making domestic revenue inadequate. For example, direct tax<sup>260</sup> receipts, which stood at JD 0.8 million in 1953/54, after 13 fiscal years had increased only up to JD 2.7 million. Porter attributes this fact to the regressive nature of taxation laws, which did not sufficiently reflect the variation in income and production and continued to bear heavily on the low-income groups, in addition to the inefficiency of the taxation system.<sup>261</sup> In fact, it was the indirect taxes<sup>262</sup> that contributed more than anything else to the increase in the relative share of the domestic revenue, since they made up around 58.0% of the overall domestic sources on average, and in 1965/66 and 1966 their share exceeded 60%<sup>263</sup> of the total.<sup>264</sup> Along with the indirect taxes, the

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<sup>257</sup> Odeh, H.S. (1972), *Economic Development of Jordan*, p37.

<sup>258</sup> In 1965/66 and 1966, the percentage dramatically dropped to about 40.0% and 37.0% respectively. See table 3, Appendix 4.

<sup>259</sup> The increase in the domestic revenue was mainly generated from indirect taxes, non-tax revenue and the earnings from the governmental shares, particularly cement and phosphate (see Harris, G.L. (1958), *Jordan: its People, its Society, its Culture*, p 141, and Mazur (1979), p126.

<sup>260</sup> This includes income tax, urban property taxes, National Guard tax, Social Welfare tax, Agricultural Land tax, and Animals Head tax.

<sup>261</sup> Porter, R.S. and others (1963), *The Economic Implication of Balancing the Jordan Current Budget*, p21-22. Furthermore, and taking into account that the Jordanian economy was based on agriculture, the tax on agricultural land and animals was very small. For instance, it accounted for less than 1% of the agricultural income in 1961/62 and 1962/63. Neither was the income generated from agricultural activities covered by the income tax.

<sup>262</sup> This includes Customs, Excise, trade Licences, import Licences and fees.

<sup>263</sup> The volume of indirect taxes rose from JD 0.5 million in 1953/54 to JD 15.3 million in 1966.

<sup>264</sup> The expansion in the imports of both capital and consuming goods, which led to a rapid increase in customs value, was the main reason behind the indirect taxes revenue (See table (1), table (3), table (4), and table 11, Appendix 4. Porter, R.S. and others (1963), p 28; Central Bank of Jordan (1966), p13.

non-tax receipt<sup>265</sup> rose from JD 1.5 million in 1953/54 to JD 6.0 million in 1966. Furthermore, it recorded its best revenue in 1961/62 and 1963/64, when its share of the total domestic receipts was 45% and 40% respectively.<sup>266</sup> The government considered a few times the possibility of introducing a taxation reform that would reduce its dependency on foreign receipts, especially after the prospect of the decrease in budget financial aid that was mentioned above. These plans, which could have been of considerable importance, were never implemented.<sup>267</sup>

Concerning the third pillar of the budget characteristics, which is the defense and public security expenditure, the figures show that this category was predominant, with an average annual proportion of 53.9%, i.e. almost three times the average share of the development expenditure. However, the defense budget dropped during the 1960s, reaching its lowest proportion in 1966, at 41.4%.<sup>268</sup> Apart from the defense budget, civil service expenditure was a substantial category, whose relative importance to the entire expenditure rose from 24.5% in 1955/56 to 29.7% in 1966.<sup>269</sup> Education, health and social welfare had around 50% of the

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<sup>265</sup>This includes gross receipts of posts, telephones and telegraphs, oil transit royalties, currency profits and governmental profits from cement and phosphate enterprises.

<sup>266</sup> Central Bank of Jordan, (1966), p11.

<sup>267</sup> In early 1961 the Royal Fiscal Commission recommended a comprehensive reformation of the taxation system and its procedures in order to add another JD 2.0 million yearly to the domestic receipts. Moreover, the 5-year development plan proposed a detailed project to be undertaken in the first year of the plan in order to amend the tax laws, and particularly the ones that were contained in the direct taxes section. A reduction from 20.0% to 10.0% per annum applied to the buildings rental, the imposition of a fine for the delayed payment of the income and property taxes and the application of the income tax on the people engaged in agriculture and breeding cattle were among the major changes that the development plan aimed to implement. Other measures were proposed to improve the functionality and efficiency of the taxation system, such as adding new qualified assessing officers, spreading the body of the Department of Taxes to the districts that were special need of taxation representatives and, finally, establishing specialised tax courts.

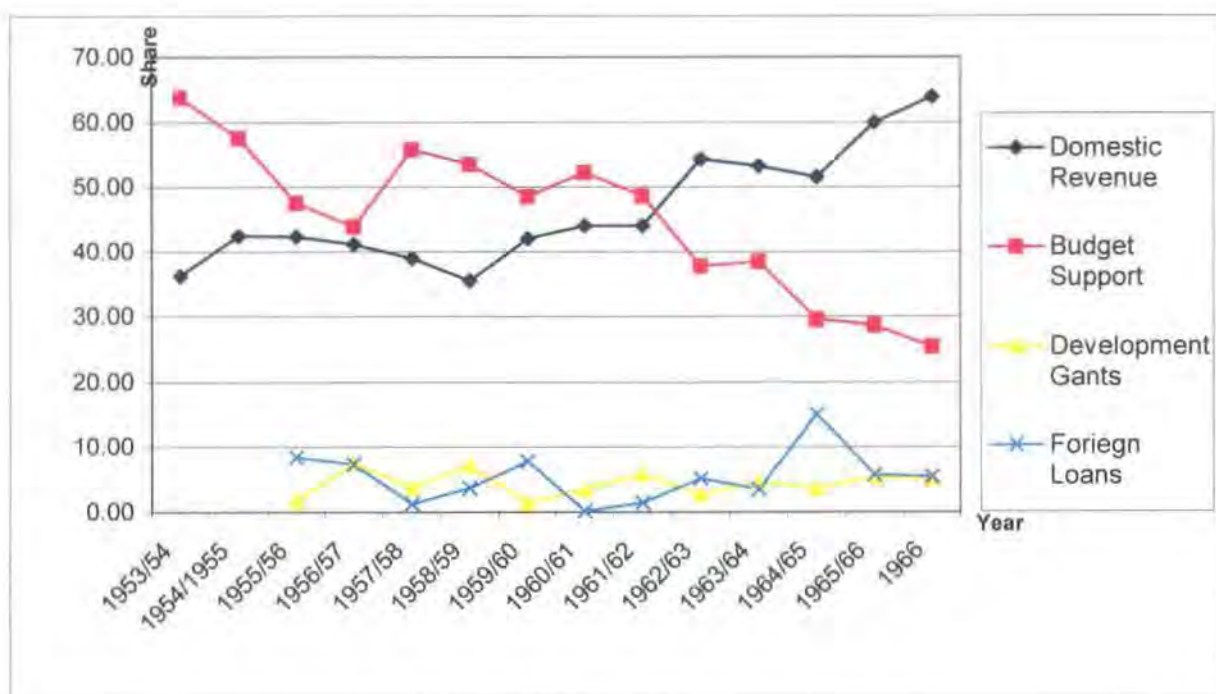
The report recommended that serious attention should be given to the small amount of income tax levied on the profits from trade and commerce, taking into consideration that the wholesale and retail trade contributed almost one fifth of the GDP. It was also recommended that the privileges that the income tax payer enjoyed, by offsetting their share of the tax levied from the shareholding companies and urban property taxes, should be abolished. An extensive revision of the evaluation of the urban property was highly recommended in order to increase tax yield from this section of direct tax (*Jordan Development Board, The 5-Year Plan*, p322-332. Also see Porter, R.S. and others (1963), p 26-28). Augmenting the domestic revenue was discussed again in the first half of 1963, when the government was preparing to adopt a development strategy that would allow the economy to absorb the obligation of the foreign budgetary aid. It was recommended that new taxes should be imposed or existing ones should be increased, such as the tobacco tax, the alcoholic beverage tax and the fuel tax. Various licenses were called for, such as trade licenses, import licenses and road transport licenses.

<sup>268</sup> As a matter of fact, the decline in the proportion of defense and security was due to its low growth rate and to the rapid increase in capital expenditure in the civilian services component, which showed an average annual growth rate of 13.1%.

<sup>269</sup> It recorded its best share in 1963/64, at 31.0%.

civilian service expenditure, while general administration, justice and post, were covered by the rest.<sup>270</sup> Still at the level of expenditures, it is worth mentioning that there was an increase in the development budget, whose ratio to the entire expenditures averaged 17.3% per annum, and rose from JD 2.12 million in 1953/54 to JD 15.9 million in 1966, registering a growth rate of 20.4%.<sup>271</sup> This increase was massive compared to its almost non-existence during the mandate period. Apart from the different efforts that were made by the state in order to invest directly into irrigation projects in agriculture, into mining and into oil refineries, it was its infrastructure projects that the country needed in response to the increase in population and economic activities.<sup>272</sup>

Figure 2-2: The Main Components of the Budget Revenue (1953–1966)



<sup>270</sup> The figures indicated that general administration, justice and post expenditures grew at a faster rate than those of education, health and social welfare.

<sup>271</sup> The development expenditure's average annual growth rate was more than double of that of current expenditure, i.e. 9.3% (see table 2, Appendix 4).

<sup>272</sup> As was noted by Odeh, and as our figures indicate, some of the reasons to increase the development efforts can be, since the mid '50s experience, the new sources of receipts, development grants and foreign loans, which no doubt diverted funds to the development expenditure and increased its size (Odeh, H.S. (1972), *Economic Development of Jordan*, p38. See also table 2/ Appendix 4. One could argue that the US budget support from 1957 was not as strict as the British aid prior to 1957 in its expenditures, which made it possible to divert some of it to development proposes.

### 2.4.3 THE ECONOMIC PERFORMANCE

The economy in this period showed respectable growth, as the main economic indicators reveal. For instance, GDP at factor cost tripled, whilst the GDP and GNP at market price rose by more than three and a half times.<sup>273</sup> With a limited increase in the price index and the low inflation rate during this period,<sup>274</sup> the real GDP at factor cost increased from JD 72.1 million in 1954 to JD 187.0 million in 1966, rising almost threefold or growing by 159.3%, at an annual growth rate of 9.7%. Similarly, the real GDP and GNP at market price registered an increase of 178.7% and 197.0% over the same period.<sup>275</sup>

Despite the overall expansion of the economy, the figures indicate that economic performance was neither consistent nor steady, displaying dramatic fluctuation in rates from one year to another.<sup>276</sup> This can largely be attributed to the fluctuation of agricultural output, as the figures suggest a positive correlation between agricultural output and the growth rate of GDP.<sup>277</sup> One could argue that the political uncertainty of these years may also have been a significant factor in slowing economic growth.<sup>278</sup> The priorities of economic decision makers at the state level, as

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<sup>273</sup> By 1966, GDP and GNP at market price increased by 232.7% and 254.6% respectively, compared to 1954.

<sup>274</sup> The International Bank for Reconstruction and Development (1961), p63-67. Odeh, H.S. (1972), *Economic Development of Jordan*, p45.

<sup>275</sup> The real GDP rose from JD 76.6 million in 1954 to JD 213.5 million in 1966, at an average growth rate of 10.3% per annum. The real GNP increased from JD 78.2 million in 1954 to JD 232.4 million in 1966, at an average annual growth rate of 10.8%, exceeding the other indicators mentioned above.

<sup>276</sup> For example, in years such as 1955, 1957, 1960, 1962 and 1966, the growth rates of GDP at factor cost, GDP at market price and GNP in real terms recorded either negative figures or less than 2.0%. In the rest of the years of this period the growth rates were above average, even remarkably high. For instance, in 1965 GDP at factor cost, GDP at market price and GNP indicated growth rates of 38.8%, 40.2% and 40.0% respectively. 1956 and 1959 also experienced similar rates.

<sup>277</sup> See table 6, Appendix 4. This reality led Odeh to use the average growth rate of two years in his statistical comparisons, in order to limit the effect of agricultural fluctuation. For the same purpose, Mazur applied an approach using various collections derived from the average agricultural production, which stabilised the agricultural output and limited its fluctuation (Odeh, H.S. (1972) *Economic Development of Jordan*, p33; Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p174-177.

<sup>278</sup> For example, the years 1955 and 1957, in which the economy dramatically slowed down, experienced political instability because of the plans to include Jordan in the Baghdad pact. An even worst situation was experienced in 1957, after the termination of the Anglo-Jordanian treaty and the

laid out in the development plans, coupled with what figures concerning industrial origin of the GDP suggest,<sup>279</sup> show that the Jordanian economy during the entire period was still based on agriculture.

The fact that the trade and banking<sup>280</sup> sector had the same average relative importance in the structure of the GDP reveals the extent to which the Jordanian economy was expanding within the same framework of the mandate period, i.e. being underdeveloped, lacking an industrial base and continuing to reproduce itself as a dependent economy. This assertion can be supported on the one hand by the fact that public administration and defense had the second largest share of the GDP, at 17.6% on average. On the other hand, the industrial and electrical sector, including phosphate mining projects, averaged annually just 10.1% of the GDP.<sup>281</sup>

The deepening of the dependency of the Jordanian economy can be examined by means of trade balance indicators. The deficit on the trade balance increased from JD 40.7 million in 1964 to JD 56.8 million in 1966, i.e. by 39.5%. limited Jordanian exports factored in this deficit; for instance, during the 1950s, exports were mainly agricultural products.<sup>282</sup> At the end of this period phosphates became the sole major export, meaning that the Jordanian economy shifted its dependency from being based on fluctuation in rainfall to the fluctuation in the international price of phosphate.<sup>283</sup> Apart from exports, an increase in the rate of imports made the deficit more profound. Despite the fact that development efforts

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internal conflict between the palace and its right wing supporters on one side and the government and the leftist parties on the other. In the case of 1966, which was the worst year for the entire period, with the economy losing around 20% of its value in the preceding year, agriculture could not be the only reason for the economic setback, since all of the economic sectors registered a negative growth rate compared to 1965, and even the value of indirect taxes and the net income from abroad were affected. This can be explained, to a certain degree, by the fact that the economic performance in 1965 was outstanding and did not represent the real potentialities of the economy, with unusual growth rates ranging between 25.0% and 40.0% for all the economic sectors, and by the political uncertainty which had started to overshadow the region on the path to the 1967 war.

<sup>279</sup> The agricultural sector had the biggest proportion in GDP at 21.4% on average during the period. However, it shared this position with the trade and banking sector.

<sup>280</sup> The main component of this sector was clearly the commercial one, both in retailing and wholesale, despite the fact that a few new banks were established during this period, such as the National Jordanian Bank est. in 1955, the Bank of Jordan est. in 1961 and the Cairo-Amman est. in 1965 (*Companies Registry Record, Ministry of Trade and Industry*). It is vital to recognize that the figures show that the share of trade and banking was more stable than that of agriculture.

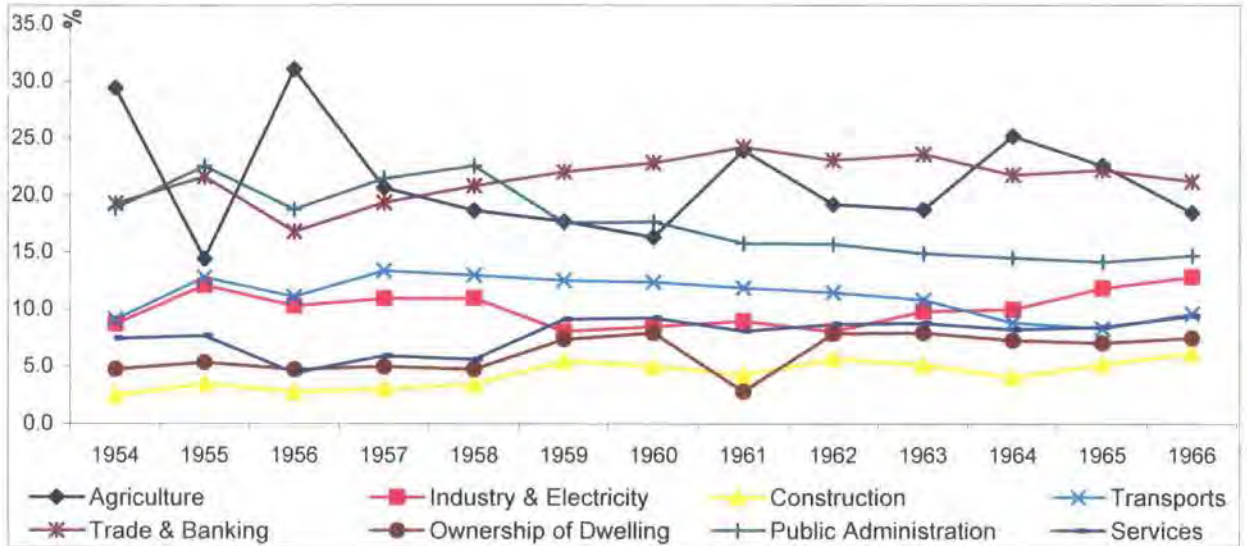
<sup>281</sup> The relative importance of the rest of the sectors was: transportation (11.2%), services (7.8%), ownership of dwelling (6.2%) and, finally, construction with the lowest share at 4.3%.

<sup>282</sup> Such as fruit, vegetables and olive oil, which were mainly directed to other Arab countries.

<sup>283</sup> Between 1964 and 1966, agriculture accounted for 58% of the commodity exports, while the rest was mostly phosphate exports (see Central Bank of Jordan(1966), p18-19).

meant an increase in the volume of imports of capital goods, the increase of imports<sup>284</sup> by 36% between 1964 and 1966 was due to the rapid rise in the value of consumer goods, whose growth rate was faster than that of the population.<sup>285</sup>

Figure 2-3: The Share of the Economic Sectors in the GDP at Factor Cost (1954-1966)



Despite the chronic trade deficit, the basic balance was not in debt for the entire period. This was due to foreign aid which kept the budget afloat, maintaining capital account credit and overcoming the trade deficit, as well as that of the balance of trade and services. In fact, the latter was in continuous debt; for example, in 1950–54 the average annual deficit was \$36m, whilst between 1959 and 1962 it was nearly \$76m and between 1963 and 1966 it averaged \$79m. However, the service balance was in credit during the last few years of this period, making an important contribution to the current balance at large and having some impact in reducing the trade deficit. An unprecedented source that was in the economic accounts and would be the golden chicken in periods to come was the worker remittances. The latter, which was the main balancing category in the services accounts, contributed an average of JD 9.6 million between the years 1964 and 1966. Contribution to the service account was also coming from the travel account.

<sup>284</sup> The main suppliers of imports were the U.S., West Germany, Japan, Syria and Lebanon.

<sup>285</sup> See table 11, Appendix 4. Kanovsky (1975), p9.

As the figures and the main trends that were overviewed above indicate the Jordanian economy was small and highly dependent on external sources, in the form of financial aid, remittances and tourism. During this period, the contribution of the productive sectors to the national accounts was still limited compared with the contribution of services or the infrastructure sectors.<sup>286</sup> The main productive sectors upon which the balance of the economic accounts depended were still vulnerable to the changing levels of external demands - as in the cases of mining and agriculture - or to variable climate conditions. The manufacturing sector, despite the considerable number of new projects established in these years,<sup>287</sup> was still in a period of foundation and was still unable to satisfy the needs of the domestic market.<sup>288</sup>

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<sup>286</sup> The productive sectors (agriculture and industry) made up an average contribution to the GDP of 31.4%, while the infrastructure sectors (construction and transportation) had the smallest proportion of the GDP at 15.5% and the services sectors contribution averaged 54.1%. However, the relative importance of the economic sectors showed a change over the period. For example, the average shares of construction, trade and banking, ownership & dwelling and services rose in three years (1954-1956) from 2.9%, 19.2%, 4.9% and 6.5% to 5.9%, 21.7%, 7.3% and 8.7% respectively. These sectors showed an improvement around 2.0% on average. Even though the industry's share also improved, its improvement was lower than the average achieved by the other sectors. The proportion of the industry in the GDP rose from 10.4% to 11.6%, which was an increase of 1.2% on average. Other sectors showed a drop in their relative importance: public administration, agriculture and transportation declined from 20.1%, 25.0% and 11.0%, in 1954-1956 to 14.5%, 22.1% and 8.9% in 1964-1966 respectively (see table 7, Appendix 4; see also Kanovsky, p9-11 and Odeh, H.S. (1972), p 9-12). The use of the average of three years was to eliminate the impact of fluctuation, mainly caused by the agriculture output.

<sup>287</sup> Among these projects was the cement industry (est. in 1954), producing 204.8 thousand tons in 1966, petroleum refinery, which started producing in 1961, and cigarette manufacturing.

<sup>288</sup> Some industries, however, were sufficient to meet the market demand, such as that of cigarettes, which covered 109% of the domestic needs, allowing Jordan to export. Some industries indicated that the ratio of their production to the domestic supplies in 1966 were close to satisfy the market's needs, such as beverage (87.0%), wood and furniture (76.7%), petroleum and its products (87.0%) (Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p212-218).

# CHAPTER THREE

## THE METHODOLOGY

The task of this chapter is to put forward the methodology that is used throughout this study to define the members of the bourgeoisie empirically. Additionally, this chapter looks at the methods that this study uses in order to analyze the bourgeoisie, highlighting its structure and composition. The first section covers the main problems in defining the actual members of the bourgeoisie and provides a strategy that uses the available data to locate the bourgeoisie elements within the Jordanian society, distinguishing it from other classes. The second section gives definitions to all terms and concepts that are used throughout the thesis. The third section provides the framework that is adopted to define the ownership forms of the enterprises in which the bourgeoisie carried out their investment and activities. The fourth section is devoted to the factors that can result in the division of the bourgeoisie into different fractions.

### 3.1 WHAT IS THE BOURGEOISIE?

Chapter one offered a theoretical definition of the bourgeoisie and of its position in the socio-economic structure of capitalist relations, while chapter 2 was concerned with the peculiarity of the socio-economic development of the Jordanian social formation. However, neither the theoretical framework nor the peculiarity of the Jordanian social formation are able to answer the main question of what the Jordanian bourgeoisie actually is. In other words, what constitutes the Jordanian bourgeoisie? In this section the concern is to address the problem of locating the bourgeoisie members within Jordanian society. The first sub-section will advance some considerations and constraints that must be taken into account when any mechanism is used in order to be consistent with the theoretical framework. The mechanism used to define and extract the bourgeoisie will be the concern of the second sub-section.

### 3.1.1 CONSTRAINTS AND CONSIDERATIONS

In the first chapter, it was suggested that a class should be defined according to its position in the production process. Possession and lack of possession of means of production and the manner in which surplus labour is appropriated and distributed are the two necessary conditions to define class. Despite the fact that such conditions seem to be clear and straightforward in defining the different social classes in general and the bourgeoisie in particular, they cannot on their own identify the members of the bourgeoisie. A more adequate mechanism must take into consideration the economic situation of Jordan on the one hand and the data available on the other. However, theoretical conditions are necessary to constrain any practical mechanism from compromising the very basic definition of the class as was asserted in the first chapter. This is the focus of the present subsection.

First of all, the bourgeoisie members' active sphere is the private sector, in the sense that they have to have an economic base in the private sector. It is according to this base that their economic position and power are defined, and it is upon this base that such a position and power are reproduced. Any economic or other social base outside the private sector providing its members with any sort of power does not qualify them to be part of the bourgeoisie, even though these positions tie their occupants to certain types of interest and solidarity, such as those of the family or of the tribe. In this context, the private sector is simply defined as 'that part of the economy concerned with the transaction of private individuals, business and institutions (the personal sector, corporate sector and financial sector respectively).'<sup>1</sup> The private sector, together with the public one, makes up the domestic economy. In this context, the 'distinction between the two sectors depends on the legal distinction of ownership; in the private sector individuals or other firms own the organization that does the producing. Hence, any position within the public sector or the state, even if of an economic nature, does not make of its occupant a bourgeoisie member.

Secondly, the private sector economic base of the bourgeoisie should lie in the domestic economy if the bourgeoisie in concern is the Jordanian one. To

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<sup>1</sup> Pass, Christopher, Lowes, Bryan and Davies, Leslie (2000) Dictionary of Economics, p420.

consider somebody as a member of the bourgeoisie in spite of the fact that his/her ownership of the means of production is outside the domestic private sector means bringing in a whole range of production, interest and power relations belonging to socio-economic structure(s) that are alien to the Jordanian SF and of no relevance to the structure of its bourgeoisie. In other words, to be part of a certain SF the bourgeoisie requires a qualification of ownership of means of production and appropriation of the surplus labour in that formation. A person's residence in a formation where s/he is idle economically while his/her ownership of the means of production and appropriation of the surplus labour takes place within another formation does not qualify him/her to be a member of the bourgeoisie in the first formation. This consideration rules out individuals who are wealthy or have high of consumption levels or belong to the social circles of the Jordanian bourgeoisie, but are economically idle in the Jordanian formation.

Based on the second, the third constraint is related to foreign capital or investment. In the previous point, it was specified that residence in the Jordanian formation does not qualify an individual to be a member of the bourgeoisie unless s/he is economically active. The emphasis here is on the fact that nationality or place of residence are not determining factors in qualifying individuals as members of the Jordanian bourgeoisie; these individuals must be economically active in Jordan, according to the theoretical framework and by virtue of the fact that they possess means of production and appropriate surplus labour in the country. The Jordanian bourgeoisie, therefore, is made up of people who belong to different nationalities and may not take Jordan as a place of residence; they are, however, bound together by the fact that they are economically active.

Fourthly, the non-Jordanian elements of the bourgeoisie are those who come under the foreign capital category. Foreign capital will be analyzed in the context of investigating the state of the private sector in Jordan and in the study of the bourgeoisie. However, not all foreign capital in Jordan is to be analyzed as part of the investments of the non-Jordanian bourgeoisie. In this sense, the study distinguishes between three types of foreign capital:

- 1- foreign capital that is invested on a temporary basis. This type of capital usually comes as part of contracts between non-Jordanian firms and the Jordanian government or the private sector to conduct specific

projects, the completion of which ceases the activities of that firm. This type of investment is not considered as part of bourgeois activities, due to its temporary presence; however, the analysis of the private sector will embrace such investments.

2- foreign capital invested through equities held by non-Jordanian individuals or corporations. This type of investment is usually a long term one and can come into existence in different forms, either as direct investment of non-Jordanian individuals or firms or through joint ventures with Jordanians. It will be considered as part of the bourgeoisie's activities.

3- the foreign governmental capital that is invested in Jordanian private sector enterprises. This type of capital is usually invested by Arab governments either as part of their obligations through the joint Arab economic project – as in the case of some of the Arab state cooperative enterprises,<sup>2</sup>– or as direct investments by some of the Arab governments in specific private sector enterprises.

A fifth, and last, consideration is that owning means of production and hiring some wage earners does not necessarily qualify that owner as a member of the bourgeoisie. It is possible for members of the petty bourgeoisie to own their means of production and hire, on a temporary or permanent basis, a limited number of workers to put their enterprise into function.

The above constraints have a considerable impact in determining any mechanism that is to be used to identify the members of the bourgeoisie. On the one hand, they make constructing any such mechanism an easier and more straightforward process. On the other hand, however, they show that constructing an efficient mechanism to locate the bourgeoisie is a complex and problematic task, especially under the circumstances experienced in Jordan. The fact that the bourgeoisie exists within the sphere of the private sector means that the latter and its participants are to be analyzed in order to extract the bourgeoisie elements. Because of objective and historical factors related to Jordan, it is not possible to omit analysis of the private sector, since there are no alternatives to provide data about

the bourgeoisie. That is, there are no associations that may embrace all big participants in the private sector who can be considered as bourgeoisie members.<sup>3</sup> There is no correlation between types of private sector enterprises and the class position of their owners that could lead the analyst to study certain types of enterprises knowing that their owners would be bourgeois members. Furthermore, the literature about social classes, investors, or even private sector activities is limited and not detailed in the sense that can provide researchers with a set of rules upon which the bourgeoisie would be easily identified. Factors such as the late development of capitalism in Jordan and the manner in which it took place, as well as the small size of its market and its scarce natural resources, may hinder the attainment of a straightforward mechanism which could categorize the elements of the bourgeoisie. In this perspective, a device must be constructed that is able to extract the bourgeoisie from the sphere of the private sector.

In theory, it is possible to construct more than one mechanism that is capable of extracting the bourgeoisie elements in Jordan. Income taxes, for instance, can be a basis on which a system can be put in place differentiating the bourgeoisie from the rest of the private sector members. Also, taxes imposed and collected from the private sector businesses can give insights to draw the line between enterprises owned by the bourgeoisie and those owned by other classes, such as the petty bourgeoisie.<sup>4</sup> The sales or added values of different enterprises can be another appropriate foundation for a selective system extracting the bourgeois elements from

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<sup>2</sup> The Arab Potash Company is the first company that was established by the initiative of the Arab states.

<sup>3</sup> Some of these societies and clubs were established during the 1990s, which are outside the scope of this study. For instance, The Businessmen Association was established in 1994. Reviewing the names of the latter's members leads one to conclude that it is a society of the elite of businessmen. A social club that was widely considered to be the club of the wealthy, the bourgeoisie or the elite of Jordan is The Royal Automobile Club. Certainly, the membership fees and subscription requirements during the 1970s and 1980s confirm such a belief. The management refused to grant a study of its membership records.

<sup>4</sup> Despite the fact that, as was mentioned in the previous chapter, the taxation system lacked efficiency, it still has great deal of importance as a source of information, especially since the late 1970s. Concerning the business taxes, they were imposed as such on the public shareholding companies since the mid 1970s, while money was collected from other enterprises through income taxes. In the early 1990s, taxes were collected directly from the LL enterprises. A great deal of effort was made to obtain such information from the Jordanian Income Tax Department. The Department's refusal was based on the notion that accessing such information would violate the Income Tax Law, which considered such information as classified. This refusal was comprehensive, even when the request was to provide the names of the largest one thousand income tax payers without revealing the amounts that were paid by them, or the largest 500 enterprises according to their tax payments. Apart from the obstacles imposed by the department headquarter directorate, the Director of the Income Tax Department stated his refusal in a written letter.

their wider context, the private sector.<sup>5</sup> Looking at detailed accounts of the big importers and exporters is another possible approach that can satisfy the purpose. Certainly, it would be ideal to build a mechanism that is based on all these different grounds and approaches. However, lack of information and the inconsistent nature of the available data generate difficulties in constructing any such mechanism.

### 3.1.2 A STRATEGY TO LOCATE AND EXTRACT THE BOURGEOISIE

In light of the difficulties concerning data collection, in accordance with the theoretical background and the above-mentioned constraints and in order to have a mechanism that is able to operate over the different periods of this study, the only avenue was to rely on the Ministry of Industry and Trade (MIT) archive.<sup>6</sup> Since 1965, all private sector enterprises have had to register in the MIT,<sup>7</sup> where a record of each enterprise is kept containing information on the name of the enterprise, its capital, its equities holders according to their share, the date of its establishment, its address, its economic activities and its management if applicable. In other words, this record is a legal document without which an enterprise does not exist, and contains the main information about it. The record is regularly updated with further information about the enterprise, some of which is obligatorily supplied to the ministry with any change related to the basic information that the record already has. For example, any change related to the economic activities, capital, address, branches, and equity holders (i.e. a change in the equity holders or their shares) has to go through the MIT for its approval. Other information is sometimes voluntarily

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<sup>5</sup> Such information should be available in the Department of Statistics by virtue of periodical surveys targeting the different establishments and revealing substantial information about sales, production at factor cost and employment. The results that are published in the end of each survey does not specify data about each establishment. The DS refused to disclose this information.

<sup>6</sup> The *Ministry of Industry and Trade* was called the *Ministry of National Economy* up to 1972. To avoid any confusion, however, this study adopts the new name even when referring to the preceding period.

supplied by the enterprises to be added to their records even when it is not required.<sup>8</sup>

This study argues that the MIT records can be assumed to represent the private sector enterprises, which in their turn can be analyzed in order to extract the bourgeoisie from among their owners. In this sense, this study assumes, along the lines of its theoretical framework, that any bourgeoisie member in Jordan has to own means of production that are embodied in her/his ownership of a private sector enterprise. The fact that information about the sales or value added of the enterprises is not available led this study to rely on figures of the current capital of the enterprises as an indicator reflecting some characteristics of a given enterprise.

Despite the fact that the MIT data is comprehensive and refers to all private sector enterprises, it is inaccurate to assume that it covers all private sector activities, since not all these activities are conducted through legally registered firms or enterprises. This assertion does not refer merely to the actual existence of an informal market, but also to the complicated nature of the private sector in general terms and that of the Jordanian one in particular. In this context, some private sector economic activities that are carried out in the Jordanian countryside - such as land cultivation and livestock breeding - are not registered in the form of enterprises. Although a household that is engaged in agricultural or other food manufacturing activities constitutes a firm with its own organization, division of labour and access to the market, incorporating it in the domain of private sector enterprises is beyond the aims of this study. In this sense, this analysis of the bourgeoisie misses out some members who are rooted in the countryside or in other sectors where they are not obliged to register their activities. It is comforting that it is still accurate to assume that the majority of these activities are carried out by smallholders, whose production is conducted by them, their families and seasonally hired labourers. This argument has a basis in the historical development of land ownership, as was discussed in the previous chapter, which made it clear that the implementation of the Ottoman land law in the late 19<sup>th</sup> century and early 20<sup>th</sup> century and the British land program of the

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<sup>7</sup> Prior to 1965, when the Company Law was promulgated, firms could register either with the Ministry of National Economy or with the Ministry of Justice. According to the 1965 law, the MIT became the only body with which enterprises could register.

<sup>8</sup> Some enterprises are not obliged to supply the MIT with information about their annual budget; some of these, however, still do so for different reasons. Although this information does not have an intensive character, it was useful in relation to specific enterprises.

1930s and 1940s resulted in land ownership being overwhelmingly characterized by smallholding. In fact, the presence of large landholders was limited; on the other hand, among those who acquired large tracts of land were merchants and usurers, whose economic activities can be accounted for through the MIT records. In conclusion, however, some of the bourgeoisie's activities could have been missed out, especially in the countryside.<sup>9</sup>

Since 1974, when land prices rocketed, providing the landholders with potential capital, there has been another important aspect to land ownership.<sup>10</sup> Since it was difficult both to track land ownership and to trace back land transactions and their impact on the shifting class of landowners (if there was any), this study assumes that the capital resulting from land transactions was used in one of two broad possibilities. The first is that such capital was invested within the domestic economy, thus it would be accounted for in the MIT records. The other possibility is that the capital was used for consuming purposes, such as buying luxurious goods, constructing private buildings, or any other sort of consumption. At any rate, the second possibility – though involving losing track of some of the capital – would not have any serious impact on the class structure of the bourgeoisie. As for the lands that, in spite of a dramatic increase in price, were never sold, they should not be problematic, since they retained a capital potential that, being idle, has no influence on class structure at large.<sup>11</sup>

The point of departure in advancing this system is to state that the private sector participants make up a domain that contains all those who are equity-holders in the private sector enterprises, which in their turn registered in the MIT. The domain of the private sector participants contains two groups, one of which is to be considered the bourgeoisie members (BMs), while the second contains the remaining of the private sector participants that are not qualified as BMs. In other words, the private sector participants are the equity holders of all of the private

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<sup>9</sup> Hence, the size of the majority of this production is still inadequate to yield a significant surplus accumulation capable of shifting these smallholders into the domain of the bourgeois class. One possible solution to this problem would have been to take land ownership into consideration and expand the sphere of the private sector to include large-, but not smallholders. However, this attempt failed due to the continuous refusal of the Land Registry Department to grant access to such data.

<sup>10</sup> The main factor leading to an increase in land prices was not the rewarding return of the agricultural activities, but rather the demand on land for residential purposes. The liquidity available to the Jordanian expatriates in the oil producing countries made such a thing possible.

<sup>11</sup> The land was not source of income in Jordan as the case in Europe since the industrial revolution through what is called land rent.

sector enterprises in Jordan in a given period, including those participants who are to be considered as bourgeoisie members according to the following mechanism:

- I- A thorough review of the enterprises and their types as well as their legal framework and that of their equity-holders led the study to take the enterprise as the starting point in locating the bourgeoisie members.
- II- Because of the variations in the types of enterprise, and the impact of these variations on the equity-holders and the potential BMs, it was better to divide the private sector enterprises into two sets, the first being the private sector of all types of enterprises other than the public shareholding enterprises and the second being the public shareholding enterprises (PS) only.<sup>12</sup>
- III- Extracting the BMs from the private sector participants of the first set of enterprises, i.e. the non-PS enterprises was achieved as follows:
  - 1- Analyzing the different patterns and the trends of the enterprises in the first set  $E_1$ , according to their number, their aggregate capital, their average capital, and standard deviation as a whole, in each type of enterprises and in each economic sector. According to the outcome of this analysis, a certain figure of capital ( $x$ ) is to be chosen.<sup>13</sup> All the equity-holders of the enterprises whose capital is  $x$  or more are to be considered to be the first group of the bourgeoisie members  $B_1$ .
  - 2- Any member of  $B_1$  who was extracted in the point above and was an equity-holder in any enterprise whose capital is less than  $x$  is to be qualified as a member of the bourgeoisie by virtue of the fact that it has been already extracted.<sup>14</sup> These new members are called  $B_2$ .

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<sup>12</sup> The rationale behind such a division is due to different conditions of the equity-holders in PS (such as the stock market) unlike those in other types of enterprises.

<sup>13</sup> The process of defining  $x$  takes into consideration that the proportion of the sum of the capital of the enterprises whose capital is  $x$  or more makes up more than 50.0% of the total capital of all enterprises, in each type of enterprises and in each economic sector.

<sup>14</sup> The qualification of a member as  $B_2$  is based on his/her individual capacity, which means that the partners of that member in the ownership of a given enterprise (capital = less than  $x$ ) are not considered to be part of the bourgeoisie so far. This is in contrast with the previous stage, where every equity-holder of any given enterprise (capital =  $x$  or more) is part of the bourgeoisie.

- 3- Any equity-holder that has not been qualified as part of the bourgeoisie in the previous two stages and has equities in more than one enterprise is to be considered as member of the bourgeoisie. These members make up B3.
- 4- Any equity-holder that has not been qualified either as B1, B2, or B3, but his/her equities make up a proportion of 0.1% or more of the total equities is considered to be BM. These members make up B4.

III Extracting the BMs from the private sector participants of the second set of enterprises, i.e. the PS enterprises, is achieved as follows:

- 1-A simple formula is put forward according to which the shareholders in each PS enterprise are ranked in order of the number of shares (from large to small) that they own. The bourgeois members in any PS enterprise are those who possess the biggest number of shares up to the point where the sum of their shares is around 60.0% the total shares in that enterprise. These members make up B5.
  - 2- Any equity-holder who has not been qualified in the previous stage, but is a member of B1, B2, B3 or B4 is considered to be part of the bourgeoisie. These members constitute B6.
  - 3- Any member who has not been qualified to be B5 or B6, but has shares in more than one PS enterprise is to be considered as BM. These members are called B7.
- IV- The bourgeoisie members (BMs) are those who have been qualified in each of the previous stages.

$$\text{BMs}=\text{B1}+\text{B2}+\text{B3}+\text{B4}+\text{B5}+\text{B6}+\text{B7}$$

## **3.2 TERMS & CONCEPTS USED TO ANALYZE THE MEMBERS OF THE BOURGEOISIE**

### **3.1.3 BOURGEOISIE ENTERPRISES AND THE MEMBERS OF THE BOURGEOISIE**

According to the mechanism that was introduced above, two concepts were coined and used in order to identify and study the bourgeoisie; these are the members of the bourgeoisie (BMs) and the bourgeoisie enterprises (BEs). The relation between these two concepts is simple and direct: the BMs are the equity-holders who possess assets in the private sector and were qualified according to the above mechanism to be considered as the members of the bourgeoisie, while the BEs are the enterprises that are fully or partly owned by them in a certain period.

It was vital in the course of this study to explain the concept of BE, since, as was mentioned above, applying the mechanism meant ending up with a list of individuals whose assets and characteristics distinguished them as BMs from the rest of the private sector participants. These members, however, differ from each other at different levels, one of which being the enterprises in which they own shares. Analyzing their enterprises can contribute to showing the common and private grounds of these members. Although it is possible to find some enterprises which are entirely owned by BMs, other enterprises are jointly owned by BMs and non-bourgeoisie private sector participants. Such a reality is possible firstly, because some BMs were qualified according to the criteria of their assets and not the criteria of their enterprises. Secondly, because some enterprises contain equity holders who are by no means part of the bourgeoisie class. For instance, the PS enterprises contain some equity-holders whose number of shares are nominal compared to that of the BMs in the same enterprise. Another important example is the state, which in some cases was an equity holder in a private sector enterprise, despite the fact that it cannot be considered a BM. The same can be applied to equity-holders charities or employee saving funds, ...etc.

Certainly, the existence of enterprises which are only partly owned by BMs, does not imply that these enterprises are of lesser relevance compared to enterprises completely owned by BMs. From the point of view of this study, both categories are at the same level of importance. In this context, the BE is an important domain that shows the characteristics of the BM enterprises, regardless of if they were owned partly or entirely by BMs. In the course of the analysis, however, the characteristics of the BE should not be mistaken with those of the BM. In other words, the BE makes up a structure within which the BM and others carry out their business, while the BM's characteristics exclude the non-BM partners. In fact, the capital of the BE is equivalent to the sum of the equities held by the BMs and by the other shareholders, while the BM equities are always less than (or equal to) the capital of the BE. Despite the fact that some BE ownership is shared with non-BMs, the BE is still vital in revealing the context in which the bourgeoisie re-produces its economic existence. Hence, the economic power of the bourgeoisie is based to a large extent on the activities of these enterprises and therefore analyzing the BE reveals the strategies and some important features of the bourgeoisie. Despite the fact that the BE capital is used by the bourgeoisie and contributes to the total capacity of the bourgeoisie, in literal and legal terms this capital does not in its entirety belong to the bourgeoisie.

#### **3.1.4 THE ENTERPRISE TYPES**

The focus of this section is on the enterprise types as an important indicator that could display different characteristics of the enterprises themselves. Due to the fact that this indicator is used throughout the research, the types of enterprises will be briefly defined and their main characteristics will be covered here. The enterprise types are those that the legislation set up in order to organize the activities of the private enterprises. Certainly, the classification according to the Jordanian legislature is of relative importance, since enterprises that belong to a specific type are distinguished from the others by means of regulations and conditions. However, making an indicator of a specific type could reflect some important characteristics concerning the ownership and to a large extent the weight that type has in the economic sphere, from which the class characteristics of the owners can be deduced. In sum, analyzing the different types of enterprises revealed that there is a

correlation between such types and the characteristics of the enterprises of each type.

The types of enterprises that are referred to throughout the research are based on what the '*Companies Law*' no. 22 of 1997 has laid down. Other types of enterprises, however, were known in previous periods of the history of Jordan. In 1964, the '*Companies Law*' no. 12 was introduced to cover and institutionalize all the legal aspects of the private sector enterprises in one integrated law for the first time. According to this law, the enterprises were organized in new categories consistent with their capital and conditions of partnership. The law also indicated the different regulations that applied to the different types of enterprises regarding their foundation, registration, conditions of partnership, liquidations...etc. Other types of enterprises outside the ones established by legislation continued to exist after the promulgation of the 1964 law due to the relaxation of the enforcement of the law itself.

The rationale behind using the enterprise types that were drawn by the 1997 law is to keep a unity of analysis, especially since the difference between the types of enterprise as designed by the 1964 law and its amendments and those of the 1997 law is a merely terminological one. Furthermore, the names of the enterprise types had already been changed to the same ones that were later used in the 1997 law in the late 1980s, according to the '*Provisional Companies Law*' no. 1 that was introduced in 1989. As a matter of fact, this amendment did not bring about any fundamental change in the content of the characteristics of these types.

Hence, the enterprises that are used herein are as follows:

- I- Public Shareholding Enterprise (PS): this type of enterprise is the most sophisticated type in terms of structure. The Companies Law requires each enterprise to have a General Assembly consisting of the enterprise's shareholders, which in its turn elects a board of directors, which is nothing except a management committee.<sup>15</sup> The

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<sup>15</sup> The relations between the board of directors and the administrative body of the enterprise are led by the director general, who is appointed by the board of directors. In all cases of the enterprises analyzed in this study, the director general was a member of the board of directors, as a shareholder. By looking at the experience of more than 80.0% of the PS, it appears that there was no conflict between manger general and board of directors.

shareholders are subject to daily alteration, since the shares of a PS are usually traded in the Amman Stock Market.

- 2- Limited Liability Enterprise (LL): this type is less sophisticated than the PS. However, as the Law sets out, a board of directors is to be appointed by the equity-holders. There are no limitations on the number of partners.
- 3- General Partnership Enterprise (GP): the law sets out the number of partners which should not be less than 2, nor more than 20. Each partner acquires "the capacity of merchant"<sup>16</sup>. Apart from the general regulations concerning the registration, title and change of owners for this type of enterprise, the law does not indicate any specific regulations except those referring to the capital as the main measure on which the rights and the obligations of the partners are based.<sup>17</sup>
- 4- Limited Partnership Enterprise (LP): the great majority of the GP regulations are applicable to this type of enterprises.<sup>18</sup> The main difference, though, is that the LP type comprises two types of partners, namely the General Partners and the Limited Partner. The former type of partners are those who have the exclusive right to manage the enterprise, in contrast to the limited partners<sup>19</sup>.

### 3.3 THE ECONOMIC SECTORS AND SUB-SECTORS

The classification of the economic sectors is to some extent problematic, since there are both official classifications used by the Department of Statistics (DS)

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<sup>16</sup> Article 9/c, the Companies Law no. 22, 1997.

<sup>17</sup> As a matter of fact, the law indicating the capital as a gauge is not enforced if there is a specific agreement that determines the rights and obligations of the partners (Article 16/a, the Companies Law no. 22, 1997). The great majority of the registered enterprises of this type indicate the owners' shares of capital as a reference to their rights and obligations. (interview with the Controller of Companies).

<sup>18</sup> See articles 42-48, the Companies Law no. 22, 1997.

<sup>19</sup> The articles 41/A and B outline the main distinction between the two types of partners as follows: 'a- General Partners: they shall manage the partnership and carry out its activities. They are jointly and severally liable for all the partnership's debts and liabilities with their private properties. B-limited partners: they shall contribute to the capital of the partnership without having the right to

and by the Central Bank of Jordan (CBJ), on which the national accounts and the main economic indicators are based, and an inventory of the Ministry of Industry and Trade (MIT), according to which the private sector enterprises are classified. Covering the major macro-economic developments is almost impossible without adhering to the official classification of the DS and CBJ, which were subject to several modifications during the last forty years.<sup>20</sup> The problem does not arise just from having two non-corresponding economic sector inventories - one of the CBJ and DS and one of the MIT - or from the continuous modifications, but also from a discrepancy between the CBJ and DS classifications. Not until the early-mid 1990s did the latter official bodies have the same economic sectors inventory.<sup>21</sup> The latest DS and CBJ classification, which covers 12 economic sectors,<sup>22</sup> is broader than the limited one given by the MIT; however, it is still not of much use when analysis of the private sector enterprises is concerned. For example, the government services and producers of non-profit sectors are of no use for profit-oriented private sector enterprises. Moreover, sectors such as the personal and social services and the domestic services as contributors to the GDP<sup>23</sup> were put under the service sector, which includes 'hotels, restaurants and coffeehouses'<sup>24</sup> and 'communications' as sub-sectors according to the CBJ and DS most recent classifications. However, such classifications do not give a full analytical account of the private sector enterprises, since they contain the governmental contribution to the economy in the form of defense or public services. Moreover, the changeable character of the

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manage the partnership or to carry out its activities, and liability of each one of them is limited to his share in the capital of the partnership'.

<sup>20</sup> According to the classification that was used by the CBJ until the early 80s, the economic sectors were: agriculture, industry, construction, trade, transportation, services, banking and insurance and public administration and defence estimations (see for instance CBJ (1984), p2-6.).

<sup>21</sup> The identical classification of DS and CBJ is to be attributed to the fact that the statistics of the latter are based on the former, as the CBJ publications indicate. (Central Bank of Jordan (1995), the Annual Report, p 4-6 and Central Bank Jordan (1997), the Annual Report, p 2-7). However, in the late 60s and early 70s the CBJ classification was slightly different from that of the DS, though CBJ figures still relied on the DS ones (See Central Bank of Jordan (1968), A quarter Report, Vol. (3), p3 and Central Bank of Jordan (1972), p 2-6).

<sup>22</sup> The economic sectors which are still adopted by the CBJ are: 1-agriculture, 2-mining, 3-manufacturing, 4- electricity & water, 5- construction, 6-trade, restaurant & hotels, 7-transportation and communications, 8- finance, insurance, real estate and business services, 9-social and personal services, 10-domestic services, 11- producers of non-profit services 12-government services.

<sup>23</sup> Such non-profitable sector is of no importance concerning the private sector enterprises, though enterprises with such activities could be covered under one of the services sub-sectors.

<sup>24</sup> As was mentioned above, hotels, restaurants and coffeehouses are included in the trade sector and communication is included in the transportation one.

official classification does not maintain a unified criterion over the different periods under analysis.

The MIT, which is legally responsible for registering the enterprises, adopted a seven-way classification of the economic sectors: agriculture, industry, commerce, services, construction, transportation and tourism. According to this classification electricity & water, mining and manufacturing were under the umbrella of industry, while the real estate enterprises were divided between the construction and the service sectors. Similarly, insurance and financial enterprises were covered sometimes under the services sector and sometimes under the commerce sector. As for the tourism sector, it was extended by the Ministry of Industry and Trade to cover hotels, coffeehouses and restaurants; however, some of the cafeterias and restaurants were included either in the commerce or the service sectors. Some other enterprises, such as travel agencies, are included in the tourism sector. It should be noted that the tourism sector is a loose one, since the shared ground of its enterprises is not well defined and these enterprises could be distributed among different sectors taking into account the nature of their activities and their purposes. For instance, one could argue that travel agencies could be covered under a specific sub-sector of transportation, while coffeehouses, restaurants and hotels are not enterprises that rely entirely on tourism activities. On the contrary, the majority of the coffeehouses and restaurants service the local communities, and can therefore be more reasonably included in appropriate sub-sectors under services. Real estate, which CBJ and DS listed under 'finance and insurance', was removed and placed in a separate sector.

Hence, two types of classification were adopted concerning the economic sectors: the first is exclusively employed to give an account of the macroeconomic developments, while the second is used to cover the economic sectors of the private sector enterprises. The first classification is entirely taken from that of the CBJ without any attempt to change or modify it, while the second one is developed on the basis of the official figures and differs slightly from the one of the DS and CBJ, as will be explained below. Regardless of the differences between the two classifications, relations and correlations between the figures of the economic sectors according to the second classification and the figures of their counterparts according to the first classification were drawn whenever possible.

In order to put together a useful inventory for analyzing the enterprises according to the economic sector, this study had to go through the activities as they were declared by the enterprise owners or equity holders or the management when the enterprise was established, indicating the main areas of its activities. According to the regulations issued by the MIT under the companies laws, an enterprise does not just have to state its activities at the time of the incorporation but also to apply at the MIT in order to modify its activities, whether such a modification is an utter change of the areas of activity, an expansion of its existing activities or the removal of one or more of the activities that were originally stated in the incorporation documents.<sup>25</sup> This provided the Company Registry Office at the MIT with a detailed account of the different purposes and activities of the great majority of the Jordanian enterprises.<sup>26</sup> This study had to go through these records, which mentioned about half a million different purposes, classifying them in categories each of which became a general heading for similar purposes and activities.<sup>27</sup> These categories were the base on which the subsectors in each economic sector were identified.

Reviewing the different purposes and areas of activities at one level and taking into consideration the inventory of national accounts of CBJ and DS, it was sensible to introduce a 10-sector classification to be used throughout this study. These economic sectors are: 1-Agriculture, 2-Mining, 3-Manufacturing, 4-Electricity & Water Supply, 5-Construction, 6-Commerce, 7-Transportation, 8-Finance & Insurance, 9-Services, 10-Real Estate. In the course of the thesis, however, the

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<sup>25</sup> Each enterprise has its own activities listed in details, and sometimes one of the enterprises has more than one activity, up to ten or more. For instance, a specific enterprise in the trade sector could have the following activities: retail sale, food products sale, vegetables and fruits sale and other products trade.

<sup>26</sup> There was no clear system for specifying the activities or the areas in which the enterprises are involved. For example, one enterprise can have two separate activities in retails, fruit retails and vegetable retails, despite the fact that both activities can be under one simple category such as fruit and vegetables retail or greengrocers. This reality, which extends to every economic sector, can explain the huge number of purposes. Some of the detailed activities did not make sense, as in the case of trading or retail without any specification of what area of trade that particular enterprise is involved in. Some of the purposes simply could not be read. However, such cases were rare in proportion to the total number of purposes. Some enterprises were left without purposes, though the purposes of the majority of these enterprises were indicated by the names of the enterprises. For example, when the name of enterprise is X enterprises for vegetable retails or Z enterprise for fixing radios and TVs. Such indications were used to put the relevant enterprises into their appropriate categories, mainly small capital ones.

<sup>27</sup> As a matter of fact, the MIT made an effort to provide categories under which the different enterprises' purposes could come. However, these categories, which amounted to 13,000, were divided into two inventories, one for the IE and the other for the rest of the enterprises. The categories of both inventories and the purposes of the enterprises reveal an incoherent use of the two inventories, since a substantial amount of enterprises that share the same areas of activities have different categories within one or both the inventories, without any logical explanation.

mining and manufacturing sectors will be referred to under the more general heading 'industry' when it is useful to the analysis, since there is no distinction between them in some of the Jordanian national accounts. It seems appropriate to devote one sector to the real estate enterprises, since some of these enterprises are just estate agencies that deal with buying and selling lands and some others involve some construction activities without engaging in the construction itself. As was mentioned above, travel agencies are more appropriately dealt with as a sub-sector of the transportation services. They will therefore be included in the transportation sector, taking into account that the details of the travel agencies do not indicate any distinction between their specific areas of activity, such as airlines, tourism or travel services in general.

Concerning the classification of the private sector enterprises, their different purposes and activities have been reviewed and then categorized into ten different economic sectors. This classification, being based on the activities of the various enterprises, is broader than the different classifications that were used by the Jordanian official bodies,<sup>28</sup> which lack coordination among them concerning the economic sectors.

As was stated above, the different detailed activities of the different enterprises were reviewed and gathered in sub-sectors, which in their turn fall under one or the other of the above-mentioned economic sectors. It was not easy to accomplish this task, taking into account that the detailed activities of all the enterprises amounted to more than half a million, and could be categorized into more than 13 thousand economic sections. One of the main problems in including these detailed activities in specific sub-sectors was that it resulted in a big number of economic sub-sectors, since the availability of detailed activities made such a thing possible. Hence, it was essential to the purposes of this research to minimize the number of the sub-sectors to manage a better analytical account. However, this constraint was challenged by another important one, that is avoiding the tendency to over-minimize the number of sub-sectors, which could easily lead to deny separate categories for some sub-sectors of a certain relative importance. Over-minimizing and over-classifying the number of the economic sub-sectors are therefore the main

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<sup>28</sup> The most important official departments will be covered here, namely the CBJ, the Ministry of Trade and Industry and the DS. Other official departments - such as the Ministry of Labour, the Investment Promotion Bureau, etc. - have their own classifications, which vary to some or to a large extent from those of the official departments mentioned above.

constraints that are taken into consideration. The classification strategy adopted here in order to implement the application of the above constraints, is looking at the relative importance of the sub-sectors. In other words, a sub-sector is allocated a separate category when its contribution to the composition of the relevant sector is substantial.

A different experimental classification has been made to figure out the appropriate percentage above which the proportion of a sub-sector's contribution is to be considered substantial, and consequently constitutes a separate sub-sector. Candidate sub-sectors that fall below that limit will clearly be covered under other appropriate sub-sectors. Such an experimental classification was conducted according to the main constraints, i.e. avoiding over-classifying and over-minimizing the number of sub-sectors. According to this criterion, the proportion of 1.0% was deemed to be the minimum requirement to qualify sub-sectors to have their own categories. In the absence of data about the composition of an economic sector, other criteria were employed to indicate the relative importance of its sub-sectors, such as the contribution of the sub-sector to the composition of exports. Another approach is to look at the proportion of the labour force that the sub-sector possesses in comparison with other sectors. Finally, fundamental activities for the economy such as education, health, etc. were granted separate categories despite the fact that they might not meet the criteria of classification.

Due to the fact that the research stretches over more than one period, some of the sub-sectors that do not exist or whose importance is insignificant in one period may have a certain importance in another period. This reality is not just due to economic development due to which new sub-sectors emerged or their activities expanded, but it is also related to the characteristics of the Jordanian economy, which is small and has regional and international ties; these factors had certainly an impact in expanding some sub-sectors in certain periods.<sup>29</sup> Hence, the classification of the sub-sectors was designed to take into account those that had a relative importance in one period and lost it in another and those that had no significance in one period and became very important in another. Unity of the sub-sectors over the different periods of the research was in fact one of the basic criteria, in order to avoid

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<sup>29</sup> The most striking example is the impact of the Iraqi-Iranian war on the expansion of some specific sub-sectors, for example industry and transportation, mainly serving some of the needs of the Iraqi Market.

designing different sets of sub-sectors each suitable for only one period and lacking common ground, which is fundamental for comparison purposes. For example, pharmaceutical manufacturing, which was unknown in Jordan in the 50s and 60s, was introduced in the late 1960s, had little significance in the 70s, and only flourished from the mid 80s up to now, was not given a separate sub-sector. It was included in the chemical industries, which cover a wide range of other manufacturing, such as detergents production, etc.<sup>30</sup> However, the importance of pharmaceutical manufacturing within the chemical industries has been highlighted in the periods in which it was of some relative importance. In addition to reflecting all of the fundamental sub-sectors of the Jordanian economy, the sub-sector classification attempts to coincide as much as possible with both the classifications of the different Jordanian governmental and civil society entities, and those classifications used by international organizations.<sup>31</sup>

Manufacturing is the most classified sector among the others, having 25 sub-sectors. Some of the sub-sectors could have been put together, such as food manufacturing, beverage and tobacco or paper & paper production and printing & publishing, but it was thought to be more suitable to keep these sub-sectors separate, since each of them had some relative importance in the early period, when some of the other sub-sectors were still insignificant.

Although these sub-sectors are separated, their figures will be gathered together when the analysis at any point requires it. As far as the number of sub-sectors is concerned, services come second with 18 sub-sectors. Although some of the sub-sectors of the services - such as general administration and defense, social works, religious institutions and professional organizations - do not meet the classification criteria, it was important to keep them separate. Their lack of relevance in one period actually takes on particular importance by highlighting some economic areas in which the private sector does not have a significant presence and which are prevalently occupied by the public sector. Other fundamental economic activities - such as education, health and computing - were allocated separate sub-sectors regardless of their relative importance. The computing sub-sector, which

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<sup>30</sup> A different example is plastic manufacturing, which was introduced in Jordan in the late 60s and became of significance since the early 70s. This was given its own sub-sector, shared with rubber manufacturing, which started to lose its relative importance since the early 70s.

<sup>31</sup> See table 1/ Appendix (5).

had no relative importance before the 1990s, covers all the enterprises that are involved in the software industry, the computing services, or the services that make use of computers. It was difficult to eliminate the enterprises producing software and include them in a specific sub-sector under manufacturing, since the majority of these enterprises carry out more than one activity, ranging between providing a certain quality of computer printing or ready software installation to designing whole operating systems. Therefore, enterprises with such activities were classified under the computing sub-sector, which in its turn is part of the service sector.

Since the 'communications' sub-sector was included in the services rather than in the transportations and storage sector,<sup>32</sup> the latter was left with six sub-sectors, four of which cover the different types of transportations, while the remaining two cover the storage and transportation services. All the enterprises that provide travel services as mediators between the actual carrier and the consumer were included as part of the travel service. The transportation services additionally cover enterprises whose activities are exclusively designed to serve the means of transportation, such as those that provide trucks with places for relaxation or different services for the planes.

Agricultural enterprises were divided into six sub-sectors, while mining was divided into five. Concerning the latter sector, it was important to adopt such a classification in order to separate the other mining activities from the phosphate mining activity, which is the main Jordanian export since the late 1960s and covers all the enterprises that produce agricultural and animal products. Analyzing the activities of the agricultural enterprises led to classifying them into six sub-sectors, which are Agricultural Production, Hunting, Fishing, Forests and Forest Products and Agricultural Services. The electricity and water sector was straightforwardly classified into Water and Steam Production, Liquid Gas Distribution and Electricity Production and Distribution. It was impossible to distinguish between the enterprises that produce electricity and those that distribute it, taking into account that almost every distributor was taking part in the production.

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<sup>32</sup> According to the latest economic sectors classification of the CBJ and DS, communications were included in transportation. (see Central Bank of Jordan, (2000), p 5 and Department of Statistics, (1997), Statistics Yearbook, p 173).

Real estate and the finance and insurance sectors are the least classified sectors. The former includes all the enterprises in one group, there being no need to classify them into sub-sectors, while the latter was divided into two sub-sectors, one covering the insurance enterprises and the other covering the financial institutions.

The commerce and construction sub-sectors were to some extent designed differently from other sectors, since they were not classified according to the subject of activity. Instead of classifying commerce enterprises, for instance, into food, commerce, construction materials, furniture etc., they were classified according to the nature of the activities and regardless of the goods that were traded. In this perspective, the commerce sub-sectors were four: Wholesale Trade, Retail Trade, Import and Export and Trade Services. However, another classification was adopted to divide each sub-sector at large and the first two in particular into different sections, taking into consideration the main traded goods (e.g. food). The differentiation between general and partial construction was the ground on which the construction sub-sectors were designed. General construction, however, was further divided into two sub-sectors, one specialized in building constructions, the other specialized in other types of constructions such as roads, airports, factories, dams, etc.

### **3.4 OWNERSHIP FORMS OF THE ENTERPRISES**

Classification of ownership advances a better understanding of the different relations that are established between the members of a class. It exposes a micro-dimension of the class by looking at the structure of enterprise ownership. Such a structure is highly important, since it influences the relations that connect the different enterprises. Moreover, it reveals the different relations between the owners, those which are based on mere interest and those which are to some extent based on different grounds, and could be described as having an informal basis. Before reviewing the different ownership forms of enterprise, this section covers the main relations that could be erected between business partners and that can potentially determine the forms of enterprise ownership.

Relations develop objectively between the owners of an enterprise as a result of being partners in the same business, sharing the interest of its operation, success and existence. The interest that arises from the first step of establishing an

enterprise takes on different forms at the various stages that the enterprise undergoes. In this context, the most basic and fundamental relation that comes into existence with the birth of the enterprise could be termed a 'cooperation/conflict' relation. This relation fulfils the conditions of two fundamental articulated types of interest: the first covers the various aspects of the interest of the enterprise, while the second covers the interest of each individual owner. Moreover, this relation functions within the limitations that are dictated by these two kinds of interest combined with the different conditions that the market<sup>33</sup> indicates. Hence, the interest of the enterprise as a whole and the interest of each individual owner could be seen as internal factors, while the conditions of the market could represent external factors. The latter reproduce the relationship between the owners in pure forms of conflict or cooperation or in mixed form. It should be emphasized that this relationship is not of a static type, but on the contrary it is dynamic and highly influenced by the two kinds of interest and by the fluctuation of the market conditions. Hence, this relationship ranges between extreme cooperation and extreme conflict, and can turn into a mere contradiction that hampers the basic running of the enterprise. In this case, the enterprise must be shut down if a radical change in the internal organization does not take place to ensure the presence of the necessary elements of cooperation. The latter case could be manifested in the withdrawal of one or more partners or in a modification in the proportion of capital that each owner holds, leading to a new balance of power.

Clearly, the proportions in which capital is distributed among the different owners is highly important in determining the nature of the cooperation/conflict relationship, since such proportions reflect the owners' shares in the assets, income and profits, besides its legal enforcements. In this context, another type of relationship arises which goes hand in hand with the cooperation/conflict one, namely the 'power relationship'. This reflects the proportion of capital that each individual possesses, in that it is directly linked to his/her share of the capital compared to the rest of the owners' shares. A plain power relation comes into existence when one of the owners possesses more than 50% of the entire capital of the enterprise. In this case the power relation is of mere dominance, and it is imposed on the owners of the minority capital by the holder of the majority capital.

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<sup>33</sup> The conditions of the market include all external aspects that could influence the function of the enterprise: competition with other enterprises, political and economic environment, state intervention, relevant laws and regulations. See Sweezy, P (1956), *The Capitalist Development*.

Such a dominance relation is our concern, since its existence and function are undoubted and easily interpretable.

It may be suggested that the power or dominance relation is the other side of the coin of the cooperation/conflict relation, or that it is nothing more than another form of cooperation/conflict and therefore there is no need to identify two sorts of relation. This is a highly valid comment. However, the rationale behind distinguishing two sorts of relations - cooperation/conflict and power or dominance - is based on the fact that the presence of the latter, even when it is dominance, does not entirely eliminate the former. On the contrary, the existence of the former is the main engine that guarantees the other owners' interest, maintaining the existence of the enterprise. Lack of such a relation could lead the minor owners to leave the enterprise or to perform a crucial change to reinstate their interest. Moreover, the presence of capital majority holders does not necessarily mean reducing the other owners to mere bondage, especially since the existence of the enterprise is not only bound to the availability of capital, but also to other factors such as history, experience, maintenance of stability. Furthermore, the fact that one owner possesses more than 50.0% of the capital does not by any means indicate that this owner has the capability of covering the proportions of the others. In this sense, the dominance relation is a structural determinant that reflects the capacity to act that all owners are entitled to have at their disposal, and limits the scope of the cooperation/conflict relation without eliminating it. The dominance relation, moreover, has a fundamental role when cooperation is overcome by conflict or contradiction, or when exceptionally critical decisions are about to be taken.

Other aspects can have an important role in the nature of the cooperation/conflict and dominance relations, such as the sector to which the enterprise belongs to, the nature of the enterprise, its size, the complexity of its internal organization and management and the distribution of managerial tasks and the like among the owners.

Other factors which may give rise to different kinds of relations between the owners, or at least have an impact on the cooperation/conflict relation, are friendship between some owners or all of them, the nature of expertise, education, career, etc. It is essential to mention that, in the case of the absence of a capital majority holder, the cooperation/conflict relation is more influenced by other domains such as

informal relations or managerial organization. It is difficult to cover the impact of these relations on the cooperation/ conflict relation, since it would need a separate research using qualitative and quantitative data collected over a period of time to draw some conclusions and trends. Their influence can be partly deduced relying on some collected data, without however having enough evidence to abstract trends.

Kinship ties are another important factor on which relations between enterprise owners can be based, co-existing with the cooperation/conflict and power relations. It is commonplace that kinship ties are of fundamental significance in the Arab societies. They occupied a central position in traditional Arab social organization and to a large extent they still carry out a central role despite the social transformations that have taken place in the last few decades. Sharabi<sup>34</sup>, who paid a great deal of attention to the patriarchal features of the Arab family, and Barakat<sup>35</sup> emphasize that the Arab family is still the central unit of the socio-economic activities and that it exhibits a considerably cohesive character. Barakat analyses the main characteristics of the Arab family which maintains its role as the basic social institution. However, he also observes the changes that Arab societies underwent, undermining the role and influence of the Arab family, particularly the role of the state as a provider of services, a task that had previously been allocated to the family. The recent trend towards abandoning the tradition for families of three generations or more to occupy the same household is another ground on which the extended family could lose its traditional role.<sup>36</sup> However, fundamental changes in kinship ties have not been paralleled by corresponding social and economic transformations. The fact that the extended family continues to live in the same neighbourhood, 'to intermarry, to group together on kinship basis, and to expect a great deal from one another'<sup>37</sup> keeps extended ties relevant.

Jordanian society is no exception concerning the role of the family and its patriarchal character. Taking into account that the prevailing lifestyles in Jordan before the foundation of the state and during the first few decades of its existence were the Bedouin and the rural ones, it is no wonder that extended family ties should be strong. However, a dramatic change took place in Jordanian society, some of its

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<sup>34</sup> Sharabi, H. (1974), p 37-44.

<sup>35</sup> Barakat, H. (1993), *The Arab World: Society, Culture and State*, p 47.

<sup>36</sup> Barakat, H. (1993), p66-69.

<sup>37</sup> Barakat, H. (1993), p106.

main features being the growth of the urban centres, resulting from the continuous immigration from Bedouin and rural areas, the expansion of the military and civil state apparatuses, and a shift in preferences towards households occupied by nuclear families. The establishment of Israel in 1948 added unique dimensions to the development of Jordanian society compared to the other Arab societies. From 1949 up to 1967 Jordanian society enjoyed the expansion of its territory to include the West Bank, which, although its cultural and social organization was within the characteristics of the Arab societies, added diversity to the social texture of the East Bank. The Bedouin lifestyle in the West Bank was very limited and the urbanized centers were more advanced than those of the East Bank. Additionally, the West Bank was in a better condition than the East Bank in terms of some social aspects such as education and some economic activities, especially the industrial ones. The other main impact of the foundation of Israel was that the refugees, who were uprooted from their social context and dumped into Jordan, established a community with new social and economic conditions.

The process of forced migration that the refugees were subject to could at the theoretical level have diminished or at least weakened to a large extent kinship ties and the role of the family. The fact that the Palestinian exodus resulted in smashing the socio-economic conditions they had been enjoying prior to 1948 meant capitalization of all aspects of their lives by changing them into an army of proletarians. This should have brought about a decisive transformation in the structure and role of the family as well as in the role of the kinship ties. Moreover, the fact that the Palestinians left their homeland to live in exile, in different countries or in different camps of different Jordanian cities or outside the camps, led to the absence of that vital objective condition for the existence of strong kinship ties: is an integrated geographical location, let alone an integrated neighbourhood.

These changes, which were technically supposed to revolutionize the role of the family and of the extended ties favouring the development of a society based on individual interests and on citizenship bonds between individuals, failed to do so. Clearly, these social developments did to a certain extent undermine the role of extended family ties in some specific areas of the Jordanian socio-economic sphere, but in other areas they remained dominant. Lifestyle is a fundamental factor in determining the strength of family ties: while in rural and Bedouin areas such ties are still very influential, in the urban centers they are far less effective. Another ground

on which different types of kinship bonds can be distinguished is the country of origin.

The factors suggested by Barakat to show that the role of the Arab family was still central fully apply to the Jordanian case. However, the role of the state was not a viable factor in revolutionizing the social system. This is due to the fact that the Jordanian state, while taking responsibility for some of the tasks that the family traditionally used to take care of, actually reinforced the traditional patterns. The juridical and legal framework of the social organization was based on the fusion of modern and tribal laws. Because of the political challenges that the regime faced from the early 1950s, it had to rely on traditional social institutions, one of which was the tribe (*Qabillah*) or the clan (*'Ashiirah*), and to recognize the sheikhdom as a channel of political mobilization. Up to now, *Shuyuukh al-'Ashaa'r*, which is the term referring to the sheikhs of Tribes, is one of the categories that the regime recognizes as the social and political elite of the country.<sup>38</sup> Moreover, one of the permanent advisers of the king is that known as the 'Secretary for the Tribes' Affairs'.

In the last decade, Jordan underwent a process of political opening. In spite of this, the 1992 election law known as 'one person one vote'<sup>39</sup>, according to which two parliaments were elected, reinforced the role of the tribe and its components. Hamarneh argues that the election law undermined civil society organizations in favor of the tribes, which underwent a process of institutionalization with the formation of tribal councils. It is important to mention that these councils in their turn reinforced the role of the nuclear family (NF) and its patriarchal characteristics, though the organization and the efficiency of the councils exhibited modern aspects.

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<sup>38</sup> For instance, during the official celebrations for national or religious occasions, the political leaders are invited to the royal palace, including tribal leaders besides ministers and former ministers, members of parliament and former members of parliament, etc. The same thing takes place when the activities are organized by the Prime Minister. The relations between the center and the provinces are also carried out by governors and local councils. It is common practice that the regime emphasizes the support of the tribes, when it is taking a crucial political decision. In 1983, for example, the dispute that took place between the government and some of the members of Beni Hassan tribe concerning the some of the tribal members' land was escalated to be a valiant confrontation between the government and the tribe as whole. In consequence, ironically, The Beni Hassan Youth was formed as a civil society organization confined by the tribal perception.

<sup>39</sup> According to this law, Jordan was divided into 20 electoral constituencies to elect 80 parliament members. Each of these constituencies had at least two members to elect, although the voters cannot vote for more than one candidate. According to the previous election law, on the contrary, the voters had the right to vote for as many candidates as indicated by the share that their constituency had in the parliament seats. This change in the law shifted the power in the interest of the tribes that have a substantial number of members, whose vote could be crucial in deciding which candidate should win.

What is at stake here is an examination of the role of kinship ties, which had much to do with some social and political aspects of Jordan, in the private sector activities at large and in the bourgeoisie in particular. The role of the kinship ties in the bourgeoisie could hamper consolidation, or at least make it harder to attain it. Such a conclusion can also provide scholars who purport the lack of social classes or their minimal role in the Jordanian society with concrete evidence. This study assumes that the kinship ties could establish other conditions according to which a new sort of power relation comes into existence, together with the power relations that are dictated by the distribution of capital among the owners. In other words, a sort of vertical power relation, based on family ties, exists within the limitations of the sphere that is established by the horizontal relations based on the capital of the enterprise and its distribution among the owners. Although the vertical relations should be determined within the limitations of the horizontal relations – i.e. cooperation/conflict and power relationship - they have an impact on the latter by establishing another kind of power relation based on the synthesis of two primary realities, i.e. the proportion of capital that members of the same family hold together and the family ties that bring them together.

Before giving a definition of the different types of family ties and of their relevance in characterizing ownership, it is important to clarify in what sense the terms 'family' and 'NF' are used. From a sociological point of view, a NF is composed only of one or two parents and of their dependent child or children, who certainly share a single household. In theory, however, the concept of NF should vary depending on the period of time and the society that are under study. That is, the concept is changeable, taking into account the transformations that family structure and family ties can undergo. Similarly, the concept of extended family can be regarded as unfixed and subject to transformation depending on certain variables. The extended family, however, could be defined as encompassing more than two generations. Obviously, the presence of a common household is an important element in defining this type of family, too.

Nevertheless, for the purposes of this research, which examines the impact of family ties on private sector activities and on the bourgeois class, the household is not an important element in defining the family, and will therefore be dropped from any definition. Hence, this research uses the term 'nuclear family' (NF) referring to the following ties:

### I-parent(s)/child(ren). II-siblings. III- Grandparent(s)/ Grandchild(ren)

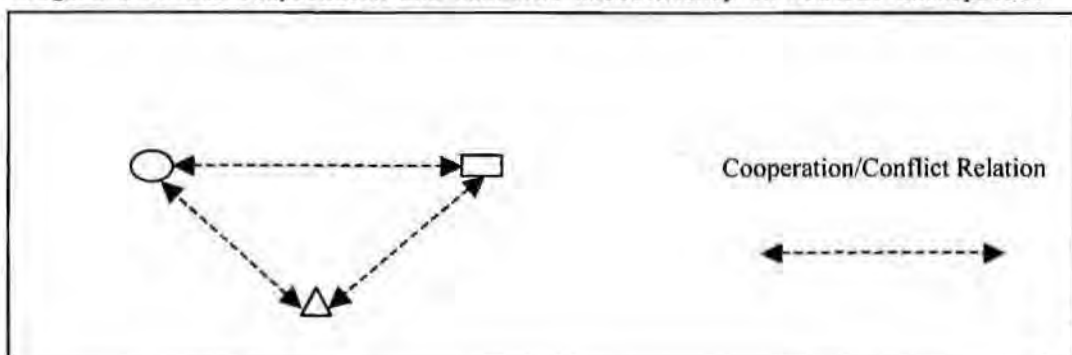
According to our definition, the term 'nuclear family' (NF) designates a larger unit than that of the classical definition, which is largely influenced by the cultural and social development that western society experienced in the last two centuries. Moreover, our concept as characterized above can be more appropriate, taking into account that the focus of the research is on private enterprises, as well as the fact that family bonds (grandparent-parent-child and sibling) are still of significant relevance in Middle Eastern societies at large and in Jordan in particular.

Turning to the 'family/tribe' category, this is a loose term that does not refer just to the extended family but to any member of the family/tribe. In the course of the analysis, a distinction will be made between the members who belong to the family/tribe at large and those who are from one specific part of the family/tribe, characterized by first cousin ties.

Based on the above considerations, this study defines four ownership forms of enterprise that were used by the BMs in conducting their investments:

**Neutral Control enterprises:** this type comprises all enterprises whose ownership characteristics do not qualify in the categories coming below. In other words, the distribution of capital among the owners does not imply specific features of importance to the analysis of the enterprises in general. Hence, the dominant relationship ties the owners to each other, and, according to what has been argued above, it is a cooperation/conflict relationship. In this type of enterprise the share of capital that each of the owners holds is undoubtedly important, since it establishes a power relationship determining the nature and the scope of the cooperation/conflict relationship. However, this factor cannot be determinant in establishing a dominance relationship, because all shares are under the 50.0% threshold. It is beyond the scope of this research to provide a power scale corresponding to the proportion of capital when the latter is below 50.0%.

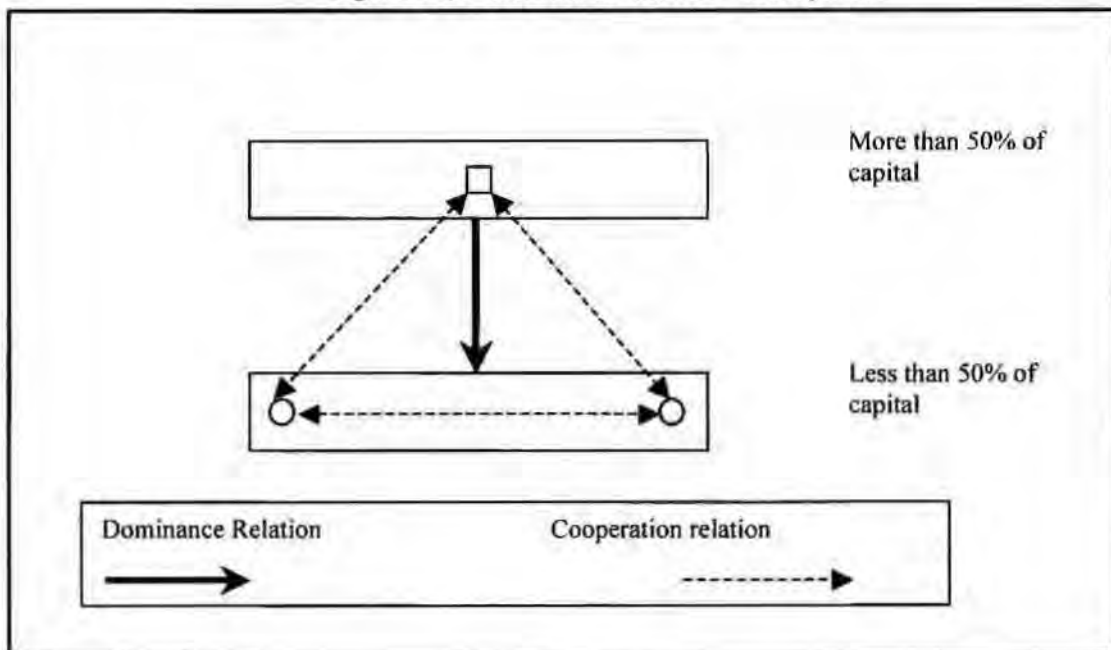
Figure 3-1: The Cooperation and Conflict Relationship in Neutral Enterprises



**Individual Control enterprises:** this category covers all enterprises that fall under the control of one individual whose possession of capital or shares legally allows him/her to act independently from the other owners or shareholders. This situation is potentially achievable when an owner possesses more than 50.0% of the shares of the capital of a specific enterprise. Two types of relations can be highlighted here, of which one is the cooperation/conflict relation that ties the owners to each other as was explained above. The second type is the one that is imposed by the owner who possesses more than 50% of the capital on the rest of the owners, who are left with a minority of the capital. There is a positive correlation between the increase of the majority capital holder's proportion and the strength and effectiveness of his/her dominance over the rest of the owners. Hence, the cooperation/conflict relation between the rest of the owners and the majority proportion holder will become weaker, the closer the latter's majority is to 100%, until it is reduced to mere influence rather than partnership.

In this sense, every IE is included in this category. The rationale behind not specifying a separate category for the IEs is the similarity of power relationship that the ownership relationship establishes.

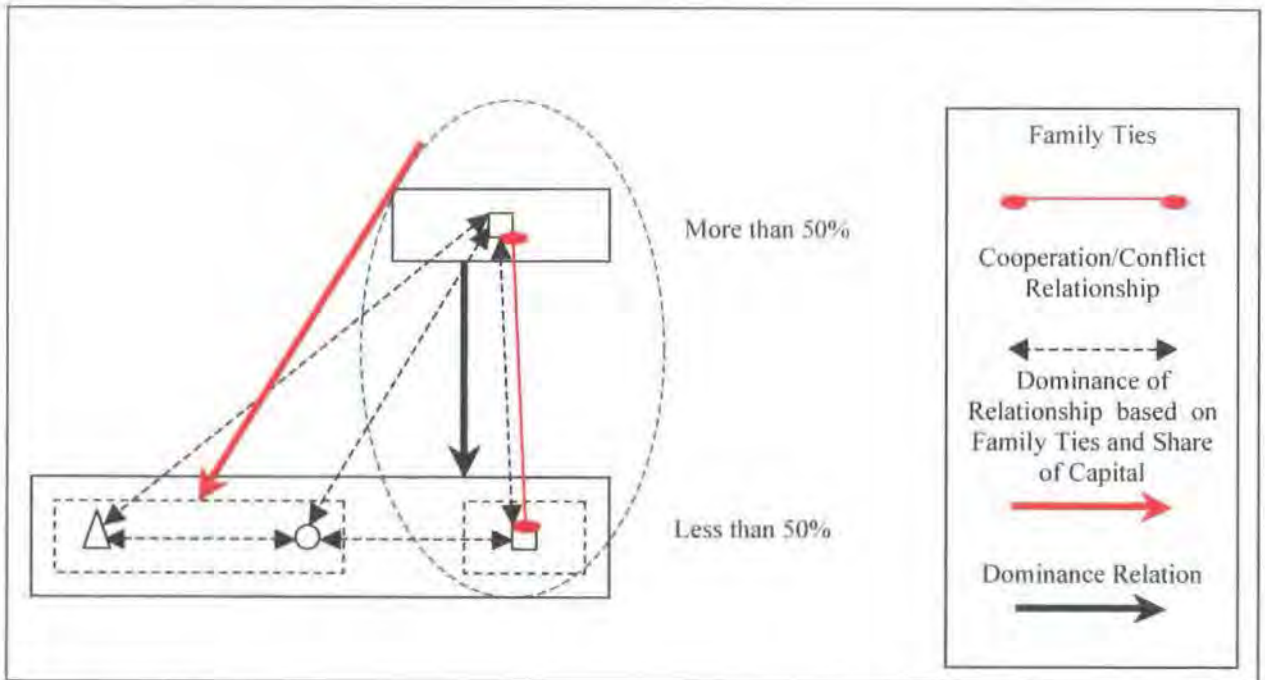
Figure 3-2: Individual Control Enterprises



**Corporate body Control enterprises:** In this category, a corporate body possesses more than 50.0% of the equity of an enterprise. The relations between the corporate body and the remaining partners is as that of the individual control. This body can be another enterprise, the government, a governmental or semi-governmental agency, a charity organization or a religious institution. In this type of enterprise, the institution holds more than 50% of capital, developing the same patterns of relations that appear in the Individual Control enterprise.

**Individual Control combined with Family Support enterprises:** the term 'individual control' is used here because this kind of enterprise includes an individual owner whose proportion of capital exceeds 50.0%, implying the same relations that appear in the Individual Control enterprises. What differentiates this category is the fact that the owner who possesses more than 50.0% of the capital has extra support based on kinship ties, and therefore more room for maneuver. In accordance with kinship ties, another relationship of dominance is imposed by the family alliance on the rest of the owners. This situation has two important sides to it: firstly, the holder of the majority of the capital possesses another base that strengthens the relationship of dominance, which is in existence by virtue of his/her proportion of capital. This new balance of power limits the scope and the effectiveness of the cooperation/conflict relation, since the kinship alliance weakens the position of the rest of the owners, who are outside the family. The second implication is that the family ties entitle a minority capital holder to a relationship of dominance that is based on an alliance with the majority holder, who is from the same family. Therefore, two dominant relations are characterized here, one objectively arising from individual control over the rest of the owners, including the owner(s) who are from the same family, the other being imposed on the basis of family ties and serving the majority holder and his/her family members, even if their shares represent just a minority.

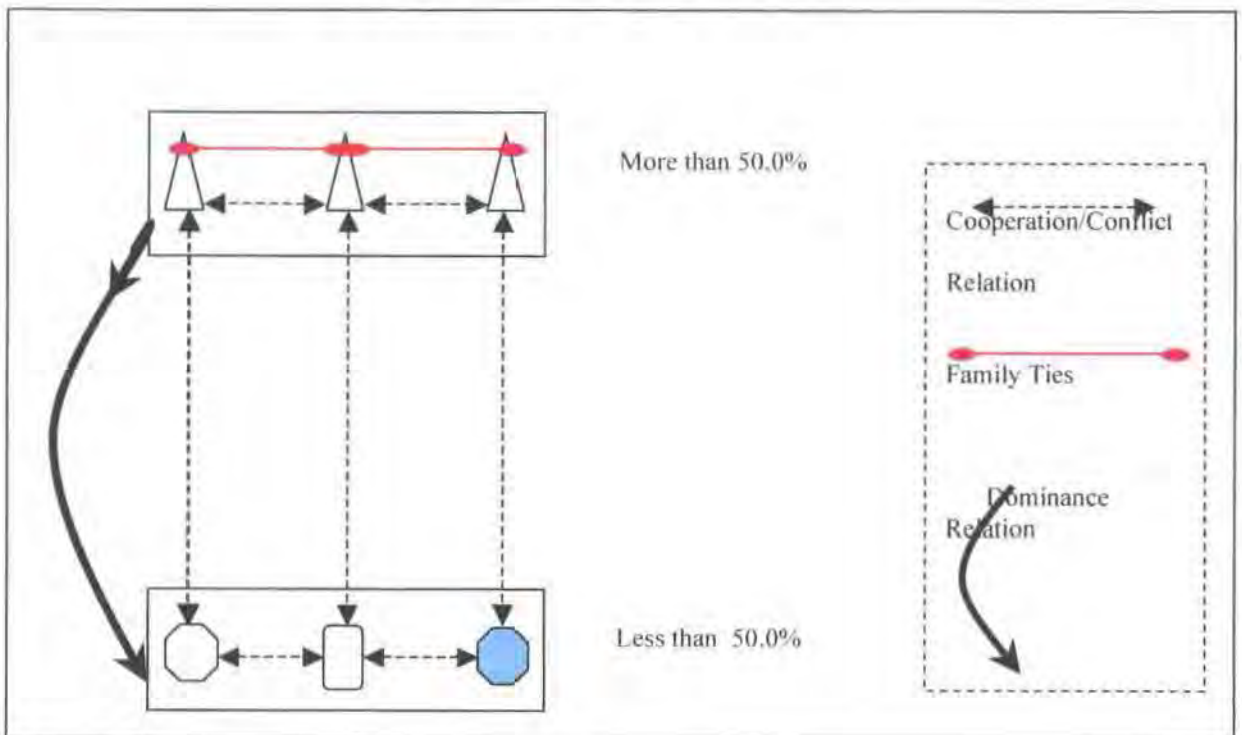
Figure 3-3: Individual Control and Family Support Enterprise



**Nuclear Family (NF) Control enterprises:** this category refers to the members of a given NF, according to the definition that was given above, who possess together between 50% and 90% of the capital or shares of the enterprise. Apart from the virtual cooperation/conflict relations that connect the different owners to each other, there is a kinship relationship exclusively binding the owners who are from the same NF. The latter type of relationship functions within the structural determination of the former one. Since the owners with family ties possess more than 50% of the capital, however, the kinship relationship shapes the organization of the enterprise into two domains. In this perspective, family ties establish a block of interest based on the majority of the capital and shaped by external relations. The rationale behind specifying 90% of the capital rather than 100% as the maximum share of the family is to draw the line between Family Control and NF enterprises, under the assumption that a proportion of less than 90% of the capital could establish the possibility of reshuffling the alliance between the different owners. If the family members' proportion is above the 90% line, it becomes very difficult in

practical terms to form an alliance between a family member owner and other owners that supersedes the family ties and engages the rest of the family members, outside the alliance, in a relationship of dominance. Clearly, this situation is still possible unless the family joint capital is 100%, but it is much less likely if capital is above 90%. On the contrary, when the proportion of one family decreases, there is a stronger possibility for a family member to desert the family camp and establish an alliance based merely on the cooperation/conflict relationship.

Figure 3-4: Nuclear Family Enterprise



**Extended Family Control enterprise:** This type of enterprise appears when partners from the same extended family hold more than 50.0% of a given enterprise. The same relationships that were put forward in the NF Control enterprise are applicable, but the form of the kinship ties between the partners has less influence compared to those of the NF.

### 3.1.5 VARIATION AND FRACTIONS WITHIN THE BOURGEOISIE

The fact that the BMs belong to the same social class, bound together by control over the means of production and appropriation of the surplus-value, does not imply the absence of differences among them. Apart from all sorts of variation that individuality brings about, which is not the concern here, there are several elements inherent in the bourgeoisie as a class which establish a differentiation among its members. Based on the available data, this section deals with what this study believes to be grounds that lead to such a differentiation.

#### 3.4.1.1 Sectoral Fractions

In the previous section, it was asserted that the structure of the bourgeoisie can be looked at in terms of sectors. Economic sectors are not only useful tools of analysis when examining the investment strategies of the BMs, but they can be useful in terms of looking at their determination of class at the structural level as well as at the level of 'class in practice'. In accordance with the theoretical framework, class can be divided according to qualitative measures. In *'Capital'* and other works, Marx dealt with the bourgeoisie in terms of its sectoral fractions, such as the industrial, commercial, financial,...etc. Some of the scholars who dealt with Third World or Middle Eastern countries looked at the bourgeoisie in the form of divisions such as commercial, comprador, industrial, national<sup>40</sup>, agrarian...etc.

The shortcoming of these classifications is that they do not make clear cut distinctions between the fractions. Based on empirical research on the bourgeoisie in Jordan and their economic activities according to the field, it was almost impossible to claim that some enterprises that are involved in a certain type of manufacturing are not commercial at the same time. Some enterprises that are active in importing some specific products and only packaging them before they start selling them directly to consumers are considered to be manufacturing enterprises

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<sup>40</sup> The national and comprador fractions were widely referred to. However, their definitions were loose and changeable from one study to another. The former seems to refer to the industrial bourgeoisie, while the latter is sub-sector within commerce mainly active in imports. Such a division,

compared to others that import and sell a product without alteration. For instance, the first would be classified as an industrial bourgeoisie, while the second would be considered as comprador or commercial. The above classifications also turn a blind eye on the bourgeoisie that are involved in services, banking or transportation.

This study, thus, argues that classifying the bourgeoisie can be clearer and more rewarding if seen in terms of sector. The economic sectors in which the BMs are involved constitute another ground for the formation of cleavages within their class, by distinguishing not only their areas of activity, but even the interest and goals that each sector of the bourgeoisie pursue. It was also observed that the members of the bourgeoisie are not only involved in just one sector, but some of them are involved in more than one sector. Analyzing the figures of the BMs and their equities reveals that it was not a limited phenomenon, but it constituted a pillar within the bourgeoisie structure. In this sense, as much as any group within a sector is distinct by virtue of its belonging to a specific sector, the multi-sector BMs are a distinctive group by virtue of their non-belonging to any of the economic sector exclusively. In fact, finance capital as a concept that refers to a fraction within the bourgeoisie, and which was put forward in chapter 1, is equivalent to the multi-sector BMs used here. In the use of the concept of finance capital as a fraction within the bourgeoisie, this study does not use its associated concept of imperialism.

#### **3.4.1.2 Economic Power**

Certainly, the assets that the BMs control, and which distinguish their capacity to act within the economic system of Jordan from that of the other classes, is a ground on which the BMs differ among themselves. The degree of control of the means of production and of appropriation of the surplus-value is not an even parameter providing each BM with the same capacity. A break-down of the different profiles of the BMs becomes necessary in order to obtain a better understanding of the bourgeoisie's structure, composition and formation. Based on the available data collected about the BMs, the subsection advances a concept according to which the

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seems to be rooted around at the time that some of the third world countries took steps towards industrialization through ISI method or any other.

capacity of each BM to act can be quantified, i.e. *economic power*. This is a concept that was coined for the purpose of this study, based on a formula that transforms the available data about the BMs into an index, which in its turn reflects each BM's assets, and consequently his/her capacity to act. Each BM's economic power is calculated as the sum of five power parameters. These five power parameters, which are reviewed below, are based on three areas. This study claims that each of these areas influences the BMs' capacity to act.

#### 3.4.1.2.1 Power A

The first ground on which these members are differentiated is the size of their equities. The size of the equities of each BM varies, and in some cases there is a large gap between those members who possessed an outstanding amount of equities and those who were within the average range, or who only owned a moderate amount of equities.<sup>41</sup> As this study argued above, the volume of equities or shares can be taken to correspond to the control of the means of production, so that the totality of equities that the BMs owned corresponds to the totality of the means of production that lay under their control. Hence, establishing what part of the total equities each member possessed is of vital importance, reflecting a discrepancy in the BMs' economic power and consequently a differentiation in the capacity of these members to act. On this premise, the study advances the first power parameter; Power A. Power A is calculated according to the percentage that each BM possessed with respect to the totality of the BMs' equities, multiplied by 3. The rationale for multiplying the percentage of each BM's equities by 3 is due firstly to the fact that this percentage was generally small, and even trivial for many BMs.<sup>42</sup> Secondly, the percentage that each BM had is the most direct and accurate measure available to differentiate the BMs according to their equities.

$$\text{Power A} = 3 * [(\text{BM share} / \text{Total Bourgeoisie's equities})\%]$$

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<sup>41</sup> As a matter of fact, the mechanisms that were used in extracting the BMs from the domain of the private sector participants, which was meant to go carefully through all of the private sector participants in order to minimize any possibility of missing some members who could be considered BM, might be one of the reasons for the occurrence of a large difference between some members and some others.

<sup>42</sup> See chapter 5 and 7 for more details about the distribution of the equities among the BMs.

#### 3.4.1.2.2 Power B

If Power A takes into consideration the proportion of each BM's equities to the total equities of the bourgeoisie, Power B is another economic power parameter that still concentrates on the percentage of equities that each BM possessed, but this time with regard to the total equities of the enterprise(s) where that BM's investment was. This study argues that the BMs were differentiated in their assets and capacity to act not only according to the percentage of their equities to the total equities of the bourgeoisie, but also to what extent their equities made up the total equities of the enterprise in which they had equities. In other words, the percentage of the equities held by a given BM to the total capital of the enterprise where these equities were is a determining factor in the degree of control that that BM had concerning the whole range of decisions affecting the way in which the enterprise functioned. This was reflected in the form of the cooperation/conflict relations that existed among the partners in a given enterprise, as was argued in the section about the forms of enterprise ownership. Hence, within a certain enterprise, the proportion of the total equities that each partner possessed governed the degree of power and control that each partner had in deciding on all matters regarding the management of the enterprise. This study argues that the level of control assumed by BMs in their enterprise as a result of the percentage of their equities to the total equities of the enterprise influenced their capacity to act not only at the micro-level (the enterprise level), but even at the macro-level (the bourgeoisie in general). When the BMs are compared to each other, the degree of control and power within the domain of the enterprise results in a variation of economic power. A straightforward example is the discrepancy between the economic power that a BM assumed in an enterprise where his/her percentage of equities was above 50.0%, and that of another BM, whose percentage of another enterprise's equities was below 50.0%. The cooperation/ conflict relations that governed the partnership were of a dominant form in the first case, while they were not in the second. This simply leads to the conclusion that the BM in the first scenario could wield power in the enterprise in which he/she was dominant, having a greater capacity to act than the member in the second case had within his/her enterprise. Clearly, the comparison could be inadequate, since the BM whose percentage of equities in his/her enterprise was bigger did not necessarily possess a larger amount of equities than the other BM in

absolute terms. On the contrary, it is possible to come across BMs whose percentage of their enterprises' equities was lower than others, but who nevertheless possessed large amounts of equities in comparison to others. Such a factor could lead to overweighing those BMs who had larger percentages despite their small absolute amount of equities. This problem, however, is obviated by virtue of the fact that the Power B parameter is combined with Power A, which tackles the percentage of each BM's equities to the totality of the bourgeoisie.

In this context, Power B is to measure the degree of the economic power that each BM assumed as a result of the percentage of his/her equities to the total equities of the enterprise in which his/her investments were. The formula to calculate power B for each BM was based entirely on what percentage he/she had in the enterprise, multiplied by 1.5.<sup>43</sup> The rationale behind choosing 1.5, which is half of the points given to power A, is to give the latter the upper hand in determining the scale of power. 1.5 was also a satisfactory factor in order to reduce the power score that some BMs gained due to their ownership of individual enterprises, which were one of the most frequent enterprise types in this period.

$$\text{Power B} = \text{Sum } (1.5 * ([\text{BM equities} / \text{equities of the enterprise}] / 100))$$

#### 3.4.1.2.3 Power C

A thorough review of the BMs over the two periods of this study, shows that the great majority of the BMs in a certain period are equity-holders in one enterprise. However, the analyses in chapter 5 and 7 will show that there is a significant proportion of BMs whose investments spread over more than one enterprise. It will also be seen that the latter had a substantial proportion of the total BMs' equities. In addition to the conclusion that there is an uneven distribution of the BMs' equities in favor of the multi-enterprise BMs, these results also question the outcomes that result from the variation between the one-enterprise BMs and the multi-enterprise BMs. Apart from the likely immediate variation in equity size, which in its turn differentiated the capacity of members to act, there were BMs whose ownership of the means of production was not confined to the means of production of one enterprise, but rather extended to all of those enterprises in which he/she owned equities. This resulted in those BMs controlling assets which were quantitatively and

qualitatively better than what the means of production of one enterprise could provide. Consequently, the surplus value that was obtained by multi-enterprise BMs was more diversified in its sources than that of one-enterprise BMs. Therefore, this study argues that the risk that is taken by a BM whose investments are in more than one enterprise is less than that of a BM whose investments are concentrated in one enterprise. Finally, this study argues that those BMs whose equities were in one enterprise were likely to be self-employed; in contrast, the separation between multi-enterprise BMs and the direct function of some of their investments was inevitable. This distinction is important, since the separation between BMs and direct involvement in production confirms that these members are fit to be considered as BMs. On the contrary, those members who were self-employed and got involved in the different stages of production could be mistaken for petty bourgeoisie members.

Based on what was said above, this study advances another parameter that can differentiate between the economic power of the BMs according to the number of enterprises in which their investments were. In the course of constructing the formula of Power C, it was important to distinguish between the BMs who invested in one enterprise and those who had investments in more than one. The rationale behind such a division is the fact that every BM had investments in one enterprise by virtue of being a BM, otherwise they would not be considered a BM in the first place. Therefore, Power C assigned 0.1 points to each BM whose investments were confined to one enterprise. On the other hand, a BM whose investments were in more than one enterprise was assigned 0.1 points for the first enterprise and 0.4 multiplied by the number of enterprises minus 1. In this way, a given BM gets 0.1 points for the first enterprise (like those BMs whose investments are in only one enterprise) and  $0.4 \times \text{number}$  the rest of enterprises.

$$\text{Power C of a certain BM} = 0.1 + (0.4 \times (n - 1))$$

Where n is the number of enterprises

#### 3.4.1.2.4 Power D

This study argues that Power D is another economic power parameter that takes into consideration the variation in the number of economic sectors in which each BM is involved. Power D is a parameter that is calculated according to the

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<sup>43</sup> As a matter of fact, it would be possible to advance a formula that can differentiate the

number of economic sectors by assigning certain points to each BM for each sector in which he/she has investments. The formula was built on the basis that each BM has to be involved in at least one economic sector, and ten at most, as a prerequisite to be considered a BM. The formula was designed to square the number of the sectors that a BM was involved in, divided by ten, i.e. the ultimate number of sectors any BM could have investments in. In this context, the distribution of the power D points stands in correlative relation to the number of sectors, and the scale of power ranges between 1 for one sector and 10 points for ten sectors.

$$\text{Power D of a given BM} = (n)^2/10$$

n is the number of the economic sectors, ranging between 1 and 10

#### 3.4.1.2.5 Power E

This power parameter is like the previous one in that it deals with differentiation among the BMs based on the fact that their investments belong to an unequal number of economic sectors. The previous parameter, however, gives an equal score for the BMs whose investments are spread over an equal number of sectors without paying any attention to the variation in the volume of their possessions in each economic sector. Hence, the purpose of this parameter is to take into consideration the equities that each BM possesses in each economic sector in which it is involved. The basis of the formula of this parameter is the percentage that each BM possesses in a specific sector to the total BMs' equities in that sector.

$$\text{Power E} = \text{Sum } (0.3 * ([\text{BM equities} / \text{equities of a sector}] / 100))$$

#### 3.4.1.2.6 The Economic Power (Power I)

The economic power 'Power I' is the sum of the points that each BM scores in each of the power parameters covered above.

$$\text{Power I of BM} = \text{BM} [\text{Power A} + \text{Power B} + \text{Power C} + \text{Power D} + \text{Power E}]$$

#### 3.4.1.2.7 Nuclear Family Power

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score of power based first on the percentage.

In the section concerning the forms of enterprise ownership, the importance of kinship ties in the social, cultural and political context of Jordan was asserted, to the extent that one of the purposes of this study is to examine if these ties have any role in the private sector or in the bourgeoisie's strategies in running their businesses. Throughout the analysis of the private sector and of the bourgeoisie in chapters 4-7, it will be observed that the BMs invested and carried out their businesses along the lines of NF ties, since there was a tendency towards having NF enterprises. This study argues that it is rewarding to analyze the BMs in terms of NFs. Such an aim can be achieved under the assumption that the NF became a structure at the BMs' disposal to use as a device or block to carry out their investments. In fact, the concept of NF enterprise was put forward to analyze the role of the NF ties among some BMs in establishing and running a certain business. In other words, to assess the importance and impact of the NF ties between BMs at the level of the firm, i.e. at the micro-level. The aim here is to look at the macro-level, i.e. at the bourgeoisie as a whole, in order to find out to which extent NF ties can be a ground on which the bourgeoisie can be subdivided.

In this sense, NF ties are not a structure constructed to serve the interest of some BMs, nor its contingent existence, but it is a social construct existing independently and could be used to serve the interest of the members who belong to one NF. Hence, one could argue that there are two forms of relationship that support and maintain such a structure, one of which is the bourgeoisie interests of the members and the other one is the family ties themselves. Clearly, contradiction between the two forms of relationship is possible and could develop into a conflict that would have an adverse impact on the bourgeois interest, which is the concern of this study.

From the outset, two different groups can be distinguished here, the first made up of the BMs with NF ties, the second of the BMs with no NF ties. The discrepancy between the two groups arises from the fact that the sum of the ownership of the members of a given NF in the first group gives each member a higher capacity to act compared to other members of the second group whose NF relatives do not appear in the BMs' domain.

In this context, NF power is an economic power parameter that measures the sum of power of the members whose NF relatives are present in the BMs' domain.

$$\text{NF Power} = \text{Sum Power BM1} + \text{Power BM2}, \dots + \text{Power BMn}$$

n is the number of a given BM's NF members

#### 3.4.1.2.8 Power II

The previous NF power made a distinction between those members who had NF relatives within the BM domain and those who did not. It also shows that there are differentiations between the economic power of the different NFs. Here the focus shifts to the impact that NF ties have on individual BMs.

Based on the above considerations and on the general understanding of the importance of NF ties either within the domain of the BMs at the micro-level (NF enterprises) or within Jordanian society at large, this study argues that any BM whose NF relatives were also BMs had more power and capacity to act than a BM who had none. In a nutshell, the economic power and capacity to act of a BM with NF relatives in the bourgeoisie are not only generated from his/her own assets, but also from the economic power of the relatives.

### 3.1.6 THE HISTORICAL FRACTION OF THE BOURGEOISIE

Despite the fact that analyzing the bourgeoisie during a certain period confines the analysis within the time limitation of that period, it is still important to look at the historical background of the bourgeoisie under study. This implies categorizing the bourgeoisie into fractions based on specific criteria not related to economic sectors or fields of activities nor to political positions, but rather rooted in the historical development of the bourgeoisie. In fact, fractioning the bourgeoisie in this fashion is based on the fact that the paths that the bourgeoisie took in its formation established a ground according to which cleavages within the bourgeoisie appeared. However, the purpose is to examine to what extent this ground is sound in influencing the economic activities, political position or interest of these fractions. Based on what was said before, this study also examines the question of whether the existence of these fractions resulted in a tendency for the members of each fraction to cluster and distinguish themselves from the members of the other fractions.

Since this study covers a portion of time between 1967 and 1989 divided into two periods, the fractions that are used in the first period are different from those from the second. Based on the social and economic historical context of the country pre-1967, the bourgeoisie of the first period seems to be a continuation of that of 1950-1967, excluding those BMs who were located in the West Bank and had stayed there despite the occupation. Pursuing a categorization of the bourgeoisie fractions of 1967-1973 means going back to the pre-1948 war and to the unification between the West and East Banks, advancing three fractions: the pre-1948 Jordan fraction, the pre 1948 Palestine Fraction and the newcomers (1950-1973). Despite the use of the term 'bourgeoisie' when referring to the first two fractions, this study does not claim that they were bourgeois classes formed in pre-1948 Palestine and Jordan. With regard to pre-1948 Jordan,<sup>44</sup> it was stressed in chapter 2 that it is possible to say that a commercial bourgeoisie was in the process of formation in the 1940s, stemming out from the merchants' class of the late 19<sup>th</sup> and the first half of the 20<sup>th</sup> century. Factors such as the gradual spread of capitalist relations throughout the mandate era, the establishment of a polity, better levels of security, an inflow of liquidity and the application of the British economic policy for the Middle East in Jordan, which revolutionized some of the merchants' activities, were factors that can explain the process of transformation of some merchants or private sector participants into the developing bourgeoisie. This study which prefers not to commit itself to any argument concerning branding these groups neither in Jordan nor in Palestine calls the pre-1948 fractions 'bourgeoisie' in relation to their status in the first period of this study. In this respect, the social and economic status of these two fractions in the pre-1948 period is that of members of a certain economic power. Hence, one can claim that there were three fractions in the first period according to the historical background. The first is the pre-1948 Jordan bourgeoisie, referring to BMs in the first period who came from members of a certain economic power dated from before 1948. The second group is the pre-1948 Palestine, referring to members who came from active economic circles in Palestine before the establishment of Israel. The third is made up of the newcomers, who are the members who joined the BMs of the first period over the years 1950-1973. This

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<sup>44</sup> It is outside the scope of this study to follow the social economic historical context of Palestine before 1948. However, it is still debatable the class system in that period. See for example al-sharif, M. (1979).

study, categorizing these three fractions,<sup>45</sup> does not claim that accuracy runs throughout every record; it is possible that it placed some members who were from the pre-1948 period (especially pre-1948 Palestine) among the newcomers.

Concerning the second period (1974-1989), the fractions changed into two main fractions. First, the traditional bourgeoisie, which contained all of the BMs who were BMs in the first period and was composed by the above mentioned three fractions. The second one includes the newcomers who joined the BMs during the period 1974-1989. These are called the 'newcomers2'.

### **3.5 VERTICAL DIMENSIONS AND THE BOURGEOISIE ANALYSIS**

It was mentioned in the introduction that the tradition, that ignored class analysis in Middle Eastern studies based its arguments on the fact that the vertical dimensions such as religion, ethnicity and tribalism are the key factors in understanding the social structure and change in the Middle Eastern societies. It also claimed that power relations in Middle Eastern societies stem from these vertical dimensions and revolve around them. The role of the tribe, religion, ethnicity, ...etc, in the formation of Middle Eastern society at one hand and their role in social, economic and political change on the other hand were the subject for many studies. Moreover, these dimensions were looked upon, analyzed and put forward as factors that hinder the formation of socio-economic groups or play down their role in the Middle Eastern societies. In the theoretical chapter, in the course of providing a class concept of operative quality, it was stressed that not only the relations that stemmed from the class structure, but also relations rooted in other spheres could have a determining impact on the outcome of class formation and activities.

Along the line of the introduction, this study does not aim to assess the importance of the vertical dimensions versus the class stratification in Jordan. However, it examines to what extent these vertical dimensions had an impact on the composition of the bourgeoisie, assuming that the larger role that these dimensions

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<sup>45</sup> The classification of the based on the record of the MIT, records of the Amman chamber of commerce.

had on the bourgeoisie structure and composition, is the less that this class was united and the less its potential for solidarity. In other words, the unity of the bourgeoisie does not only correspond to the economic interest that fractions it into different sub-groups, but its very unity is threatened by other factors that are not related to the location of class in the production process. Therefore the class composition is to be studied along the line of these vertical dimensions.

There are some important vertical dimensions that this study considered as dimensions that have a role in the social formation of Jordanian society. These dimensions cannot be put under one umbrella such as political, social, identity, ...etc. Some of these dimensions cannot be in their roots and function and sustaining bind in one sphere. They function or/and articulate and sustain themselves. Different dimensions are considered in the course of analyzing the bourgeoisie:

**Tribalism:** the role of tribe in Middle Eastern societies including Jordan has been subject to a considerable amount of research. Despite the fact that the role of the tribe is recognized in certain social and political activities as well as a possible facilitator of relations between at local communities and the state, there is a lack of studies that assess the role of the tribe in comparison with other social, economic and political institutions. In the previous sections concerning the forms of ownership, the extended family form of ownership was put forward as a possible approach to examine the role of the tribe in the composition of the bourgeoisie and its strategies.

**Ethnicity:** the ethnic structure of the Jordanian society is overwhelmingly Arab. Two main ethnic groups are distinguished numberwise along the Arab population; Circassian and Chechens. The establishment of the settlements of these two groups in the area of Jordan begun in the late 19<sup>th</sup> century for political and security considerations within the Ottoman Empire.<sup>46</sup> These two communities had a role in the political life of the area of Jordan during Ottoman rule and since the establishment of the state. Despite the fact that these two communities consider themselves as Jordanian they kept important aspects of their identity, such as language and other important customs.<sup>47</sup> In addition to their big population in

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<sup>46</sup> See chapter 2.

<sup>47</sup> There different NGOs that are established solely to serve these two communities and to sustain a social context for them. For instance Al-Halii Club which is sport club in addition to be social venue for mainly for the Circassian community. Its regulations towards admitting members outside the

comparison to the other ethnic groups, there was recognition of these groups by the political system as a quota of seats in the parliament was reserved exclusively for the representatives of the two communities. Other ethnic minorities to be considered here are the Armenians and Kurds. These communities are of a small number, however, they largely kept their languages and a sort of political and identity affiliation with their larger communities in the Middle East.<sup>48</sup> These ethnic communities are considered in the analysis of the bourgeoisie as part of the vertical dimensions.

Religion: two main religious groups that could be taken into consideration due to the number of their members: Christian and Muslims. The Muslims make up the majority of the population and the Christians are the main minority in the country.<sup>49</sup> Other religions exist in Jordan; however, on a nominal basis to the extent that some of which are not noticeable by the mass of the population of Jordan.<sup>50</sup> The bourgeoisie members are to be studied in terms of their religion and trends within the bourgeoisie activities, if found, are to be subject to analysis.

Country of origin<sup>51</sup>: country of origin is a term used by the Jordanian citizens to refer to their original country that themselves or usually their ancestors came from. In this sense, holding the Jordanian nationality or/and the place of birth are irrelevant factors to categorize someone's country of origin. It is a commonplace in the Jordanian society that a certain community or segment of population or an individual refer to the country of origin of another individual or its family. It is also a common practice that one is to be asked in the context of social interaction about their origin or to mention their origin as part of introducing themselves. The content

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Circassian community could have been relaxed in the last 15 years, however, it controlled by the recommendations of number of members. The Circassian Charity association Chechen Society that has branch in Amman and Zaraqa is equivalent to the above mentioned with in the Chechen community.

<sup>48</sup> The Armenian community finds in the church in Jordan its centre to sustain and reinforce its language and identity. The Kurds have their own association that concentrated activities teaching the language, celebrating the cultural festivals, to promote the Kurd cause and sometimes financial support for the cause.

<sup>49</sup> There are no figures concerning the proportion of the Christian to the total population. However, 5.0%-10.0% is the possible percentage.

<sup>50</sup> Other religious groups exist in Jordan such as Druze, Bahii however, they are of nominal. Also there is a minority of Muslim shiat, however, is very trivial.

<sup>51</sup> This term that is used in different forms. However, it was coined as in its academic quality in this to the Center for Strategic Studies in the University of Jordan to refer to what the different communities within the Jordanian societies as the individual of these communities define their country of origin. See Hamarenh, M. (1995), *The Jordanian Palestinian Relationship: the Internal Dimension*.

of the concept derived, on one hand, from the perceptions of the community towards a certain individual or/and its family and on the other hand according to what that individual and its family conceive their original country to be. Therefore the meaning and usage of the country of origin can be flexible and loose in its definition. In fact, it is possible that the community's definition of somebody's country of origin is not how that individual defines itself. However, the importance of the country of origin concept lies in the fact that it adds another dimension to the person's identity either according to their perception or/and outside perceptions. Hence, the country of origin as an identity cannot be reduced or substituted by a person's kinship ties, region or religion despite that the latter dimensions are important in shaping the country of origin.

It is not within the scope of this study to give genealogical account of the career of this division within Jordanian society based on the country of origin. However, it could be argued that this cleavage is rooted in the political development of the state. The fact that the early administrative on bodies of the state in the period of the British mandate were dominated by non-Jordanian employees especially from the British mandate of Palestine coupled with the demand of some educated Jordanians to be assigned the jobs of the people who were not originally from the country, could be the early roots of defining the citizen of the state by their country of origin.<sup>52</sup> Apart from the hired employees from the new born neighboring states, it is also important to mention that the new state of Jordan was under the rule of the Hashemite prince Abdullah who himself is not from Jordan. Also when prince Abdullah arrived to Jordan and was appointed as ruler, he was accompanied by some Hajazi figures that settled in the country and had an important role in its political system. This fact could have contributed to the idea of having citizens from different backgrounds. Even after the establishment of the state some of Jordan remained a destination for a limited and small immigration especially from Syria or Palestine. This immigration, that was either motivated by political or economic factors, added to the diversity of the Jordanian social texture.<sup>53</sup>

The territorial expansion of the Jordanian state to include the west bank in 1949 was a turning point in the composition of the country according to the country

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<sup>52</sup> See Hamarenh, M. (1985).

<sup>53</sup> Note that the pre-state establishment Jordan was an area for the activities of merchants who come from different regions in Palestine and Syria. See chapter 2

of origin. On one hand the state with its new borders did not Jordanize the Palestinian population of the west bank, but it was conceived as a state that contains two national identities Jordanians and Palestinians or at least the Palestinians of the West Bank.<sup>54</sup> On the other hand, all the refugees from the foundation of Israel in 1948 became Jordanian citizens. This in itself was a legitimization for dual identity. The 1970s was the decade that institutionalized the concept in its current use. It was a black September, the peak of the confrontation of the PLO and the Jordanian state, that resulted in a division in the Jordanian society along the lines of identity and loyalty. Reducing the applications and meanings of identity and loyalty to the state to refer to the same thing certainly deepened and polarized the structure of two communities in the Jordanian society. The unwritten Jordanian state policy in suspiciously looking to the loyalty of its citizens of Palestinian origin and discriminating against them in its employment policies, especially in the security and military apparatus, was another step to give substance to such division.<sup>55</sup> It was not only state polices that shaped the two communities, but also the rise of the popularity of the PLO factions among the Palestinian communities in Jordan. The great majority of these groups were not concerned with the political platform of the Jordanian society as much as with the Palestinian one to the extent that the position of some of these groups towards the Jordanian rule and governmental polices was based on the position towards the Palestinian question generally and the PLO in particular.<sup>56</sup>

Another dimension of the problem that made it possible for the state to carry on with its employment policies and other types of policies without serious challenge

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<sup>54</sup> There is enough evidence that the expansion of the Jordanian state to include the West Bank was not coercive process, despite the fact that some of the political parties in the West Bank were against. The elections in the west bank for the first two banks parliament in 1950 in which the all the political parties and figures even those who were initially against joining Jordan was almost as referendum concerning the future of the West Bank. Based on the archive of the parliament in the 1950s and the political parties activities and literature rues the population of the West Bank that reviewed themselves as Palestinian part of the Jordanian state. See Al-Masri, M. (1998), p70-79.

<sup>55</sup> The politically incorrect joke about the stuttering man, who blames the refusal of the Jordanian TV broadcasting to employ him because he is Palestinian does not refer only to the Palestinian hyperbole in the discriminations against them in the public sector jobs, but also it reflect the degree that the employment polices were discriminative against them.

<sup>56</sup> For instance, Fatah, the biggest PLO faction, was not concerned with the Jordanian politics as that latter as not related to the Palestinian problem. The Democratic Front for Liberating Palestine was the first group that advanced in the late 1970s a political arm concerned with the Jordanian society whose conditions dictate a separate apolitical program to that of the Palestinian one. The Popular Front for Liberating Palestine followed the Democratic Front example in establishing a group in Jordan in 1986.

was the boom in oil prices that opened the gates for the Jordanian people to seek work in the Gulf and allowed private sector activity to flourish and absorb a higher proportion of the Jordanian work force. The fact that the Palestinian who felt discrimination from the employment state policies could find other venues for jobs and careers especially in the Gulf States softened the impact of these policies. The fact that a great deal of Palestinians found jobs in the Gulf states and the Jordanian private sector resulted firstly in a kind of work division among the population, according to which the public sector was dominated by the citizens of Jordanian origin while the private sector was dominated by citizens of Palestinian origin. Secondly, this division coupled with polarization at the political level certainly deepened the gulf between the two communities at a social level and the associated economic culture.

The fact that one can talk about two communities within the Jordanian context and it is commonplace that people refer to the country of origin when they review the other and themselves gave a revival to the country of origin concept among the other segments of the society. Certainly the ties that were historically established with some members of communities like the Jordanians of Syrian origin kept a feeling of belonging to a certain community alive. However, the division among the greater proportion of the population into Palestinians and Jordanians contributed to the tendency of other communities to preserve their country of origin identity. The division between Jordanian and Palestine is one of the vertical dimensions that has importance, especially in political development and therefore, the analysis of the bourgeoisie will take into account this dimension to outline the extent to which it has a role in the structure and composition of the bourgeoisie.

## **CHAPTER FOUR**

### **AN OVERVIEW OF THE JORDANIAN ECONOMY (1967-1973)**

This chapter and the following one deal with the period of 1967-1973. It was argued in the introduction that the years between 1967 and 1973 had similar conditions at the economic and political levels that differ from those experienced either in pre-1967 or after 1974. On the basis of this argument the years between the 1967 war and the beginning of the big increase in the oil prices around the 1973 war make together a period that is characterized as a transitional one bridging the country's transformation from one state to another. In this sense, the socio-political economic developments that took place during this period were elements in the process of de-linking with the pre-1967 conditions adjusting to what the war brought about and establishing new grounds on which the developments in 1970s and 1980s built.

This chapter is devoted to analysing the surrounding environment in which the bourgeoisie function within. According to the framework and methodology of this study, this has to be achieved through looking at the main trends of the macro economy of Jordan within which the private sector, the bosom of bourgeoisie, function. The first section that follows a necessary overview of the impact of the 1967 war on Jordan, is the state economic policy that is to be considered through the examination of the development plans and the budget. This is followed by two sections that deal with the structure of the economy and the economic performance as was indicated by major indicators such as GDP, GNP and their structures and the balances of services, trade and transfers. Section 4 is devoted to the state of the private sector during this period as was indicated by the private sector enterprises. The chapter concludes with a brief assessment of the state's involvement in the economy at large and its particular involvement with the private sectors' joint ventures.

Before going through the different sections, it is appropriate to examine the impact of the war on the economy as whole. Having an accurate estimate of the

impact of losing the West Bank on the Jordanian economy is not at hand, since pre-war economic statistics were never provided at a regional level. The economic figures of the West and East Banks in the post war years cannot be a appropriate ground to deduce their performance before the war, due to the fact that each experienced completely different conditions that shaped their economic performance.<sup>1</sup> However, It is important to mention that losing the West Bank meant depriving the country of one of its main territories, which had an input into all economic aspects and was well integrated into the economic structure. Hence, the occupation of the West Bank led to a process of deconstruction of the Jordanian economy and to its restructuring on the basis of the means of the East Bank, and according to new economic terms which arose after the war. In other words, the effect of the loss of the West Bank was severe in all aspects, regardless of the size of the economic contribution of the West Bank.

According to the Jordan Development Board the contribution of the West Bank to the whole GDP was 38.0%<sup>2</sup>, while Kanvosky<sup>3</sup>, claims that it was less than one third. At the sectoral level, the economy lost the participation of the West Bank in the output of economic sectors in different degrees. Before the war, the contribution of the West Bank in services was 55.0%, 43.0% in the wholesale & retail trade, 41.0% in real estate and above one third in agriculture, construction and electricity & water<sup>4</sup>. In the case of industry, Kanvosky estimates the loss of the economy at 18.0%<sup>5</sup> while it was 10.0% according to the Development Board, which however emphasized the fact that 37.0% of the labor force in this sector was in the West Bank<sup>6</sup>. The share of the West Bank in transportation was 7.0%.

However, the impact of the war on the economic sectors went far beyond the contribution of the West Bank, since East Bank sectors lost around 40.0% of their local market, according to the estimates of the population of the West Bank to the

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<sup>1</sup> The East Bank, for example, enjoyed a massive increase in the transfers to the central government and suffered from abnormal population growth as well as from an unstable political environment, which affected its economic accomplishment. The West Bank, on the other hand, suffered from the occupation and its new economic conditions and regulations.

<sup>2</sup> Jordan Development Board (1967), Monthly Economic News Bulletin, p3.

<sup>3</sup> Kanvosky (1976), Economic Development in Jordan, p25.

<sup>4</sup> Jordan Development Board (1967), Monthly Economic News Bulletin, p3.

<sup>5</sup> Kanvosky (1976), Economic Development in Jordan, p29.

<sup>6</sup> Jordan Development Board (1967), Monthly Economic News Bulletin, p3.

whole population.<sup>7</sup> The contraction of the local market had a severe impact on all East Bank economic sectors which were functioning at the size of the whole market. For example, as Mazur notes,<sup>8</sup> industry suffered the most from this development, as the production of refined oil, cement, electricity and others declined.<sup>9</sup> The international transaction sector was also hit, due to the fact that the West Bank purchases deviated to Israel, and so did other sectors.

The economy of the East Bank also suffered from the abnormal increase in population that resulted from the number of refugees who fled not only from the West Bank, but also from Gaza. Such a number ranged from 300 thousand according to Kanvosky<sup>10</sup>, to 400 thousand according to the Jordanian official figures<sup>11</sup>, while Mazur's estimate is closer to the Jordanian assessment.<sup>12</sup> The increase in population resulted in pressure on the economic sectors of the East Bank, especially on the service sectors. Mazur notes that the refugees who fled to Jordan raised the unemployment rate to unprecedented rate. Despite the fact that the increase in the size of the Jordanian armed forces and the Palestinian resistance movement absorbed some of the unemployed people,<sup>13</sup> the unemployment rate remained high until 1973/1974, when the Gulf markets opened to Jordanian labor. The 1967 war indirectly affected the Jordanian budget by increasing defense and internal security expenditures, reversing the trend which had been witnessed in the years immediately preceding the war. This increase did not weigh on the domestic revenue, since it was financed by Arab aid. However, the increase in external aid, together with the impact of the war, established a new era in the structure of the Jordanian economy.

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<sup>7</sup> Kanvosky (1976), *Economic Development in Jordan*, p25, Jordan Development Board, (1967), *Monthly Economic News Bulletin*, Vol. (9), p4.

<sup>8</sup> Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p212.

<sup>9</sup> Central Bank of Jordan (1967), *The Fourth Annual Report*, p7.

<sup>10</sup> Kanvosky (1976), *Economic Development in Jordan*, p 36.

<sup>11</sup> Central Bank of Jordan (1967), *Quarterly bulletin*, Vol. (3), p2.

<sup>12</sup> Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p 78

<sup>13</sup> Mazur, M.P. (1979), p 78.

## **4.1 THE STATE ECONOMIC POLICY**

The focus of this section is to outline the main trends of state economic policy during this period. This is to be achieved through considering two important instruments, i.e. the development plans and the budget. The development plans could reveal the economic philosophy of the state and its economic priorities as well as its medium and long term development goals. The account of the budget should be able to reveal state policy in practical terms and contribute to understanding of the primary sources of its revenue.

### **4.1.1 THE THREE YEAR DEVELOPMENT PLAN (1973-1975)**

The development effort that had come to a halt with the 1967 war and the internal instability that ensued, resumed in late 1971, when preparation was made to draft a new development plan. In November 1972, the proposal for a 3-year development plan was completed and adopted by the Jordanian government. Despite the fact that this period covers only one year of the proposed plan, it is more suitable to consider it here, since its proposals, projects and finance were born in the economic and political context of this period.

The three-year plan (1973-1975) can be considered the first one to be formulated exclusively for the East Bank. Its projects, aims and strategy were designed on the basis of the urgent problems and the country's socio-economic situation which either came as a consequence of the 1967 war or were deepened due to the war and political instability. The framework and the projects of the plan, however, were highly influenced by development philosophy and the performance of the Jordanian economy in the 1960s. Hence, it is possible to claim that the plan born in this transitional period was a plan of transitional character. In fact, Anani describes it as 'corrective adjustment'<sup>14</sup> or, as Mazur claims, its main purpose was to

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<sup>14</sup> Anani, J. (1987), p130.

lay the grounds for long-term planning after the interruption of the events that took place between 1967 and 1971.<sup>15</sup>

The strategy of the plan revolves around two themes, each of which tackles one of the inherent factors characterizing and reinforcing the dependency of the Jordanian economy and constituting a serious problem that the economy faced at the time. The first theme that appears in the aims and projects of the plan is the dependency of the Jordanian economy in its relations to the outside world. Two main aspects of such a theme were addressed as fundamental problems and goals of the plan: the chronic trade deficit and the budgetary reliance on external financial support. The trade deficit was born with the birth of the modern state and was reinforced by the country's limited natural resources and by the British 'stand still' economic policy. However, it reached unprecedented levels over the years 1967-1971. In the course of tackling this problem, the planners were aware of the impossibility of erasing the deficit over the short life of the plan, especially since implementing the planned projects meant at least an increase in imports of the capital good. Thus, the main goal was to reduce the annual growth rate of the trade deficit from 11.5% (during 1967-1971) to 6.4% in the plan term, which would decrease the deficit by the end of the plan (1975) to a lower level than before 1973. Such an ambitious goal would be achieved through an increase in commodity exports coupled with a reduction of the imports, especially in agriculture and mining. Agricultural income was to be increased by around a quarter<sup>16</sup> by the end of the plan, at an annual growth rate of 6.4%, which would mean that Jordan had reached self-reliance in agricultural production, reducing its imports and subsequently expanding its exports of these products. Realization of such aims would be made possible through agricultural and irrigation projects: 15.5% of the total fixed investment would be spent chiefly on improving livestock, expanding land utilization, and increasing irrigated areas, especially in the Jordan valley and Southern *Ghors*.<sup>17</sup> Solving fundamental problems that the planners associated with this sector such as low productivity, weak organization, incompatibility of production and marketing

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<sup>15</sup> Mazur, M. (1979), p244-245.

<sup>16</sup> Agricultural income would increase by 20.2% or 28.5% when compared with 1972 and 1971 respectively.

<sup>17</sup> Jordan Development Board, The Three Year Development Plan 1973-1975, p 11-12,21-22.

methods would also contribute to the increase in agricultural output.<sup>18</sup> Mining projects, which were allocated one third of the investments of the industrial sector<sup>19</sup> and concentrated mainly in phosphate production, would be the other main source of reduction of the trade deficit.

As for the budget's dependency on external sources, the planners did not promise to bring it to an end; however, the plan envisaged an augmentation of the reliance of the government budget on domestic revenues, anticipated to increase by 39.4% during the plan period. It would come to account for 57.4% of the whole current revenue in 1975, compared with 49.2% in 1972. Imposing new taxes and improving tax collection techniques were the methods that the planners suggested for increasing domestic revenue.

The other theme around which the goals and projects of the plan revolved was unemployment, which had constituted a serious problem since the 1950s and had deepened after the 1967 war, reaching 8.0% of the labor force. The implementation of the plan would tackle this issue by creating at least 70,000 temporary and permanent jobs.

Achieving the plan's core strategy was possible, as the Jordanian planners asserted, through implementing the detailed projects that in their turn would result in a GDP annual growth rate of 8.0%; by 1975, GDP would have increased by 26.0% compared to 1972. Apart from the overall growth, the planners claimed that a change in the imbalanced sectoral economic structure was needed, since 2/3 of the national income was generated by the service sector. The planned projects would result in an increase in the relative importance of the productive sector's proportion of the GDP at the expense of the service sector, since the growth rate of the service sectors was planned to be 6.9% per annum against 9.9% of the productive sectors.<sup>20</sup> Apart from the above-mentioned contribution of agriculture, the industry and electricity sectors were supposed to be the bearer of this increase. Industry (mining and manufacturing) would grow at 14.0% annually, increasing its output by 47.9% by

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<sup>18</sup> Jordan Development Board, The 3-year Development Plan 1973-1975, p 12. It is important to point out that agricultural exports were still dependent on certain vegetable and fruit crops and were seasonally based.

<sup>19</sup> By then, the industry sector consisted of mining, manufacturing and electricity.

<sup>20</sup> The Jordanian Development Board, The 3-year Development Plan 1973-1975, p53-58. For more details on the service sectors see table 3/ Appendix 6.

the end of the plan and making a shift in its share of the GDP from 10.3% in 1971 to 13.0% in 1975. The income of the electricity and water supply sector was expected to increase by 58.0% over the plan period, at an average annual growth rate of 16.6%.

Increasing exports would also expand the income in foreign currencies, in addition to the income earned in remittances from Jordanian workers abroad. The plan aimed to develop economic and social activities throughout the country, and especially in rural areas.<sup>21</sup>

Industry would receive 14.6% of the investment expenditures and almost 80.0% would be financed by the private sector (see table 3-3). Furthermore, one third of industrial investment was designated to mining projects and a further 10% was aimed at manufacturing projects that were dependent on mining. The electricity sector was allocated 5.5% of the plan investment and the private sector was expected to contribute slightly less than half of this amount.

Although evaluating the plan lies outside the scope of the economic performance of this period, a brief account of its achievements will be given here. Evaluation is problematic, considering that the plan was drawn in November 1972, when it was not expected that a radical change in economic conditions was to take place two years later due to the oil boom. Jordan's economic performance did not owe the plan as much as it did to the boom<sup>22</sup>. Fixed investment, which totalled JD 229.0 million, i.e. 27.9% more than expected, reflected a dramatic increase in remittances and foreign aid. The capital expenditure of the private sector was 61% more than planned and the public investment was slightly more than the target.<sup>23</sup>

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<sup>21</sup> Jordan Development Board, *The 3-year Development Plan 1973-1975*, p 27.

<sup>22</sup> Khader claims that soaring oil prices resulted in adverse effects on economic performance, since, the cost of living index doubled and the purchasing power of wages and salaries dropped. Inflation was further exacerbated by land speculation. Khader, B. (1989), *Jordan Economy 1952-1989*, p4.

<sup>23</sup> Transportation had the largest share of investment at 24.9%, followed by the housing sector at 21.8% and industry at 19.7%. Amongst private investment sectors, housing received the highest share at 37.0%, followed by transportation (21.3%) and industry (26%). In contrast, services and other construction sectors had the largest share of actual public investment at 30.4%, followed by transportation (29.4%) and agriculture (22.6%). *Five-Year Plan for Economic and Social Development 1976-1980*, p34-35. See also table 3/ Appendix 6.

However, Abu Jaber notes that public investment in real terms was short by 25% of the anticipated level, while private investment was only 10.0% short.<sup>24</sup>

At the level of economic performance, the actual GDP and GNP growth rates (6.0% and 7.0% respectively) fell short of the planned ones (8.0% and 8.2%).<sup>25</sup> Abu Jaber attributes this shortcoming to the fact that the plan was ambitious when considering the economic reality of Jordan.<sup>26</sup> At another level, Khader claims that the actual growth rate during the plan was modest considering the effects of the soaring oil prices.<sup>27</sup>

Concerning the sectoral structure of the economy, the figures indicate that the plan was not successful in improving the productive sectors contribution, despite the fact that the annual growth rate of industry registered 23.0%,<sup>28</sup> exceeding by far the planned one (14.0%). The sector that lagged behind was agriculture, which declined in real terms by 1% yearly resulting in a dramatic drop in its share of GDP to 9.7% (planned 17.1%). This decline was attributed to the drought and frost that agriculture witnessed in 1973 and 1975.<sup>29</sup> The remarkable performance of industry, which was in its turn attributable mainly to the expansion of phosphate production, partly offset the decline in agricultural production and was thus the main reason behind the growth in GDP. On the other hand, the industrial sector share of the GDP exceeded the targeted rates (13.0%), reaching 17.4% in 1975.

Looking at the attainments of the plan's core strategy, one could simply argue that the plan achieved nothing, since dependency on foreign aid and trade deficit had deepened during the life of the plan. Even the unemployment problem was solved by virtue of the fact that the oil producing countries absorbed a considerable portion of the Jordanian labor power.

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<sup>24</sup> Abu Jaber, Kamel, Shimizu M. (1984), p68.

<sup>25</sup> Five-Year Plan for Economic and Social Development 1976-1980, p26-27.

<sup>26</sup> Abu Jaber, Kamel, Shimizu, M. (1984), p 68.

<sup>27</sup> Khader, B.(1989), Jordan Economy: 1952-1989, p4.

<sup>28</sup> Five-Year Plan for Economic and Social Development 1976-1980, p34-35.

<sup>29</sup> The contraction of the agricultural income and the inflation rate of agriculture, which was above the general inflation rate, led to a decline in the relative share of agriculture in the GDP, which reached 7.9%. Agricultural prices rose by 15% yearly during the period of the plan, while the general price averaged 10.0% growth per annum over the same period. The Five Year Development Plan, p27.

#### 4.1.2 THE BUDGET

The central government budget is the other indicator that, together with the development plan, should highlight the state economic policy in this period. The governmental budget is not simply an important indicator to understand public finance, but it is also vital to obtain a better view of the structure and performance of the economy. Two sets of factors related to Jordan can explain the importance of the budget. The first is the dependency of the modern state since its birth on external financial aid. The expenditures that outline the state economic and social policy is partly drawn up on the basis of its internal economic resources, while the availability of external aid is also a fundamental factor in shaping it.

The second set of factors is related to the growing role of the state in the economy. The fact that a respectable portion of the state budget was not tied to the country's economic reality gave the state extra room for adopting its economic policies. The modern state, since its establishment, has been a major economic player by virtue of being the main and largest employer. In this sense, the state contributed to a gradual change in the socio-economic structure by absorbing a remarkable portion of manpower from different social backgrounds. It gradually stepped in to become the main provider of social services and infrastructure. This meant that, at one level, the state enlarged its apparatus, while at another level it became one of the main sources of activities for the private sector.

This section deals with the public finance as was revealed in the governmental budgets over the years of this period. It covers the structure of the budget according to the components of revenue and expenditures both current and capital, attempting to highlight the main state economic policies and the factors underlying them.

The budget revenue and expenditures showed a rapid increase during this period. Revenue, regardless of its sources, increased from JD 70.2 million in 1967 to JD 114 million in 1973, at an annual growth rate of 21.9%. Expenditure indicated a similar expansion at a rate of 19.8% per annum, which was almost double the rate

that had been recorded in the former period. The size of the expenditures both current and capital rose from JD 68.2 million in the first year to JD 119.5 million by the end of this period. Unlike the other economic measures, the political factors – especially the 1967 war and the loss of the West Bank – had a limited negative effect on the budget. Contrary to the other economic indicators, the budget revenue enjoyed a dramatic augmentation of the external budgetary aid as a direct result of the 1967 war. However, the effect of the 1967 war was seen mainly in the current expenditure section, taking into account the fact that this period showed an increase in the military burden at the expense of the other fields. The availability of external sources, though, made the budget capable of meeting the increase in defense expenditures.

#### **4.1.2.1 Revenue and Receipts**

As had been the case in the pre-war years, in all the years of this period domestic revenue was inadequate to meet the budget expenditure, which resulted in a continuous budget deficit that was largely offset by external receipts. In fact, the domestic revenue's proportion to the total expenditure was less than that of the pre-war period. Its relative importance to the entire revenue averaged 39.2%, compared to 56.6% in 1962-1966. The decline in the share of the domestic receipts can, at one level, be traced back to its structure and the relative importance of each of its components. At another level, it is due to the outstanding increase in external budgetary aid, whose annual growth rate was around four times that of the local revenue<sup>30</sup>.

Considering the structure of the domestic revenue and the performance of each of its components can highlight its modest expansion. During the entire period, the indirect taxes, which are one of the three categories that make up domestic revenue, were the main generator of local revenue. Their average annual proportion was 60.0% of the entire domestic revenue<sup>31</sup>, followed by non-tax revenue at 29.9%, and finally the direct taxes at 10.1%.<sup>32</sup> The distribution of indirect taxes in its turn reveals that around half of their receipts came from import duties, around 30% from

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<sup>30</sup> See table 4 and 5/ Appendix 6.

<sup>31</sup> This proportion reached almost two thirds of the domestic revenue in the first three years of the period. See table 7 and 8/ Appendix 6.

<sup>32</sup> See table 8 / Appendix 6.

consumption taxes and around 10.0% from licenses and fees. Not only did import duties dominate the indirect taxes, but they also provided the treasury with around 30.0% of domestic revenue. In other words, the contribution of import duties was almost three times that of total direct taxes, almost four times income taxes, and was equivalent to non-tax income. Consumption tax was another significant indirect tax, which contributed 19.0% of the domestic revenue per annum, almost twice as much as the direct tax.<sup>33</sup>

The inferior contribution of the direct taxes resulted in a domestic revenue being dominated by the indirect taxes and their sub-section, the import duties. This made it vulnerable to the fluctuations in the earnings of the latter categories. The decisive role of indirect tax receipts was seen in 1967 and 1968, when imports decreased as a result of losing the West Bank market, leading domestic revenue and the entire revenue to drop, despite an increase in earnings from other categories of local revenues.<sup>34</sup> The scenario of a drop in domestic revenue was repeated in 1970 and 1971, when imports were interrupted by internal conflict. The rise of 69.6% and 12.8% respectively in direct taxes could not offset the adverse impact of import duties. In 1972 and 1973, indirect taxes had again a strong impact on domestic revenue, but in the opposite way: their increase in these two years resulted in improving the ratio of domestic revenue to total revenue.

It has been mentioned that the vulnerability of domestic revenue to the fluctuation of indirect taxes reflects the inferior contribution of direct taxes. The composition of direct taxes shows that the revenue of the income taxes constituted 77.2% while the other direct taxes generated just 22.8%. Between 1967 and 1969 the proportion of the income taxes to the whole direct taxes was almost 100%. However, from 1970 onwards the other taxes increased rapidly, making up slightly more than one third of the entire direct taxes. One of the factors that explains the poor direct taxes revenue is the fact that income from building tax, agricultural land tax and animal tax was still irrelevant. Another important factor is the insufficient taxation system both at the legal and practical levels.<sup>35</sup> The Jordanian government had been aware of the problems of the taxation system since the mid 1960s and had proposed a few reformation plans to improve the revenue that generated from such

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<sup>33</sup> See table 8/ Appendix 6.

<sup>34</sup> See table 8/ Appendix 6

sources.<sup>36</sup> In this period, the government continued to define the problem and to include plans either in its Budget Laws or in the three-year development plan to reform the taxation system by imposing new taxes and improving the tax collection mechanism.<sup>37</sup> In spite of governmental concern, the poor tax revenue reflected, as Mazur notes, a lack of serious reforms.<sup>38</sup>

Apart from domestic revenue, the figures show that external aid had the largest share at 46.2%. In the last few years before the 1967 war external aid, in absolute and relative terms, declined gradually; ever since 1963, it was expected that it would be eliminated by 1970<sup>39</sup>. In contrast to that trend and to governmental predictions, external aid showed an outstanding increase as a result of the Arab support that was decided subsequent to the 1967 war.<sup>40</sup> Arab financial aid and the budgetary support from the US<sup>41</sup> and UK combined with that from UN agencies and other sources,<sup>42</sup> increasing the share of external aid within the total revenue, recording more than 55.0% in the first two years of the period. However, since external aid was channeled to Jordan on political grounds, the political developments of this period resulted in its fluctuation from one year to the next. A consequence of the upsurge in the activities of the Palestinian resistance movement against Israel was a serious drop in western aid in 1969 and 1970. In fact, American aid reached its lowest level in 1970 and Britain completely stopped its financial support.<sup>43</sup> These developments were reflected in the annual growth rate of the external revenue, which registered -4.5% and -7.8% respectively in 1969 and 1970. The military operation conducted by the Jordanian army against the PLO guerrillas in September 1970 led to an increase in American aid, which reached the

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<sup>35</sup> Central Bank of Jordan (1971), *The Eighth Annual Report*, p 10.

<sup>36</sup> See the proposals in the *Seven -Year Development Plan (1964-1970)* and the recommendations of the Fiscal Royal Committee.

<sup>37</sup> Central Bank of Jordan (1971), *The Eighth Annual Report*, p10.

<sup>38</sup> Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p 311.

<sup>39</sup> The Jordanian Development Board, *1964-1970 Development Plan*, p 42.

<sup>40</sup> Kanvosky (1976), *Economic Development in Jordan*, p69.

<sup>41</sup> See Brand, L. (1996), p23.

<sup>42</sup> Central Bank of Jordan (1967), *The Fourth Annual Report*, p 8, Central Bank of Jordan (1968), *The Fifth Annual Report*, p5.

<sup>43</sup> See table 9/ Appendix 6.

1967 level, and to the resumption of British aid.<sup>44</sup> However, the events of Black September caused a drop in the size of the Arab aid to Jordan, with Kuwait and Libya suspending their contribution completely. The loss of the aid of these two countries was clearly reflected in the massive decline of the proportion of the external revenue, which reached its lowest level in 1971. The external revenue showed an improvement in 1972 and 1973, when its share rose recording 44.2% and 40.0% respectively. This was due mainly to the fact that the Western financial aid continued at better levels than in 1969 and 1970<sup>45</sup> and that in 1972 Saudi Arabia raised its aid, compensating for the share of Kuwait, before the latter resumed its aid after the October war of 1973.<sup>46</sup>

External budget support shows the extent of state dependence on this revenue at one level and the tight correlation between receiving such aid and the political stance of the regime at another level. However, the sources of external aid were more diversified compared to the pre-war years, which gave the regime room to manoeuvre and to choose the appropriate time to make shifts in its policies.<sup>47</sup>

To conclude the revenue subsection, it is worth mentioning the introduction of two components that had only relative importance during this period but would be an important instrument in the hands of the state in years to come, namely external and internal loans. Despite the fact that both categories had already been presented in 1963 as financial resources of the seven-year development plan, it was in this period that they started to appear in the budget accounts. External borrowing was established in this period as one of the main sources of governmental revenue. It grew at an average rate of 44.9% annually, which was four times as much as the rate of the domestic revenue. Its proportion to the entire revenue in the last three years of this period averaged more than 9.0% annually, which was almost equal to the ratio of the direct taxes. External borrowing was an effective instrument to offset the shortage in external aid or in any of the other budget components.

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<sup>44</sup> Central Bank of Jordan (1970), *The Seventh Annual Report*, p18, Kanvosky (1976), *Economic Development in Jordan*, p70.

<sup>45</sup> Kanvosky (1976), *Economic Development in Jordan*, p70-71.

<sup>46</sup> Central Bank of Jordan (1973), *The Tenth Annual Report*, p13.

<sup>47</sup> A great deal of analogy between the choices of the regime in 1970 concerning the PLO and the regime's choices in 1957 concerning the radical political movement. In both cases, the regime was losing the grip on the country and rescuing the external aid.

Domestic loans revenue was used for the first time in 1969, when it appeared in the budget accounts. Despite the late start of this component, its relative importance was immediately felt, averaging 6.2%. Moreover, domestic loans revenue showed the fastest annual growth rate among the other revenues, at 48.9%. The composition of domestic loans took two forms: treasury bills and bonds, and direct loans from the local commercial banks.<sup>48</sup>

#### **4.1.2.2 Expenditures**

Expenditure showed a rapid increase during this period, its annual growth rate averaging 19.8%. The expansion of expenditure was experienced in all years over the period, except for 1970 and 1971. In 1970, the expenditure dropped by 8.7% compared to the 1969 level. Even though in 1971 it surpassed the 1970 level, it was still below what was recorded in 1969. This contraction in 1970 and partly in 1971 was attributed to the political environment, which led to a decline in the size of all revenue components and particularly in the external revenue. Nevertheless, expenditures showed a slight improvement in 1971, followed by a rapid expansion in 1972 and 1973. This rapid expansion was made possible because of the availability of external aid, especially that of the Arab countries.

As far as the structure of the expenditure is concerned, in this period 70.0% of the entire budget was devoted to the current expenditure while the proportion of capital expenditure averaged almost 30.0%. However, capital expenditure grew at an annual rate of 27.4%, which was far faster than the growth of current expenditure, which averaged 17.4% per annum. Considering the structure of the expenditures, one could claim that the budget of this period could be characterized as a defense budget, since the proportion of defense expenditure to the entire expenditure was the largest, averaging 40.0%. If the share of the security and internal order budget is included, such a ratio reaches 46.3%. The average share of defense and security was similar to that which had been experienced in the 1950s, when the majority of British aid was directed to the armed forces. However, the defense burden in the post-war period increased compared to that of the last few years of the former period, when it had showed a gradual decline. As Mazur mentions, the 1967 war

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<sup>48</sup> See Ministry of Finance (1970) *Qaanuun al-Muuzneh al-'aamah* (General Budget Law), Ministry of Finance (1972) *Qaanuun al-Muuzneh al-'aamah*, p45-47. Ministry of Finance (1973) *Qaanuun al-Muuzneh al-'aamah*, p. 48-51.

and its consequences led to an absolute increase in the size of the armed forces and of their armament, which resulted in an increase in the defense expenditure.<sup>49</sup> Rebuilding the army both at the level of the structure and at the level of equipment and arms became a necessity after the 1967 defeat. It was, at another level, important to increase the defense budget, since Arab aid that was provided to Jordan during this period was mainly aimed at improving the state of the Jordanian armed forces to meet the requirements of confrontation with Israel.

At the level of current expenditure, two thirds of it was devoted to the defense and security section. The social services came second, receiving 13.7% of the entire current expenditure, followed by finance administration at a proportion of 10.7%. Capital expenditure was distributed mainly into two major fields, that is economic development and finance administration. The two fields received around 90.0% of the whole capital budget, 48.0% being employed in the economic development and 41.0% in finance and administration. The budget of the first field reflected direct governmental involvement in the economic projects, while the expenditure of the second one included the financing of development and improving projects, which took place in public administration as well as in the economic projects. Apart from those two main fields, the budget of communication and transport services averaged 3.7% yearly, while that of social services was 3.5%.

### **4.1.3 THE MACRO-ECONOMIC PERFORMANCE**

This section deals with economic development in the period 1967-73 by tracing the performance of the main macro-economic indicators, i.e. GDP at factor cost, GDP and GNP at market prices in nominal and real terms. It also deals with the performance of the different economic sectors. It does not attempt to give a detailed account of the economic situation; rather, it is limited to the main trends of the economy, highlighting the economic and political factors that had an impact on it.

Observing the main economic indicators during this period reveals that economic performance was paced more slowly than in the previous period. The average GDP at factor cost in the last two years of the period grew by 32.8%,

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<sup>49</sup> Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p 231.

compared to its average value registered in the first two years, 1967 and 1968. Similarly, the GDP and GNP at market price in the last two years recorded an augmentation of 34.7% and 36.6% respectively, compared with the average of the first two years<sup>50</sup>. Comparatively, during the period (1953-1966) the indicators above had showed an overall expansion of more than 250.0% each.

Taking into account the higher inflation rate in this period compared to the previous one, economic growth in real terms according to the same indicators showed a slower rate. Comparing the average value of the last two years to the first two, the GDP at factor cost, GDP and GNP at market price in real terms expanded respectively by 4.9%, 6.4% and 7.8%. During this period, the annual average growth rate of real GDP at factor cost registered 2.0% per annum, while in the previous period it was 9.7%. Likewise, real GDP at market price grew annually at a rate of 1.8% against 10.0% in the preceding period. Its average amount in 1972 and 1973 reached JD 242.1 million, which was the same as that averaged in 1965 and 1966. Furthermore, the growth rate of GNP, which averaged 1.7% yearly, was far below the rate of 10.7% that had been encountered in (1953-1966).

Even though the period is characterized by deceleration in economic growth, especially when compared to that of the 1960s, this phenomenon was in fact the result of a nominal growth rate or diminution in the economy in some specific years. In 1968, 1970, 1971, and 1973, economic performance was at its worst when it is compared with the rest of the period's years or with the economic performance of the 1950s and 1960s, influencing the overall economic growth of this transitional period. This poor performance can be traced back to different economic and political factors. Whether these factors are external or internal, they can be classified into two broad categories, the first of which is contraction in agriculture, the main economic sector. The second is undoubtedly the unstable political environment, which did not only have a great impact on investment, but brought some economic activities to a halt for a period of time.

In 1968, the slow down in agricultural income caused by poor rainfall was the main economic factor affecting the economy. In other words, the relapse that the economy experienced (see table 3-4) was largely due to the contraction of the agricultural income by 32.1%, as a result of the climate conditions. Rain shortage

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<sup>50</sup> See tables 10-14/ Appendix 6.

had such a great impact because it was coupled with another factor, i.e. the continuous military confrontation between the Palestinian resistance movement and/or the Jordanian army (in a later stage) on one side, and Israel on the other.<sup>51</sup> The Jordan Valley, which is the main irrigated area in the country, was the main theater for such a confrontation. This meant a drop in agricultural production from the area, leading rain fluctuation to be a significant factor in the agricultural output.<sup>52</sup> The confrontation did not only have a negative impact on agriculture: the fact that active military operations took place on the cease-fire lines of 1967 during the first three years of this period, asserting a state of 'no war no peace', brought about an atmosphere of uncertainty and instability which was hostile to economic activities, especially in certain sectors. For instance, an obvious setback was experienced in the wholesale & trade, transport and banking and financial sectors.<sup>53</sup> The latter sector, which had just suffered from a decrease in the private sector deposits and a high demand on withdrawals as a direct effect of the 1967 war, continued to be affected by the political uncertainty brought about by the confrontation.<sup>54</sup> The scope of wholesale and trade, which had already shrunk by losing the West Bank market, had to reduce its activities taking into consideration the risks of the confrontation. In addition to the above mentioned impact, a decline in the number of tourists as a consequence of the occupation of the West Bank had a knock-on effect on some economic sectors that had close ties with tourism, such as transport, trade, banking and services.<sup>55</sup>

In 1970 and 1971, economic development was highly damaged by the internal military conflict that broke out in the second half of 1970 and continued through part of 1971. Particularly in the second half of 1970, instability and disorder combined with high uncertainty as to the outcome of the conflict led to an

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<sup>51</sup> Central Bank of Jordan (1969), p18.

<sup>52</sup> The main military bases and camps of the Palestinian Resistance Movement up to 1970/1971 were located in the Ghur, or Jordan valley. This area was the main target for the Israeli artillery and all other military operations, which led the population to flee to safer cities and towns and to bring the agricultural activities to a halt. For instance, the Battle of Al-Karmah between the Palestinian guerrilla and the Jordanian army on one side and the invading Israeli troops on the other in March/ 1968 took its name from Al-Karmah, the village that was the theatre of the battle.

<sup>53</sup> Central Bank of Jordan (1967), The Fourth Annual Report, p13.

<sup>54</sup> Central Bank of Jordan (1968), The Fifth Annual Report, P11.

<sup>55</sup> Central Bank of Jordan (1968), The Seventh Annual Report, p8-9.

unfavorable environment for a large portion of the economic activities.<sup>56</sup> Therefore, the activity of the private sector reached its lowest level, taking into account that functioning of different sectors were disrupted during the battles of Sept /1970 and some of the private sector enterprises, firms and other businesses experienced physical damage.<sup>57</sup> Additionally, there was paralysis in some of the fundamental services sectors, such as transportation, electricity and water supply, which lasted for more than one month and affected not only the productive sectors, but the economy as a whole.<sup>58</sup> The above factors combined led to a reduction in the output of all economic sectors and a relapse in all economic indicators.

Apart from political uncertainty, the inadequate rainfall of 1970 had a further impact on the economy at large and on the agricultural income in particular, which dropped by 23.0% with respect to the 1969 level.<sup>59</sup> More specifically, the income from grains & legumes, whose production was highly dependent on rainfall, declined by 56.0% compared to the 1969 level.<sup>60</sup> The economy in general experienced one of its worst years and went through a phase of depression. In terms of figures, all economic indicators dropped at different rates. For example, the GNP went down by 8.1%, while GDP and GDP at factor cost regressed respectively by 7.8% and 7.2%. Furthermore, in 1970 the performance of all economic sectors was below that of the first year of the period. Capital formation dropped from JD 74.2 million in 1969 to JD 45.0 million in 1970.

The Jordanian government was aware of the consequences of its conflict with the PLO on the economy. Restoration of the different economic sectors as they had been before the conflict had started was among the main priorities of the government to in order to stabilize the economic situation. That the regime had won the conflict and was in control of the country was also an important signal at the local, regional and international levels. Furthermore, it was essential for the state to win the private sector's confidence in the political atmosphere. Shortly after Black September, and despite the fact that the PLO military was still in the country, three

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<sup>56</sup> Clearly, economic activities in the countryside were by far less affected by this conflict, since the theatre of the 1970 conflict was in the cities.

<sup>57</sup> Central Bank of Jordan (1970), *The Seventh Annual Report*, P1.

<sup>58</sup> Central Bank of Jordan (1970), *The Seventh Annual Report*, P1-2.

<sup>59</sup> Central Bank of Jordan (1970), *The Seventh Annual Report*, p10-14.

<sup>60</sup> Department of Statistics, (1974), *National Accounts*, p23-27.

economic conferences were held at the Central Bank of Jordan in October 1970, which were attended by governmental and private sector representatives to discuss the economic situation and difficulties in the fields of industry, agriculture and trade. The recommendations of those conferences were studied in a meeting at the Royal Palace, 'presided over by the Crown Prince', before being turned into governmental decisions via the council of ministers and the Economic Security Committee. The decisions, aimed at compensating the damages and solving the problems that had been caused by the conflict in both industry and agriculture, increasing their productivity, are detailed in the section below. In the case of the trade sector, the government exempted the goods and commodities that were stored in customs warehouses and in the Aqaba port during the period Sep 1<sup>st</sup> –Nov 15<sup>th</sup> 1970 from storage fees. Furthermore, the customs duties on goods and commodities cleared between Oct 24<sup>th</sup> and Nov 15<sup>th</sup> 1970 could be paid in installments.<sup>61</sup> In the interest of the trade sector, the Central Bank instructed the local commercial banks to freeze the interest payments of the businessmen heavily damaged by the conflict until after they received due compensation. Additionally, the local banks were instructed to follow an easy policy in providing credit to the commercial sector and to keep the interest rate on credit facilities at the same level for one year, starting from 24<sup>th</sup> of October 1970<sup>62</sup>.

Even though the economy seemed to initiate a process of readjustment from the recession of 1970, the difficulties that it faced in the first seven months of 1971 were very similar to those of the previous year. In fact, the political situation was to a large extent the same as in 1970, the main exception being the absence of the PLO from the central part of the country, and particularly from Amman, where the majority of economic activity took place. Additionally, the economy enjoyed a more stable political environment in the last five months of 1971, following the expulsion of PLO militants from the northern part of Jordan into Syria.

These developments were reflected in an overall increase in the economic indicators and in the income of the different sectors. However, this expansion, though exceeding the 1970 level, was still poor and far below the level of 1969 and 1967, despite the increase in agricultural production due to the adequate rainfall.

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<sup>61</sup> Central Bank of Jordan (1970), The Seventh Annual Report, p7-10.

<sup>62</sup> Central Bank of Jordan (1970), The Seventh Annual Report, p10.

The GDP at factor cost amounted to JD 213.3 million, recording an increase of 1.1% compared to 1970, and was 6.8% less than that of 1969. Likewise, the expansion rate of GDP and GNP was 0.7% and 0.6% respectively, while they were respectively 7.2% and 7.6% below the 1969 level.

The political decisions that were taken by the authorities in both Syria (for almost a year) and Iraq (for four months) to close its borders with Jordan in 1971 had a negative impact on the economy.<sup>63</sup> As a result, the foreign trade sector lost the Syrian and the Iraqi markets. The agricultural exports were among the hardest hit by this development; in order to explore new markets that could replace the Syrian and Iraqi ones, a cooperative organization was established in 1971 which specialized in promoting the agricultural products.<sup>64</sup> The closures meant that Jordan temporarily lost its traditional export/import routes. Phosphate exports were significantly affected, because of their dependence on the port of Beirut after the closure of the Suez Canal in 1967.

The contraction of 1973 was due to a combination of external and internal factors affecting all aspects of the economy. At the external level, the significant increase in demand for certain primary commodities, the vast expansion in international liquidity, the outbreak of the energy crisis, the rise in prices of many finished goods and raw materials and other elements, resulted in worldwide inflation and a monetary crisis. The small size of the Jordanian economy, its chronic trade deficit and its entanglement with the international economy, enhanced the impact of the international economic crisis. The immediate result of the international crisis was to accelerate the local inflation rate, which exceeded by far the average rate of the previous years.<sup>65</sup> Taking into account the fact that a respectable proportion of the Jordanian exports and imports went via the Syrian and Lebanese ports<sup>66</sup>, the Oct 1973 war was the main regional factor affecting the economy in general and foreign trade in particular.

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<sup>63</sup> The closure of the Jordanian borders was carried out by Syria and Iraq in order to protest against the military operation that the Jordanian rule had launched against the PLO in July, which resulted in the PLO being ousted from the country.

<sup>64</sup> Central Bank of Jordan (1971), *The Seventh Annual Report*, p8.

<sup>65</sup> Central Bank of Jordan (1971), *The Seventh Annual Report*, p1.

<sup>66</sup> Karvosky (1976), p83.

At the local level, the unfavourable climatic conditions (both drought and frost) that the agricultural season faced in 1972/73 resulted in a fall in agricultural production.<sup>67</sup> Agricultural income dropped by 34.5% compared to the 1972 level and amounted to just half of that generated in 1965. This, together with international and regional factors, played a central role in rising domestic inflationary pressure and the cost of living. The cost of living in Amman, as was observed by the Central Bank, jumped by 10.4% from 129.4 points in 1972 to 142.9 in 1973, leading to an unprecedented growth rate in the living index.<sup>68</sup> Owing to the high inflation rate, in 1973 some economic sectors indicated negative growth rates in real terms, although they showed an increase in current price.

In terms of figures, the GDP at factor cost declined by 7.8%, while GDP and GNP dropped respectively by 5.8% and 3.1% compared to the 1972 performance. The income of all economic sectors dropped at different levels with the exception of industry, construction and electricity & water supply. The increase in construction and electricity could be attributed to the reconstruction activities that took place in the areas which suffered from damage during the conflict of 1970 and 1971, taking into consideration that governmental money poured in as compensation for the private properties that had been damaged. In the case of industry, the modest rate of 3.5% in 1973 was due to an increase in the income of oil refinery and mining and quarrying.

The above brief account of the macroeconomic performance shows the extent to which the Jordanian economy is vulnerable and dependent on regional and international economic developments, also revealing some of its important characteristics. The attention here is to be shifted to consider the structure of the economy during this period, as it was indicated by the industrial origin of the real GDP at factor cost. The figures show that the wholesale & retail trade had the largest proportion of GDP at 19.4%. Public administration & defense and agriculture followed, with a ratio of 18.7% and 17.5% respectively. Industry came after at 11.1%, services at 10.2, transportation at 8.3% and ownership of dwelling at 6.9%. the least important sectors in GDP were construction, banking and insurance, and electricity and water supply at 4.9%, 1.8% and 1.2% respectively.

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<sup>67</sup> Central Bank of Jordan (1973), The Tenth Annual Report, p6-8.

<sup>68</sup> The growth rate of the living index was as low as 4.0% during the period 1967-1971.

The contribution of the economic sectors to GDP shows that some changes took place over the years of this period with respect to the pre-war years. The contribution of agriculture slipped down by around 20% compared to that of the period 1953-1966. The decline was even more significant in the share of transportation, which dropped by one quarter. On the contrary, the share of industry during this period improved by 10% with respect to the 1953-1966 level.<sup>69</sup> Similarly, the relative importance of the service sector in the GDP showed a significant increase, rising from an average of 7.8% in 1953-1966 to 10.2% in 1967-1973.

This structural change in the relative importance of some economic sectors can be better seen through a comparison between the share of the productive sectors and that of the services. The productive sectors, agriculture and industry, made up an aggregated 28.6% of the composition of GDP. By broadening the concept of productive sectors to include construction, transportation, and electricity & water supply, using the Jordanian planners' termed 'commodity productive sectors', whose share was 43.2%. Accordingly, the average contribution of the service sectors to the GDP was 56.8%, by which they preserved a dominant role in the economy during this period, as was the case in the previous years. This dominance was actually increased in this period, by virtue of an increase of the services sectors from 53.0% (1953-1966) to almost 57% (1967-1973).

As far as the growth rate at the sectoral level is concerned, the retreat of the whole economy was expressed in modest growth rates for some sectors and relapses for others. The fastest growth rate was recorded in the public administration sector, at 5.5%, followed by construction at 4.5%. The abnormal growth in population that was caused by waves of refugees fleeing to the East Bank after the 1967 war was the key factor in the expansion in construction activities in 1968 and 1969. In fact, the majority of such activities took place in the residential construction.<sup>70</sup> After experiencing a temporary recession in 1970 and 1971,, construction picked up again in 1972 and 1973, showing a relatively high growth rate. The sector benefited from political stability and governmental compensation

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<sup>69</sup> The actual increase was still higher, considering that, in the pre-war period, the industry sector had included the income of electricity, which had instead its own category in the period under consideration.

<sup>70</sup> See values in terms of meters for the different types of construction, be them residential and non-residential buildings, roads, public construction,...etc. Department of

disbursed to the owners of the buildings that had suffered damage during the internal military conflict.<sup>71</sup> The services sector came third after construction, recording an average growth rate of 4.1% yearly. Transport and banking & finance were the only two sectors that declined during this period at 0.1% on average per annum. The activities of the transportation sector were highly disturbed by the consequences of the confrontation with Israel that took place in 1968 and 1969, and also by the internal conflict of 1970 and 1971. In the latter two years this sector was temporarily paralyzed, for a time that varied between a few days and one month. Similarly, the banking sector was hit by the loss of loans and credit that had been facilitated in the occupied West Bank. The lack of confidence that developed in the private sector and among individuals in the banking sector mirrored the political instability, which resulted in a contraction in the size of private deposits. Other economic sectors, such as ownership of dwelling and agriculture, expanded poorly at 0.2% and 1.3% respectively. In general, the growth rates of all economic sectors were far below those of 1953-1966.

As was seen above, the performance of expenditures on the GDP at market price reflected the contraction of the whole economy. Consumption expenditure grew at a modest rate of 1.6% annually, which was almost the same as those of the GDP and GNP. Owing to the low growth rate of consumption expenditures, its proportion to the GDP averaged 108.8%, dropping from 114.2% in 1953-1966. However, the annual growth rate of public consumption at 5.3% was far faster than the rate of private consumption, which recorded 0.7% per annum. It is likely that private consumption was influenced by political instability and inflationary pressure, since its decline was in the years in which such factors were felt the most. The gap between the growth rates of private and public consumption shaped their proportion to the GDP. The proportion of private consumption to the total GDP averaged 80.0%, compared to 88.0% in the previous period. On the contrary, the ratio of public consumption increased from 26.2% over the former period to 28.8% during this one.

The performance of the gross capital formation was not exceptional when compared to the other economic indicators. Its annual growth rate averaged 10.3%,

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Statistics, (1968), *The Annual Book* p 386-388 . Department of Statistics, (1969), *The Annual Book* p 5.

<sup>71</sup> Central Bank of Jordan (1970), *The Seventh Annual Report*, p9.

which was around half of the rate it had recorded before the 1967 war. This component was affected by the end of the development projects in the West Bank and of some projects in the East Bank after the 1967 war. Besides, it was hit by the unfavorable investment climate that accompanied the political instability of 1969-1971.

#### **4.1.4 THE BALANCE OF PAYMENT 1967-1973.**

This section covers the balance of payment, highlighting the main trends of trade, services and transfer balances. The section aims to look at the main characteristics of the balance of payment's accounts, which in their turn conditioned and influenced the economic performance. As far as the balance of payment in general is concerned, it was positive in the current account between 1967 and 1968 and between 1972 and 1973, but it saw a deficit between 1969-1971. The positive balance between 1967 and 1968 was due to the improvement in the trade balance and the huge increase in transfers - mainly to the central government - after the 1967 war. However, there was a reduction in the service balance at the beginning of the period due to the 1967 war, which resulted in a travel deficit and a decrease in the absolute value of the remittances. The deficit in the current account in 1969-1971 was due to a reduction in net transfers that could not cover the deficit in the trade and services balance. The positive figure of the balance of payments in the last two years of the period was due to the increase in transfers and service balance, which could easily offset the trade deficit. Besides the current account, there was a positive figure on the capital account, which increased by more than three times, rising from JD 2 million in 1967 to JD 6.5 million in 1973.

##### **4.1.4.1 Trade Balance**

Contrary to the previous period, when the general trend was an increase in the trade deficit, at the beginning of this period such a deficit decreased. It dropped from JD 56.8 million in 1966 to JD 42.9 million and JD 43 million in 1967 and 1968

respectively. The fall of the deficit was due to a slow growth in imports (23.7%) between 1967 and 1969, which was below the rate of the last few years before the war. The decline in imports and consequently the trade deficit was mostly a direct result of the occupation of the West Bank. The elimination of the trade barriers between Israel and the occupied territories, as well as the imposition of a high Israeli tariff on the imports to these territories, diverted the West Bank purchases from the East Bank and from over the world via Jordan to Israel.<sup>72</sup> This fact led to a contraction in the size of the Jordanian imports, which started covering the needs of the East Bank exclusively. Undoubtedly, imports dropped by less than the share that was assumedly imported for the needs of the West Bank in the pre-war period. This concludes that the actual absolute value of imports increased partly due to the abnormal population growth caused by the refugees that fled from the West Bank and Gaza.

Apart from the contraction in the imports, the trade deficit was also reduced as a result of the increase in the exports, which rose at 11.3% annually between 1967-1969. According to the central Bank of Jordan, losing the market of the West Bank motivated some of the East Jordanian producers to find new markets, which led to an increase in the exports.<sup>73</sup> However, Kanovesky relates the increase in the exports to the increase in production that was experienced after the war.<sup>74</sup> Moreover, he notes that the phosphate exports reached their peak in 1968, despite the closure of the Suez Canal.<sup>75</sup> In fact, the increase in the phosphate exports was due to the expansion of the Saudi market, so that such exports were not affected by the closure of the Suez Canal.<sup>76</sup>

From 1969, however, this trend was reversed: imports grew and exports stagnated. As a result, the trade deficit grew; it rose from JD 43 million in 1968 to JD 87.7 in 1973, reflecting an increase of 94.65%. The deficit increased as a result of increases in imports, which grew faster than exports in absolute and relative

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<sup>72</sup> Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p118.

<sup>73</sup> Central Bank of Jordan (1967), *The Fourth Annual Report*, p 8, Central Bank of Jordan (1968), *The Fifth Annual Report*, p 19-20, Central Bank of Jordan (1969), *The Sixth Annual Report*, p7.

<sup>74</sup> Kanvosky (1976), *Economic Development in Jordan*, p 80.

<sup>75</sup> Kanvosky (1976), *Economic Development in Jordan*, p 80.

<sup>76</sup> Central Bank of Jordan (1968), *The Fifth Annual Report*, p 20.

terms.<sup>77</sup> In 1970 and 1971 the international transaction sector experienced a depression brought about by the internal conflict and its consequences. The slowdown and eventual stoppage in some economic activities was reflected in the decline of the rates of imports and exports. The private sector, which 'became more inclined to draw down than replenish their commodity stock', reduced its imports due to the September disturbance.<sup>78</sup> The same political factor that affected the imports reduced the exports in the second half of 1970. The main Jordanian exports, namely phosphate, petroleum products and tomatoes, declined in 1970 by 28.8%, 82.9% and 29.7% respectively.<sup>79</sup> Furthermore, the closure of the Syrian borders had a severe impact on foreign trade and particularly on exports, bearing in mind that the Suez Canal had been closed since 1967. After 1971, foreign trade showed an improvement. However, imports grew faster than the exports and consequently the trade deficit increased. In the last half of 1973, exports suffered from the closure of the Syrian-Lebanese borders in May 1973, as well as from the October war, which had an impact on the function of the port of Aqaba.

In spite of the fact that the trade deficit declined in the first part of this period, over the whole period the imports grew faster than the exports, and the trade deficit expanded. Apart from the elements affecting the growth of exports and imports that were mentioned above, the increase in imports can be attributed to the following elements:

- The rise in economic activity after the depression of 1970 and especially as a result of launching the three-year development plan (1973-1975).

- The massive increase in transfers, which had an impact on all economic activities.

- The rising international prices of both raw materials and finished goods.

- The increase in transportation costs due to the Syrian border closure.<sup>80</sup>

- The increase in the levels of consumer spending.

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<sup>77</sup> See table 20/ Appendix 6. Kanvosky (1976), p 84.

<sup>78</sup> Central Bank of Jordan (1970), The Seventh Annual Report, p22.

<sup>79</sup> Central Bank of Jordan (1970), The Seventh Annual Report, p22-24.

<sup>80</sup> Central Bank of Jordan (1971), The Eighth Annual Report, p26.

#### 4.1.4.1.1 Exports

During this period, consumer goods -and especially current consumer goods- constituted the biggest Jordanian export at 57.0% of the entire value of the exports. Agricultural products constituted the majority of the value that was generated from the exports of this section. Raw materials and other goods had the second largest share in the composition of the export value at 40.0%. In fact, the value of the export of this section showed a rapid increase over the years of the period, and in 1973 it was almost double that of 1967. The increase was due to a rise in the value generated from the construction materials, which in 1973 was thirteen times more than the 1967 level, thanks to a rapid increase in the cement exports in the last three years of the period.<sup>81</sup> However, the exports of crude materials showed a decline in 1970 and 1971 as a result of the contraction in phosphate exports. The decline in phosphate exports was due to the closure of the Jordanian-Syrian borders, as well as to the Indian boycott of the Jordanian exports. This latter hit the sales of Jordanian phosphate, as India had become its biggest buyer since the late sixties.

Kanovsky notes that the composition of the exports was increasingly diversified. The sectors that grew in importance were cement and other manufacturing, such as pharmaceuticals, paper products, etc. By 1973-74 their volume in exports was greater than that of food exports.<sup>82</sup> The cement share in exports increased from 5.0% in 1971 to 16.0% in 1972, and the increase in absolute value of the exported cement in 1972 was 309%. In the same year, exports of paper products and pharmaceuticals made up 6.2% of the entire volume of exports.<sup>83</sup>

The geographical distribution of the Jordanian exports indicated that the Arab countries were the main markets for the Jordanian products, excluding phosphates. On average the Arab countries absorbed more than 70.0% of the export volume. The main phosphate buyers during this period were India and Japan, whilst Yugoslavia was a major buyer in the previous period.<sup>84</sup>

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<sup>81</sup> Central Bank of Jordan (1973), *The Tenth Annual Report*, P22-24.

<sup>82</sup> Kanvosky (1976), *Economic Development in Jordan*, p77.

<sup>83</sup> Central Bank of Jordan (1972), *The Ninth Annual Report*, p18.

<sup>84</sup> The share of the phosphate exports to Yugoslavia was reduced due to the closure of the Suez Canal after the 1967 war and to the closure of the Syrian-Jordanian border in 1971. Central Bank of Jordan (1972), *The Seventh Annual Report*, p22.

#### 4.1.4.1.2 Imports

The classification of the imports during this period indicates that consumer goods made up the largest proportion of their volume at 47.3%, of which 90.0% was the share of the current consumer goods and 10.0% that of durable consumer goods.<sup>85</sup> However, the imports of durable consumer goods increased from JD 1.9 million in 1967 to JD 6.4 million in 1973, at an annual growth rate of 17.8%. Kanovsky attributed the sharp increase in consumer durable imports to the rising living standards and to the increase in personal disposal income.<sup>86</sup> It is notable that the imports of food and live animals increased rapidly in absolute and relative terms, as the figures of the imports according to the commodity classification indicate.<sup>87</sup> Kanovsky points out that the import value of food and live animals in 1973 was seven times that of the exports of the same type, while it was just around three times in the first three years of the period.<sup>88</sup>

The share of capital goods was the second biggest component of the imports at 22.2%, of which more than one third was the value of machinery and transports equipment. The imports of capital goods declined in 1967 and 1968, due to the loss of the West Bank market. They also declined in 1970, due to the contraction in investments resulting from the lack of political stability and the internal military conflict, before growing sharply after 1971. A similar trend was experienced in raw material imports, which increased rapidly in 1972 and 1973 after a drop in 1970 and 1971. This increase in both capital goods and raw materials was mainly due to increased national investment and production,<sup>89</sup> though it also reflected higher international prices in late 1972 and 1973.<sup>90</sup>

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<sup>85</sup> Department of Statistics, the Foreign Trade Annual Report (different issues).

<sup>86</sup> Kanovsky (1976), *Economic Development in Jordan*, p78-79.

<sup>87</sup> Foreign Trade Annual Report (different issues).

<sup>88</sup> Kanovsky (1976), *Economic Development in Jordan*, p78-79.

<sup>89</sup> Kanovsky (1976), *Economic Development in Jordan*, p81.

<sup>90</sup> Kanovsky (1976), p81, Central Bank of Jordan (1973), *The Tenth Annual Report*, p28.

#### 4.1.4.2 Services

As was noted before, Jordan's positive service balance partially offset the trade deficit. This, however, was not always the case during the period, due to the 1967 war and political instability, which caused a depression in both workers' remittances and travel.<sup>91</sup> The service balance continued to decrease from the 1966 level of JD 21 million to a deficit of -JD 10.8 million in 1969, from which it began to increase. Although it started to increase from 1970, in that year its level was still below half of that of 1966. Between 1967 and 1971, both workers' remittances and travel incomes were reduced. As was noted by the Central Bank and shown in our figures, the workers' remittances dropped rapidly and were around half that of the level of 1966, while the income from travel showed a deficit after it had been in credit in the pre-war period.<sup>92</sup> The 1967 war resulted in a massive decrease in the income of tourists. Only in 1967 and 1968, the economy lost more than 60.0% of the tourism earnings, due to the massive decrease in Western tourist visiting the country.<sup>93</sup> Furthermore, the unstable political and economic environment after the war and during the internal conflict of 1970 was neither attractive for remittances nor for tourists; on the contrary, the expenses of foreign travel increased.<sup>94</sup>

The service balance in 1972 and 1973 showed a rapid increase; in 1972 it amounted to JD 10.9 million, rising from JD 6.9 million, while in 1973 it was more than double that of 1972. This increase was due to a rise in workers' remittances and to a contraction in the travel deficit. The workers' remittances increased by 25.0% in 1972 and doubled in 1973, when they surpassed for the first time in the period the pre-war years. However, Mazur notes that the official figures of the service account includes the share of the remittances which passed Jordan in their way to the West Bank.<sup>95</sup> According to the Central Bank, the increase in the remittances after 1971 was a result of several factors:

- 1- Increased confidence in the Jordanian economy motivated the workers to channel their remittances.

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<sup>91</sup> Kanvosky (1976), *Economic Development in Jordan*, p84.

<sup>92</sup> Central Bank of Jordan (1970), *The Seventh Annual Report*, P25.

<sup>93</sup> Central Bank of Jordan (1968), *The Fifth Annual Report*, p21.

<sup>94</sup> Central Bank of Jordan (1970), *The Seventh Annual Report*, p25-26.

<sup>95</sup> Mazur, M.P. (1979), *Economic Growth and Development in Jordan*, p119.

2- A decision was taken by the Jordanian authorities to allow the Jordanians working abroad to hold foreign currency in accounts in the local commercial banks.

3- The upheavals characterizing the international market stimulated the Jordanian investors and workers abroad to invest in land and buildings in order to avoid exchange risks.

4- The amounts transferred by the Jordanians working abroad increased due to the rising cost of living.<sup>96</sup>

#### **4.1.4.3 Transfers**

After a large increase of 58% between 1966 and 1967, the total amount of transfers declined between 1969 and 1971, going from JD 54.5 million in 1968 to JD 36.6 million in 1971. Kanovsky notes that, although the Arab countries increased their grants considerably between 1967 and 1969, US grants were heavily reduced and the UK stopped their grants.<sup>97</sup> Thus, whilst in the previous years transfer payments were higher than the trade and service balance, between 1969 and 1971 the transfers were lower, with the current account in deficit. As a consequence, there was also a decline in the gold and foreign exchange. From 1970, the civil war brought the withdrawal of Kuwaiti and Libyan grants, but these were offset by increases in aid from the US and other Arab countries.

From 1972 transfers experienced a massive rise. They almost doubled, increasing from JD 36.6 million in 1971 to JD 68.3 million in 1972, and continued in 1973 at a similar level. The increase experienced in 1972 and 1973 was mainly due to Saudi compensation for the suspension of Kuwaiti aid (JD 8.49 million) in 1972, before its resumption in 1973.<sup>98</sup> Other transfers, such as ones from the UN agencies, continued at a high level in 1972 and 1973, while the aid received from the US increased slightly over the two years.<sup>99</sup>

## **4.2 THE PUBLIC SECTOR CONTRIBUTION**

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<sup>96</sup> Central Bank of Jordan (1973), *The Tenth Annual Report*, p30-32.

<sup>97</sup> Kanovsky, (1976), p88. --

<sup>98</sup> See tables 9-11/ Appendix 6.

If this period could be considered as a transition period at the level of the economic structure and development, it was certainly such at the level of the public sector role in economy. The political events starting with the 1967 war and its consequences, the confrontation with Israel, the political instability and the internal military conflict led to an increase in the role of the state in economic development as well as in economic decision making. The unexpected size of the transfers that channeled to the central government together with the increase in domestic and foreign loans strengthened the position of the state as an economic player. This development became more determinant taking into account the decrease in the balance of services and the relapse and hesitation that characterized some of the private sector activities due to the unfavorable investment environment.

Directly after the 1967 war and in order to deal with the economic affairs that occurred as a consequence of the war and with those that related to the occupied territories, the Jordanian government formed the 'Economic Security Committee'. This committee, which was unconstitutional, gave the government the freedom and the power to put economics decision and regulation into practice regardless of their effect on the economy at large and on the private sector in particular. Furthermore, this committee became more important during the phase of political instability as an effective instrument to carry out the governmental economic policies.

There are no available figures that break down the contribution of the private sector. The assessment of the contribution of the public sector in the economy during this period will be carried out by using the following measures:

- The proportion of the total expenditures of government to the GDP.
- The contribution of public capital formation in the gross capital formation.
- the governmental share in the total loans provided by the local commercial banks.

The proportion of the total governmental expenditures to the GDP at current prices which reflects the state's presence in the whole economy, averaged 40.0% during this period. This share indicated that the state gained more influence during this period compared to to the period of 1954-1966 when the share of the

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<sup>99</sup> See table 10/ Appendix 6.

expenditure to GDP averaged 32.4 %. That was due to the modest GDP recorded in this period as well as the relatively high growth rate in the expenditures mainly as a result of the increase in external aid.

At the capital formation level, the proportion of governmental capital formation to gross capital formation was even more striking since it averaged 60.8%. The figurer indicated that the proportion was very high in those years, which lacked political stability, which resulted in a massive decline in private investment. In addition to the decline in private investment, the liquid availability in the hands of the government enabled it to channel an increased proportion of its expenditures to development projects. According to the composition of governmental capital expenditures however, one could argue that around half of public capital formation was devoted to economic projects while the rest was channeled to administration and security projects.

### **4.3 THE STATE OF THE PRIVATE SECTOR**

This section attempts to provide an overview of the patterns of the private sector's activities during this period. The lack of data about the contribution of the private sector to the economy at large or detailed studies about its structure and characteristics led this study to use the available data concerning the private sector enterprises as the main source of this section. This study is aware that the enterprise data cannot reflect all of the characteristics of the private sector; however, it can give an overall picture of its structure and activities that will be valuable when the bourgeoisie is considered in the coming chapter. This section, therefore, covers the main trends of the private sector enterprises in terms of capital and number. It also shows the main trends of the sectoral and sub-sectoral structure of these enterprises. This section concludes with an overview of the geographical distribution of the enterprises in the country.

#### **4.3.1 THE PRIVATE SECTOR ENTERPRISE TYPES**

This study looked at the private sector during this period by analyzing 14,036 private sector enterprises with a total capital of JD 165,290,193. These enterprises belonged to five different types, which were defined by both the Jordanian Company Laws of 1989 and 1996. The Individual Enterprise (IE) was the most frequent type, making up 79.7% (11,148) of the enterprises considered, followed by General Partnership (GP) enterprise at 16.8%, Limited Partnership at 2.1%, Limited Liability (LL) at 1.3% and finally Public Shareholding (PS) at 0.53%. In terms of capital, the data showed that just 63 PS enterprises made up 33.5% of aggregate capital followed by GP at 29.0%, LL at 17.8%, IE at 12.5% and LP at 7.2%.<sup>100</sup> The outstanding capital of PS compared to that of the other types was a decisive factor in determining the proportion of the entire capital that each enterprise type constituted. Excluding the capital of PS, thereby eliminating its biased effect, shows that GP made up 43.6% of the remaining capital, followed by LL at 26.7%, IE at 18.8% and LP at 10.8%. The distribution of capital and number among the different enterprise types coupled with the average capital in each category indicates some characteristics of the enterprise in each type. For instance, based on IE's average capital (JD 1,852.9), its being individually owned, and the proportion of the total that it constitutes both capital- and number-wise, it could be argued that IE generally consists of small size capital enterprises and self-employed businesses. These characteristics could be partly applied to the GP enterprises, whose average capital stood at JD 20,420.8. In contrast, the fact that the average capitals of LP and LL were more than 20 and 80 times respectively that of the IE, and their small proportion numberwise indicate that businesses in these forms were usually big. Despite the fact that the type of enterprise can be a good parameter to distinguish between big businesses and small ones, the high Standard Deviation of the capital in each type<sup>101</sup> signifies that the mean capital is a weak indicator. For example, there are a number of enterprises of GP and IE forms with capital beyond the mean capital in these types<sup>102</sup>. A reversed trend can be found in LL and LP enterprises where some enterprises are of very small capital.<sup>103</sup>

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<sup>100</sup> See table 1/ Appendix 7.

<sup>101</sup> See table 1/ appendix7.

<sup>102</sup> See table 1/ appendix7.

<sup>103</sup> See table 1 and 2/ Appendix7.

Hence, the enterprise type is of fundamental relevance to the distinction between big and small businesses; however, the general characteristics of a certain type do not necessarily reflect the characteristics of each individual enterprise. Based on the private sector enterprises data, one could assume that there was an inclination among private sector participants towards having their businesses in forms of enterprises that are of a simple structure and that lack separation between management and ownership. In this context, the application of general trends of a certain type of enterprise to a particular enterprise should be constrained by other factors such as the capital of this enterprise, its main activities and whether its owners own other enterprises. This proposition permits the use of the general characteristics of each type without dismissing the particular characteristics of each enterprise.<sup>104</sup>

According to this proposition, it could be assumed that the enterprises of IE type are to a large extent self-employed enterprises, and therefore of petty bourgeois character. Such an assumption is viable if the capital of a given enterprise is in the vicinity of the mean capital of the IEs and the owner of that enterprise is not an equity holder in any other enterprises. This, certainly, could be extended to other enterprise types whose capitals lie in proximity to the IE mean capital.

Based on the above and for the purpose of distinguishing the businesses that do not fit within the general characteristics of their types, it is useful to look at the enterprises in terms of capital intervals<sup>105</sup>. The data shows that the enterprises with a capital of JD 50,000 or more made up 79.0% of the total capital, representing just 2.1% of all enterprises. In contrast, the majority of enterprises (92.9%) had JD 10,000 or less, which is less than the mean capital of all enterprises, JD 11,776. 95.4% of all enterprises lay within the interval of capital JD 1-20,000, as do the mean capitals of IE and GP; these enterprises constitute 14.1% of the entire enterprise capital. 75.1% of the enterprises were of a capital less than JD 2,000 (close to the mean IE capital) of which 91.6% were of IE type, 7.6% GP, 0.6% LP and 0.2% of LL.

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<sup>104</sup> some of the important enterprises considering their capital and its economic weight were among IE form such as Yuusif al-M'ashar Shops, Shapred Hotel.

<sup>105</sup> See table 1 and 2/ Appendix7.

Excluding PS does not reverse the fact that capital was concentrated among a limited number of enterprises, since 48.0% of the total capital (excluding PS) belonged to 1.5% of the enterprises, whose capital was above JD 49,999. At the bottom of the capital scale the figures reveal a concentration of enterprises (72.9% of all enterprises) whose capital is below JD 2,000 and which make up 6.4% of the total capital (excl. PS). Furthermore, 91.5% of the enterprises, whose capital is within the domain of the IE and GP average capitals, make up just a quarter of the total capital.

This approach distinguishes between the enterprises of outstanding capital compared to their type's mean capital, and those whose capital is close to the mean capital of the same type. As the figures show, the majority of the enterprises of small capital were IE and GP, although there were some of LL and LP among them.<sup>106</sup> On the other hand, 457 enterprises of IE and GP types had a greater capital than the GP mean capital. The sectoral classification of these enterprises was 49.2% commerce, 21.4% manufacturing, 15.7% construction, 9.0% transportation and 3.9% service. Less than 5.0% of these enterprises were in the agriculture, finance, and real estate sectors. Having enterprises in sectors such as manufacturing, construction, finance and transportation with a capital far larger than that of the GP mean is expected because of the nature of these sectors, whose activities dictate capital-intensive enterprises. The same can be said of the 27.5% of commerce enterprises above that are wholesale or import/export firms. However, the retail enterprises that constitute the remaining 72.5% do not have the small capital that characterises retail. In fact, the majority of these retail enterprises with a large capital were supermarkets<sup>107</sup>, agents of foreign producers<sup>108</sup>, car retailers, and car spare parts retailers. Some of these enterprises' owners<sup>109</sup> were already owners or shareholders of other enterprises of different types, in different sectors.

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<sup>106</sup> Apart from the IE, there were 885 enterprises whose capital within the average capital of IE. 14 enterprises were of LL 68 of LP and 802 of GP. 78 enterprises whose capital below the average capital of GP were LL and 219 were LP.

<sup>107</sup> Such as Amman New Shop that was of IE and its capital was JD 400000.

<sup>108</sup> For example, Ismaa'iil al-Balbisii (IE) is the agent of Mercedes cars in the country, and Amiin Shakiir (IE) is an agent for some pharmaceutical companies.

<sup>109</sup> such as Yuusif al-M'asher Shop for fabrics whose owner was the main shareholder and founder of the Jordanian National Bank,

Concerning the growth rate during this period, the private sector enterprises' numbers grew at 42.4% per annum, while their capital growth averaged 8.8%. IE recorded the fastest annual capital growth rate at 64.2% followed by LP at 26.3%, LL at 14.8%, GP at 8.0% and finally PS at 1.8%. IE also grew in number at the fastest rate, growing by 73.1% annually, followed by LP at 19.2%, GP 15.4%, LL at 6.7% and finally PS which showed the slowest rate at 1.2%.

The growth rates in both capital and number were not consistent over the years of the period; in fact moderate rates were recorded in the years of 1967, 1968, 1970 and 1971 compared to 1969, 1972 and 1973. The variation of the growth rates between these two sets of years corresponds to the political uncertainty and instability that the country experienced in the first set of years. The impact of political conditions on growth rates varied according to the enterprise types. Generally, one can argue that the impact was felt most among the big businesses. The figures show that the growth rates of PS, LL and LP both number- and capital-wise were very low and negative in some cases. The small businesses as in GP and IE were less affected.<sup>110</sup> The growth rate of IE and GP reveals that the same conditions did not have the same impact on small businesses. IE in capital and number terms grew at remarkable rates after 1967 throughout the entire period. This trend could be attributed to several factors, one of which is the fact that small enterprises are usually self-employed businesses on which the owners and their dependents rely as their main source of income. Coupled with the previous factor, the fact that the majority of these enterprises are of high significance for the local communities, since they provide necessities such as food<sup>111</sup>, resulted in keeping them in operation, bearing in mind that there was no looting experienced even in the worst phases of the political instability. The limited capital and range of activities of these enterprises reduce the risk that is taken in keeping such businesses in operation. The unnatural population rise caused by the influx of refugees after the 1967 war could have expanded the demand for these sorts of businesses which usually operate in IE form. It is also possible to attribute the increase in the small business numbers to the fact that some of the refugees, who became unemployed because of their status, became entrepreneurs in such fields. Finally, another important explanation for this phenomenon is that there were some existing

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<sup>110</sup> See table 5 and 6/ Appendix 7.

<sup>111</sup> Grocery shops, mini markets, bakeries, laundry shops, maintenance shops etc.

enterprises that had to reregister according to The Companies Law of 1964<sup>112</sup> which could have inflated the rate of IE in particular, and to some extent that of GP.

#### 4.3.2 THE SECTORAL DISTRIBUTION

This subsection analyzes the main trends of the sectoral structure of the private sector enterprises, though it does not claim that the patterns and characters of the economic sectors are confined to what the enterprises show. The sectoral distribution of the private sector enterprises shows that they were dominated by the commerce sector, since the latter constituted 81.0% of all enterprises. Compared to commerce, the other sectors were less significant. Manufacturing, the second biggest sector, made up 8.0% of all enterprises, followed by services at 5.0%, construction at 2.3% and transportation at 2.2%. The rest of the sectors such as agriculture, mining, finance & insurance and real estate contained a small number of enterprises, since all together made up a proportion of less than 2.0% of all enterprises, while each one of them constituted less than 1.0%.<sup>113</sup>

A rather different picture emerges when the sectors are compared in capital terms. Commerce had the biggest share of capital at 32.9% followed by manufacturing enterprises at 27.6%, construction at 9.4%, finance & insurance at 9.1%, services at 5.4%, mining at 5.1% and electricity at 2.6%.<sup>114</sup> The sectoral distribution in capital terms shows that there is a gap between the share of each sector numberwise and its share capitalwise, as is the case in commerce, services, construction, finance, mining, electricity and manufacturing. The fact that some sectors require more capital intensive enterprises than others explains this gap at one level. At another, the nature of the activities of some sectors such as commerce

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<sup>112</sup> There was some of the IE had been registered under the umbrella of the Ministry of Justice during the period before 1964 when the Companies Law was introduced confining the Ministry of National Economy to be the only entity in charge of all companies issues. That meant that the Ministry of Justice enterprises of which the majority of these enterprises were of small capital at large or IE in particular have to reregister according to the framework of the new law. This process was a gradual one, according to the convenience of the enterprises, that stretched over few years took few years and these enterprises that converted their registration were dealt with according to the date of the new registration without taking the trouble to keep the original record. (Interview with the Controller of Companies in September 2000 (Amman)).

<sup>113</sup> See table 10/appendix 7.

<sup>114</sup> See table 10/appendix 7.

and services and their early historical development compared with other sectors explains why they were more attractive to small entrepreneurs. In this perspective, capital distribution among the sectors excluding the SP capital shows a radical change in the relative importance of the sectors, shifting it to a state closer to that represented in number terms. The commerce enterprises' share increases from just 32.9% to 55.5%, overshadowing the other sectors. Similarly, construction and services gain more relative weight.<sup>115</sup> In contrast, manufacturing loses almost half of its share, falling to 16.9%<sup>116</sup>, while the shares of mining<sup>117</sup>, electricity<sup>118</sup> and finance<sup>119</sup> drop to almost nothing.

The limited number of enterprises and the small proportion of the total capital that they occupy in the case of agriculture and real estate is mainly due to the development of these sectors in the context of the Jordanian economy in this period<sup>120</sup>. The manner in which the *mashaa'* system was broken up by the implementation of the British land program in the first half of the 20<sup>th</sup> century, resulted in the agricultural<sup>121</sup> activities' being conducted through cultivating private plots. Other activities like animal husbandry took place in the countryside on the margins of cultivations within the domain of the household and not in the form of enterprises. Hence, it is almost impossible to trace the trends and compositions of agriculture. At any rate one could assume that the majority of the private sector activities in this sector are conducted through self-employed forms of business. As for real estate, the small number of enterprises could be attributed to the high capital requirements and also to the fact that the housing sector was still carried out through direct relations between those who seek residence and the contractors.

The limited number of enterprises in the sectors of electricity, mining and finance is mainly due to the high capital needed to establish enterprises and to the state economic policies in granting a monopoly to specific enterprises in some of

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<sup>115</sup> See table 15/ Appendix 7.

<sup>116</sup> See table 13 / Appendix 7.

<sup>117</sup> See table 12/ Appendix 7.

<sup>118</sup> See table 14/ Appendix 7.

<sup>119</sup> See table 18/ Appendix 7.

<sup>120</sup> See table 2, and 20/ Appendix 7.

<sup>121</sup> Despite the lack of data, it is important to bear in mind that agriculture is the leading sector in making up the GDP and absorbing the manpower during this period.

these sectors' subsectors such as phosphate mining. This interpretation explains the substantial capital of these sectors and their large mean capital in comparison to other sectors that outnumbered them.<sup>122</sup>

Concerning the other sectors, commerce, historically, was the only sector that had existed in the area of Jordan alongside agriculture and nomadism since the 19<sup>th</sup> century and one of the few that had flourished under the British economic 'standstill' policy during the mandate period. This can explain the large number of commerce enterprises and their percentage of the entire capital, as can the fact that the commerce sector includes small retail businesses such as grocery shops. Enterprises of this kind, which are of substantial importance to their local communities, are of small capital investment, since 84.0% of the commerce enterprises were of IE type. Moreover, more than 78.5% of these enterprises have capital between JD 1 and 1,999<sup>123</sup>, or as the Manpower Survey indicated, they are of self-employed ownership<sup>124</sup>.

The average capital of manufacturing enterprises was JD 43,214, however, as their distribution into capital intervals shows this sector contained enterprises which were among the smallest and largest in terms of capital.<sup>125</sup> In this context, it is important to mention that manufacturing enterprises that are analyzed here do not reflect all of the manufacturing activities. There are a number of small-size enterprises that carried out some manufacturing activities informally. A considerable proportion of food products, such as dairy, were manufactured in countryside households, for the household's private consumption and/or for selling purposes. These activities do not appear in the data of the manufacturing enterprises.

The same phenomenon is to be found in transportation, since running self-employed businesses of passenger or goods transportation does not oblige the owner of the vehicles to register with the Ministry of Trade and Industry (MTI); the only official requirement is to obtain a license from the Ministry of Interior Affairs. This meant a substantial amount of the transportation activities were not covered in

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<sup>122</sup> See table 9, 12, 14 and 18 /Appendix 7.

<sup>123</sup> see table 4/ Appendix 7.

<sup>124</sup> Department of Statistics, (1970), *Survey of Manpower*, p12.

<sup>125</sup> 6.1% of the total enterprises whose capital JD 2000 or less are manufacturing ones, making 9.5% of the total capital of these enterprises within this range of capital. See table 9 and 10/ Appendix 7.

the figures of the transportation enterprises, bearing in mind that during this period a great majority of the road transport enterprises were generally small and self-employed. This consideration explains the high average capital (JD32,360) of transportation enterprises and their limited number.<sup>126</sup> The same thing could be applied to a lesser extent to contractors whose activities fall within construction without being obliged to register in the form of enterprise.

The growth rate of the enterprise numbers in the different sectors did not indicate a decline; on the contrary, it showed a positive annual growth rate that ranged from 11.6% in transportation to 48.3% in commerce. The high growth rates recorded for agriculture, mining, electricity and finance are less significant since these sectors had only a limited number of enterprises to start with. The rates in other sectors such as commerce, services and manufacturing were indicative of a large number of new enterprises. The rapid increase in manufacturing enterprises can be understood by considering that this sector had no historical foundation and the years of the 1960s and the early 1970s were its period of formation. The abnormal increase of population in this period can explain to some extent the rapid growth in the number of commerce and services enterprises, especially of the small-size and self-employed firms.

In terms of capital, all the sectors, apart from electricity,<sup>127</sup> recorded a positive growth rate. Services recorded the fastest average annual growth rate at 34.0% followed by manufacturing at 16.2%, agriculture<sup>128</sup> and construction at 18.6% and 18.1% respectively. The high average rate of services was due to the remarkable rate of 1972 (142.9%) that in its turn was attributed mainly to the establishment of two hotels with large capital.<sup>129</sup> The high rate in the capital of construction could be attributed to the boom that the construction sector experienced in consequence to the 1967 war to meet the demands for residential buildings for the refugees.<sup>130</sup>

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<sup>126</sup> See table 8 and 17/ Appendix 7.

<sup>127</sup> The overall decline was due to the decline in 1973, when electricity enterprise with a major capital shut down.

<sup>128</sup> The high annual growth rate in agriculture is due mainly to the fact that capital invested in the form of enterprises prior to this period was limited to the extent that any new enterprise resulted in rocketing the growth rate. Also it was due to the establishment of the Jordanian Fish Com. In 1971 as private-state venture.

<sup>129</sup> The two hotels are Shaprad and Grande place.

<sup>130</sup> Central Bank of Jordan (1967), The Annual Report, p13.

Between 31/3/1971 and 31/12/1973, 20 new enterprises of capital above JD 100,000 were established, an unprecedented scale. Moreover, in 1973 the Housing Bank, a specialized bank in providing mortgage loans, was established.

Before moving towards the sub-sectors composition, it is important to mention that the sectoral structure of the enterprises underwent some important changes during this period. At one level, and despite the overall dominance of commerce enterprises numberwise, this period experienced a rapid increase in the establishment of new enterprises in this sector to the extent that commerce constituted 80.0% of all enterprises. On the other hand, the proportion occupied by commerce capital declined to around 25% of total capital resulting in an increase of the relative importance of manufacturing, finance, mining and construction. These changes were due to the fact that the new commerce enterprises established during this period were of less capital than of the commerce enterprises that shut down.<sup>131</sup> In contrast, the capital of the new enterprises that were founded in other sectors exceeded the capital of the enterprises that ceased to exist.

#### **4.3.2.1 The sub-sector**

The focus of this subsection is not to give a detailed account of the sub-sector composition in each of the economic sectors<sup>132</sup>, but rather a brief review that shows the center of gravity in each economic sector and the main trends that the composition reveals. It was asserted in the previous subsection that economic sectors can be classified into two types according to the number of enterprises that they contain. This distinction is certainly extended to the sub-sector composition; for example, the number of enterprises in some sub-sectors of agriculture, finance, mining, electricity and real estate was small.

Despite the fact that each of the economic sectors has its own distinct features and characteristics, the data reveals that they shared some trends to various degrees. One of these is the fact that some specific sub-sectors in a given

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<sup>131</sup> It was only in 1971 when the share went below 2.0% recording 1.69%. This could be attributed to the closures of the Jordanian-Syrian borders and the Indian boycott of the Jordanian phosphate. (See Central Bank of Jordan (1971), the Annual Report, p 6.) Also table 21 /Appendix 6.

economic sector constitute the majority if not the great majority of capital in that sector, despite the fact that these same sub-sectors have the minority of that sector enterprises. This trend is felt more in some sectors than others; for instance, the phosphate sub-sector, whose percentage of all mining enterprises was 15.4%, constituted 84.7% of the mining capital, leaving 0.5% to stone crushing whose proportion numberwise was 69.2%.<sup>133</sup> The electricity production and distribution sub-sector<sup>134</sup> made up 99.7% of electricity capital leaving just 0.5% for the methylene gas sub-sector that contained the great majority of electricity enterprises.<sup>135</sup> Banks and insurance sub-sectors<sup>136</sup> made up 98.5% of capital and 21.8% of number versus 1.5% and 78.1 in the case of financial institutions.<sup>137</sup>

The same trend is present to a lesser extent in construction, manufacturing, services and commerce. For instance, the partial construction percentage of construction's capital was 22.9%; despite the fact that its proportion in number stood at 42.3%, while non-building general construction constitutes 70.1% of the capital.<sup>138</sup> The manufacturing sub-sector structure during this period reveals that the food<sup>139</sup> & beverage sub-sector was the most numerous, constituting 26.4% of all manufacturing enterprises, followed by textiles at 14.0%, construction materials at 13.4%, metal products (except machinery) at 12.6%, clothing and footwear at 6.7% and wood and cork at 6.5%.<sup>140</sup> The above sub-sectors that made up the great majority of the total manufacturing capital at around 70%, are sub-sectors that could

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<sup>132</sup> For such a propose, see tables in Appendix 6.

<sup>133</sup> See table 27/ Appendix 8.

<sup>134</sup> There were two enterprises in this sub-sector are; Jordanian Electricity Company (JEC), a PS private enterprise with a substantial governmental contribution and Irbid District Electricity Company. The latter is a PS private enterprise that is owned by some of the local authorities in Irbid district and with a substantial contribution of JEC and the government.

<sup>135</sup> See table 33/ Appendix 8.

<sup>136</sup> All the banks and insurance companies were established prior to this period with the exception of al-Moutahda Litaamiin (the United for Insurance) that was established in 1/1/1972 and the Housing Bank that was founded in 1973 as an investment bank specialized in housing activities.

<sup>137</sup> See table 42, 43/ Appendix 8. The small proportion of financial institutions to finance capital does not undermine the fact that the capital of this sub-sector in absolute terms was substantial. This can be attributed to the fact that the main activity of the financial institutions is currency exchange, availability of capital and liquidity are vital requirements to establish and run an enterprise in such a sub-sector.

<sup>138</sup> See table 51 and 52/ Appendix 8.

<sup>139</sup> 4.0% of the food manufacturing enterprises are involved in beverages activities.

<sup>140</sup> See table 23 and 24/ Appendix 8.

include a wide range of small-size enterprises<sup>141</sup>. The structure of the manufacturing sub-sectors according to their capital proportion shows that the petroleum and coal products<sup>142</sup> made up the biggest part of the manufacturing capital at 19.2%, followed by food & beverages manufacturing at 17.0%, construction materials<sup>143</sup> at 14.2%, chemicals at 8.9%, the metal products at 8.5% and textiles at 7.2%. As in the case of the above-mentioned sub-sectors, petroleum and coal, paper and paper products, tobacco, chemicals and plastic constituted respectively 19.2%, 4.0%, 2.6%, 8.9% and 5.0% of the capital (together 40.0%), while the proportion of the number of enterprises that they constituted was respectively 0.27%, 0.7%, 0.27%, 3.4% and 2.9% (together 7.5%). On the other hand, some sub-sectors such as wood & cork and clothing & footwear were widely spread: their proportions of the total manufacturing enterprises number were 6.5% and 6.7%. However their proportions capitalwise were respectively 1.8% and 1.7%.

As far as the services sub-sectors are concerned, cafés & restaurants constituted 22.7% of services enterprises, followed by maintenance services<sup>144</sup> at 21.8%, businesses services at 16.6% and hotels at 10.9%. Capitalwise, they constituted respectively, 26.4%, 15.6%, 35.8% and 13.8%<sup>145</sup>. Some services sub-sectors constituted a large proportion of the sector numberwise and a small proportion capitalwise. For example, despite domestic and personal services<sup>146</sup> occupying an 11.2% proportion of the services sector, its proportion of the services capital was only 0.7%.<sup>147</sup>

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<sup>141</sup> For example, enterprises that produce Arabian sweets and candies, or small-size coffee mills, or milk dairy products enterprises that produce directly for the daily needs of the consumers.

<sup>142</sup> The outstanding capital of this sub-sector is mainly attributed to the SP Jordanian Petroleum Refinery Co. whose capital made up 98.3% of the capital of this sub-sector. A substantial stake in this company that was the only one of its nature is held by the state.

<sup>143</sup> Despite the fact that this sub-sector was one of the leading ones in numbers, the only cement producer was SP Jordanian Cement Factories Co. that constituted 89.7% of the capital of this sub-sector and the state was one of its main shareholders.

<sup>144</sup> Maintenance enterprises cover cars, garages, shops for fixing TVs, radios building and accessories etc. (Ministry of Trade the Registry of Companies Records 1967-1973).

<sup>145</sup> See table 59 and 56/ Appendix 8.

<sup>146</sup> The main enterprises are barber shops, laundrettes, photo development services etc.

One enterprise specialised in public and building cleaning was *Saalamah & Khwourii* established in 1969.

<sup>147</sup> See table 59 and 56/ Appendix 8.

The commerce sub-sector's composition reveals that retail trade was the dominant activity constituting 92.7% and 69.8% respectively of commerce enterprises and capital. Despite the small proportion occupied by the wholesale trade numberwise (4.9%), its proportion capitalwise was 17.9%. Such figures can be understood by bearing in mind that retail trade is the most accessible and low cost business.

Apart from the fact that this trend gives an overall character of the sub-sectors structure in each economic sector, it is also important to show that some specific sub-sectors are more open than others to private sector participants whether they are newcomers or they have been already in the field. In other words, the reality reflected in the figures shows that penetrating some sub-sectors or maintaining business in them is harder than other sub-sectors, since the requirements in these sub-sector are conditioned by the overall character of the enterprises in this given sub-sector. The competitive advantage, in this case is not only conditioned by the number of enterprises, but the overall character of the majority of the enterprises. Hence, one can argue that the following four factors are adequate to explain the existence of such a trend in some certain sub-sectors.

First of all, enterprises in any given sub-sector differ according to their size that in its turn is determined by several elements such as productive capacity, lines of production, number of stages of production, ...etc. In this context presence of large-size enterprises in a given sub-sector, in the small market of Jordan, can result in a limited number of enterprises in that sub-sector and/or concentration of capital in that sub-sector when it is compared to another whose enterprises are of small size.<sup>148</sup> For example, 24.5% of chemical enterprises, 66.0% of the tobacco enterprises and 37.5% of paper and paper products had a capital of JD100,000 or more; on the other hand just 7.3% of food manufacturing, 4.5% of textile, 4.5% of road transport and 0.4% of the retail trade had such a capital.

The second factor is that investments in some sub-sectors require large-scale enterprises<sup>149</sup>. According to the first factor, the size of the enterprise is conditioned

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<sup>148</sup> For example, 24.5% of chemical enterprises, 66.0% of the tobacco enterprises, 37.5% of paper and paper products had capital of JD100000 or more, while the percentage was 7.3% of food manufacturing, 4.5% of textile, 4.5% of road transport and 0.4% of the retail trade.

<sup>149</sup> For example petroleum production, pharmaceuticals compared to food, wood, or paper manufacturing air transport, sea transports.

by subjective factors related to the entrepreneurs; here, the nature of the sub-sectors dictate objectively the size of enterprises and their capital. This is the case in sub-sectors such as electricity production, phosphate, metal mining, pharmaceutical, banking, insurance, petroleum production and to some extent the wholesale trade and financial institutions where investments require large capital for capital goods or liquidity for the functioning of firms.

Third, the state economic policy in either granting some enterprises a complete or partial monopoly over production in a certain sub-sector or encouraging sub-sectors or certain enterprises within a specific sub-sector becomes a decisive factor in determining the number and capital concentration of these sub-sectors compared to the others. The lack of private investment in air transport, for example, was due to the state monopoly of this sub-sector through *Alia* Co., the national carrier<sup>150</sup>. Apart from the capital requirements, the fact that phosphate production was under a monopoly explains why this sub-sector contained only one enterprise, the Jordanian Phosphate Mines (JPM)<sup>151</sup>. The same situation exists for the Jordanian Refinery Co. (JRC). The direct governmental investment in some private sector enterprises resulted in them having a large capital when compared to other enterprises of the same or similar nature. The government directly and indirectly held equities in some enterprises, for example, 34.9% of the Jordanian Spa *Al-Hamah* and 29.4% of the Jordanian company for press and publishing. Additionally the government had 65%<sup>152</sup> of the shares in the Electronic Accountancy Co. and 86.1% of The Jordanian Hotels and Tourism shares.<sup>153</sup>

Fourth, for reasons related to the economic development during this period or to the overall objective conditions of Jordan, some sub-sectors were not exploited or were at an early stage of private sector investment. Such factors also determined

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<sup>150</sup> In 1973, however, there was an attempt to penetrate air transport activities by the private sector by establishing the Air Transport Company. Reviewing the names of the founders and their career by then indicates that the establishment of this company was made with the encouragement of the government, which could have been the decisive factor in dissolving the enterprise in 1975. The information about this company was taken from its files in the Ministry of Trade and Industry.

<sup>151</sup> A shareholding enterprise that was a joint venture between the private and public sectors was established in 1953 and had since a monopoly over the phosphate production and marketing.

<sup>152</sup> The government directly owned 35% of the share of this company, whilst 30% belonged to *Alia* the Jordanian airline. This enterprise was, however, dissolved in 1974.

<sup>153</sup> Over this period the five star hotels of Jordan was the only project for this company.

the number of enterprises and the capital invested in such sub-sectors. For example, the insignificant investment in sea transport was due to the small size and underdeveloped state of *Aqaba*, the only Jordanian access to the sea, as well as to the heavy dependency of Jordan's exports and imports on the Syrian and Lebanese ports. The same could be applied to the pharmaceutical, plastic, and publishing sub-sectors. Apart from the above-mentioned sub-sectors, others developed during this period, such as art, music and broadcasting, whose activities were triggered by the establishment of a National Television network in 1968 and the potential of marketing to some of the Gulf countries' television networks.<sup>154</sup>

The above factors, which were fundamental in influencing the number and capital of some sub-sectors and the overall structure of the economic sectors, can also explain the patterns that some sub-sectors' enterprises took in reference to their types. Concerning the enterprise types in sub-sectors, it is vital to bear in mind the assertion made in the previous subsection, i.e. the inclination among the private sector participants to establish IE or GP forms of enterprises. An obvious trend, however, can be put forward relating the types of enterprises in a specific sub-sector and the number of enterprises and size of capital in that sub-sector. The sub-sectors that were of few enterprises and had a substantial proportion of capital were usually dominated by enterprises of PS or/and LL types, as is the case in banks<sup>155</sup>, insurance<sup>156</sup>, phosphate,<sup>157</sup> electricity production,<sup>158</sup> petroleum<sup>159</sup>, tobacco<sup>160</sup>, hotels<sup>161</sup> and health<sup>162</sup>.

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<sup>154</sup> Apart from one all of these sub sector enterprises were established after 1969.

<sup>155</sup> All of the banks enterprises were either SP (99.8% of banks capital, 71.4% of numbers) or LL.

<sup>156</sup> 57.1% of insurance enterprises were SP making 99.1% of the capital. The only enterprise in these sub-sectors which is not a PS enterprise is the British Agency for insurance that was established in 1965 as an LL enterprise before it shut down ten years later.

<sup>157</sup> All of the phosphate enterprises were of PS type.

<sup>158</sup> All of the electricity enterprises were of PS type.

<sup>159</sup> 33.3% and 33.3% of petroleum enterprises were of SP and LL make respectively 91.7% and 7.1% capital wise. See table 18 and 19/ Appendix 8.

<sup>160</sup> 66.7 of tobacco enterprises were SP makes 99.8% capital wise. See table 18 and 19/ Appendix 8.

<sup>161</sup> 1.3% and 5.2% of hotels enterprises were of PS and LL making up respectively 58.6% and 17.7% capital wise. See table 57 and 58/ Appendix 8.

<sup>162</sup> 50.0% of health enterprises were of LL making up 93.9% capital wise. See table 57 and 58/ Appendix 8.

In contrast, GP and IE types were dominant in sub-sectors such as stone crushing (88.9% and 57.4% respectively of number and capital)<sup>163</sup>, financial institutions (88.0% and 77.5%)<sup>164</sup>, liquid gas (100%)<sup>165</sup>, food manufacturing (90% and 20.5%), leather products (94.4% and 18.1%), textiles (93.0% and 60.0%), wood & cork (90.0% and 65.2%), furniture and fixtures (100%), jewelry (100%)<sup>166</sup>, maintenances services (98.0% and 19.5%), domestic & personal services (98.3% and 99.5%), restaurants & cafés (95.6% and 13.8%)<sup>167</sup> and road transport enterprises (77% and 61.5%)<sup>168</sup>. In commerce, more than 85.0% of the enterprises in each of the sub-sectors were IE and GP.<sup>169</sup> Certainly the capital requirements to establish or to run such businesses are the decisive factor in such a phenomenon.<sup>170</sup>

#### 4.3.3 THE GEOGRAPHICAL DISTRIBUTION

The geographical distribution of enterprises highlights that the majority of enterprises (90.9%) were concentrated in Amman, possessing around 89.7% of the capital. In terms of number, *Irbid* comes second at a proportion of 6.0%, followed by *Zerqa* and *Balqa* at 1.4% for each.<sup>171</sup> The rest of the enterprises were scattered among the other governorates with a fraction of 1.0% each. The enterprise capital distribution demonstrates that the *Balqa Governorate* had the second biggest proportion after Amman at 4.3% followed by *Zerqa* and *Irbid* at 2.8 each. Again, the rest of the Governorates possessed less than 1% for each. It is interesting to note that *Irbid*, which had the second biggest share according to the enterprises, came in

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<sup>163</sup> See table 25 and 26/ Appendix 8.

<sup>164</sup> See table 41 and 42/ Appendix 8.

<sup>165</sup> See table 33 and 34/ Appendix 8.

<sup>166</sup> See table 17 and 18/ Appendix 8.

<sup>167</sup> See table 57 and 58/ Appendix 8.

<sup>168</sup> See table 65 and 66/ Appendix 8. It should be mentioned that a substantial amount of this sub sector's activities was passenger transport connecting the population of the countryside with its urban centers and the urban centers to each other. Consequently, it was common that small enterprises were established at the level of the towns or villages for such a purpose.

<sup>169</sup> The IE and GP proportion of the total capital in each sub-sector was 40.5% in wholesale trade, 84.0% retail trade, 50.9% in imports and exports and 81.0% service for trade. See table 9 and 10/ Appendix 8.

<sup>170</sup> See table 25, 26, 33, 34, 41 and 42/ Appendix 8.

<sup>171</sup> See table 10, appendix 7

the fourth position capital wise. This is ascribed mainly to the fact that Zerqa and Balqa continued PS enterprises, whose capital boosted their relative importance capital wise, such as the Petroleum refinery in Zarqa and Cement Factory Co. and the Arab Pharmaceutical Co. in Balqa. Correlation could be traced between the enterprise type and how widespread these enterprises are. The most spread enterprises are those IE or GP types, while PS or LL types, were high concentrated in Amman. This concludes that the decisive factors in the geographical spread of enterprises are the size of enterprises and their activities.<sup>172</sup>

The concentration of the enterprises in Amman was a predictable result of the historical development of the city that was determined by the political decision choosing it as capital (1921). Being the capital, Amman urbanized at a quick pace and was privileged by having the priority of the infrastructure and the services that investments usually require. Apart from the competitive advantage of the infrastructure and services, it benefited from its geographical setting in the northern part of Jordan, being relatively close to the Syrian borders, which was the main access to the ports on which the Jordanian exports and imports depended during this period and before. The majority of the refugees especially the 1948 ones settled in Amman, becoming proletarianized by virtue of uprooting them from their context, supplied the private sector with the needed labour force that was to a large extent more skillful than that of the indigenous. Some of the refugees, moreover, became entrepreneurs establishing their own business to the domain of their resident.

The distribution of the enterprises according to provinces highlights that the Central province<sup>173</sup> that contained three major cities Amman, Zarqa and Balqa possessed 93.7% of the enterprises and 96.8% of the total capital, followed by the Northern Province at 6.0% and 5.6% and finally the southern Province at 0.3% and 3.1%.

The geographical distribution of the sub-sectors was influenced by the nature of the sub-sector and number of enterprises in each sub-sector. Enterprises of food and beverages, printing, packaging, glass and glass products, leather products and rubber are widely spread among the different governorates. The rest of the sub-

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<sup>172</sup> This economic sectoral geographical distribution is to be considered in the next subsection.

<sup>173</sup> The province classification is socio-political one rather than geographical one. See chapter 3.

sectors' enterprises were concentrated mainly in Amman.<sup>174</sup> The limited number of enterprises in these sub-sectors and the better infrastructure of Amman were the decisive factors in their concentration in the capital city.

A detailed account of the enterprises' geographical distribution is beyond the scope of this subsection.<sup>175</sup> The data, however, shows that in addition to the concentration of manufacturing enterprises in Amman, Irbid<sup>176</sup> and Zerqa<sup>177</sup> started to be favorable locations in which to locate manufacturing enterprises.<sup>178</sup> The preference of manufacturing activities for Zerqa proceeded during the second half of the 1970s and 1980s benefiting from the cheap prices of land.

In a similar fashion these sub-sectors differ from each other in their geographical base. The sub-sectors with few enterprises (Banks, insurance, ...etc.) are concentrated in one governate or two and usually in Amman, while the other

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<sup>174</sup> In fact enterprises producing petroleum and coal products, non-electronic, other metal manufacturing and tobacco were exclusively based in Amman. Tobacco manufacturing comprised 3 enterprises of which two are large-scale ones and of PS type, while the third is of medium size and is not involved in producing the cigarettes but producing tobacco. The characteristics of the tobacco sub-sector is applied to a large extent to the other sub-sectors that mentioned above. The first enterprise is the Jordanian Cigarettes Company, which has stayed as the only cigarette producer up to the early 1990s. The second biggest enterprise was the National Company of Tobacco and Cigarettes whose date of establishment goes back to the 1950s. However, it had undergone different sorts of difficulties: internal ones rooted in the shareholders and external ones that related to the competition from the Jordanian Cigarettes Company leading it to convert from being PS to LL in 1975 before it was liquidized.

<sup>175</sup> It is important to mention that some governorates had relatively a decent proportion of specific sub-sectors. For instance, Zerqa district included 22.2% of beverages, 16.7% of iron manufacturing, 14.3% of transportation equipments, 12.5% of paper and paper products and 5.6% of the leather products. The distribution of the sub-sectors capital wise is largely influenced by the location of the PS enterprises, since 2/3 of the manufacturing capital is presented by their capital. Balqa, hence, contained 76.9% of the construction materials. Apart from the small and medium size enterprises that produce some construction materials, mainly bricks, the SP Jordan Cement Factory's capital boosted the Balqa proportion in the total capital of the this sub-sector.

<sup>176</sup> Irbid in the north of the country contained 20.5% of furniture and fixture enterprises, 16.7% of packaging, 14.3% of glass and glass products 12.5% of electronic machinery, 10.8% of plastic and rubber, 9.9% of metal products (except machinery), 7.3% of the construction materials. At the capital level, it contained 30.9% of electronic machinery, 28.8% of glass and glass products, 13.8% of furniture and fixture 12.2% of packing and 6.7% of food manufacturing.

<sup>177</sup> Despite the fact that the actual petroleum refinery, which is the main component of the petroleum sub-sector, is based in Zarqa, it is considered according to the official figures considered to be in Amman, given that its headquarters have been in Amman ever since its establishment. This research follows the Ministry of Trade and Industry's geographical distribution. In the case of Zerqa, it held 68.4% of the beverages capital, 52.1% of paper and paper products, 43.3% of the chemical products and 17.0% of the textiles.

<sup>178</sup> The main enterprise with large capital in this sub-sector and located in al-Balqa is the Arab Pharmaceutical Factory that was established in 1964 with capital JD 250000, the first one of its kind, and its capital during this period.

sub-sectors are more spread among the cities and regions of the country.<sup>179</sup> In case of the Banks, branching acted as a substitute for concentration of the firms in Amman.

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<sup>179</sup> See tables 29, 30, 39, 40, 47 and 48/ Appendix 8.

## CHAPTER FIVE

### THE BOURGEOISIE (1967-1973)

This chapter aims to give an analytical account of the bourgeoisie over the first period of this study (1967-1973). The trends and patterns of the bourgeoisie are to be analyzed by looking first at their enterprises and secondly at the members themselves. The bourgeoisie is going to be analyzed according to the economic power of its members. The third section deals with the fractions within the bourgeoisie, while the fourth section is devoted to analyzing the bourgeoisie members (BMs) according to the vertical variables. Before proceeding in such an analysis, it is important to show how the mechanism aims to locate the BM during the 1967-1973 period within the domain of the private sector.

In order to put the mechanism that was elaborated in Chapter 3 in operation, this study looks at all of the enterprises that were established over this period (June 1967 to 31st December 1973), in addition to the enterprises that had been established prior to June 1967 and were still operating during this period.<sup>1</sup> These enterprises and their equity holders make up the domains of the private sector enterprises and private sector participants, from which the BM are to be extracted.

According to this mechanism, the first stage is to separate the sector participant (SP) enterprises from the others. As was mentioned in the methodology, the BMs which are in each of the SP enterprises are the largest shareholders, possessing the first 60.0% of the shares. The BM in the SP were extracted according to this criterion.

Concerning the extraction of the BM in the rest of the enterprise types, the first step was to define the amount of capital (x) that the methodology suggested to

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<sup>1</sup> In this context, all enterprises that were established before this period and ceased to exist before June 1967 are not part of this period's private sector and consequently would not be part of the bourgeoisie. The enterprises that were established before or during this period and ceased to exist during the period were still considered as part of the private sector and of the bourgeoisie if they were qualified. Such a proposition is based on the fact that these enterprises and their owners were active in the period, and their closure is of significance for the analysis of the private sector and of the bourgeoisie.

be the figure that can distinguish between enterprises: owners who possess x or more are automatically considered as members of the bourgeoisie. Based on the average capital of the enterprise types,<sup>2</sup> this study assumes that the figure should be JD 20,000, that is around the average capital of the GP enterprises (JD 20,420.8). Therefore, the owners of enterprises whose capital was JD 20,000 were automatically qualified to be part of the BM. The rationale behind choosing a figure close to the mean capital of GP rather than to that of other enterprise types was the inadequacy of the latter to constitute a representative figure. Using the mean capital of IE (JD 1,852.9), which is small compared to the mean of other types, would have resulted in a large number of private sector participants being considered as BM. An examination of these members revealed that a substantial number could be inaccurately considered as bourgeoisie. Opposite results were obtained when the chosen figure was close to the mean capital of LP or LL (JD 41,017.36 and 160,550.10 respectively). The fact that the mean capitals of the latter types were large in comparative terms, led one to miss out some enterprises whose owners were clearly part of the bourgeoisie. In this context, JD 20,000 could be an appropriate figure to function as a dividing line, since it did not exclude, nor did it include, too many enterprises in its qualification of the bourgeoisie.<sup>3</sup> Hence, the

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<sup>2</sup> Using the mean capital of the enterprise types was not the only way that could have led to distinguish between two sets of enterprises and accomplish this stage of extracting the BM. For instance, this study examined the possibility of using the mean capital of all enterprises, that is JD 11,776. The outcome of this attempt was the inclusion of a large number of enterprises, and therefore a large number of owners were automatically considered as BM. Further examination, however, led the study to conclude that a substantial number of these members were inaccurately included in the bourgeoisie. Another approach that was examined is the use of the mean capital of the enterprises in each economic sector, in the sense that the owners of an enterprise within a certain economic sector would be considered to be BM if the capital of their enterprise was above the mean capital of the enterprises in that economic sector. When this approach was put in function, the first problem that occurred was that the number of the enterprises, and therefore of their owners, was large, since the mean capital of commerce enterprises was JD 5550.906, and the great majority of the enterprises were in the commerce sector (see the section on the state of the private sector in chapter 4). This meant that some of the private sector participants were inaccurately considered as BM. The other problem of this approach was that it missed out some BM in specific economic sectors whose mean capital was large. For instance, the mean capital of finance and insurance enterprises stood at JD 245,301.3; this large mean capital was due in particular to the contribution of the banks, so that using it to distinguish between two sets of enterprises in this sector would have missed on important elements of the bourgeoisie who could be found in insurance and currency exchange. The same argument can be applied, though to a lesser extent, in manufacturing and transportation and mining.

<sup>3</sup> This study is far from claiming that the figure 20,000 is not going to miss out any of the bourgeois members or that it is not going to qualify some owners that are not bourgeois. However, the accuracy achieved by using this figure is far higher than that achieved by using others. Moreover, the possibility of missing out some elements of the bourgeoisie is reduced to a minimum by using other ways of extracting bourgeois members in the later stages of the mechanism. Based on the above, and for the purpose of distinguishing the businesses that do not fit within the general characteristics of their types, it is useful to look at the enterprises in terms of capital intervals. (See table 1 and 2/ Appendix 5) The data show that the enterprises with a capital of JD 50,000 or more make up 79.0% of the total capital, representing just 2.1% of all enterprises. In contrast, the majority of enterprises

owners of any enterprise whose capital was JD 20,000 or more were considered as part of the bourgeoisie.

Along the line of this mechanism, the private sector participants who had equities in more than one enterprise or possessed 0.1% or more of the total equities of the private sector and had not qualified to be BMs so far, are considered to be part of the bourgeoisie.

The domain of the bourgeoisie that results from using the mechanism that was put forward in chapter 3 and its general application in this period consists of 10,110 members, whose total equities are JD 111,141,584. The bourgeoisie's total equities make up around 60.0-65.0% of the total equities of the private sector in this period. In other words, around 10 thousand members, who are considered to be bourgeois, are in control of just below two thirds of the private sector capital invested in forms of enterprises. The capital, as was emphasized in chapter 3, is used as a parameter to reflect the control of the means of production, and consequently the appropriations of the surplus value in Jordan in this period. In this context, the bourgeois members are in control of the majority of the means of production. This control is greater than the percentage of the bourgeoisie's equities to the private sector's equities. In actual fact, as was pointed out in the previous section, the bourgeoisie's equities are invested in forms of enterprises that were put under the category of bourgeoisie enterprises, which means that the economic power of the bourgeoisie is not confined to what they themselves owned, but extended to the enterprises that contained their equities. This proposition is a valid one, bearing in mind that the bourgeoisie's equities made up 70.0% of the BE equities.

## **5.1 BOURGEOISIE ENTERPRISES AND BOURGEOISIE MEMBERS: GENERAL TRENDS**

This section covers the main trends of the BE and BM. The concept of BE, as was indicated in chapter 3, refers to all enterprises in which the investments of

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(92.9%) have JD 10,000 or less, which is less than the mean capital of all enterprises, JD 11,776. 95.4% of all enterprises lies within the interval of capital JD 1-20,000, as do the mean capitals of IE and GP; these enterprises constitute 14.1% of the entire enterprise capital. 75.1% of the enterprises have a capital of less than JD 2,000 (which is close to the mean IE capital); of these, 91.6% are of IE, 7.6% of GP, 0.6% of LP and 0.2% of LL type.

the bourgeoisie members are found.<sup>4</sup> Hence, the data of these enterprises do not only correspond to the data of the bourgeoisie members, but also to their partners who were not qualified as bourgeois. Indications about the number of these enterprises, their capital, types and economic sectors can lead to some conclusions about the economic bases of the bourgeois investments and about the general patterns of these investments, in spite of the fact that not every BE is necessarily fully owned by bourgeoisie members. This section was divided into three subsections, which cover types of enterprise, economic sectors and forms of ownership respectively. In order not to base conclusions entirely on the data of the BE, each subsection is designed to give an analysis of such data followed by one of the data of the BMs relative to each subsection. The importance of deducing trends and conclusions based on data of the BMs does not only come from the fact that the latter are the main concern of this study, but also from its empowering or contrasting the conclusions that resulted from analyzing the data of the BE. In each subsection, reference to the enterprise types, economic sectors or forms of ownership is followed by the analysis of the BMs. Hence, each of the subsections looks at the trends of the BE followed by what the BMs data indicates.

### 5.1.1 BE AND BM ACCORDING TO THE ENTERPRISE TYPES

The bourgeoisie enterprises constituted 92.0% of the entire capital of the private sector enterprises, while in terms of numbers they made up just 26.5% of the total.<sup>5</sup> In other words, around a quarter of the private sector enterprises, which was partly or fully owned by the bourgeoisie, constituted the great majority of the entire private sector capital in terms of enterprises. At the level of the enterprise types, the data show that all of the PS were part of the BE, while 89.3% of the LL, 79.3% of the LP, 64.3% of the GP and just 15.8% of the IE were included.<sup>6</sup>

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<sup>4</sup> See the subsection on the BE in Chapter 3.

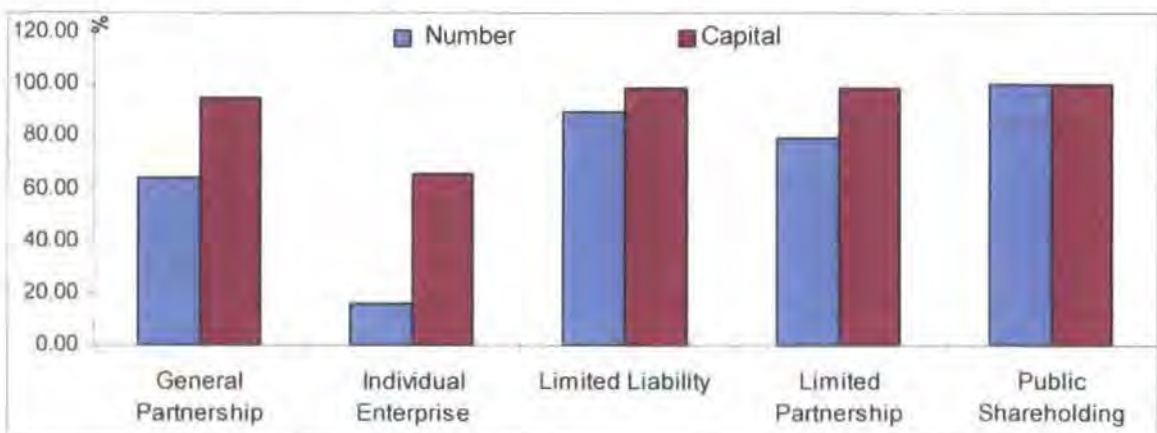
<sup>5</sup> See table (1), appendix 7.

<sup>6</sup> It is vital, however, to point out that the BE ratio to the total enterprises in each type cannot be taken as an accurate indicator of the bourgeoisie's preference towards one type rather than another. This ratio is largely determined by the popularity of certain types among the private sector participants, rather than among the BM. For example, the BE of IE type made up a small proportion of the entire IE, which does not mean that the bourgeoisie shun away from this type; on the contrary, the IE was still a popular form of enterprise among the bourgeoisie during this period. The low percentage, however, is due to the popularity of this type among the private sector participants at large.

In capital terms, as it could be expected, the percentage of the bourgeoisie enterprises capital to the total capital in each enterprise type was as large as 100.0% of PS, 98.9% of LL, 98.7% of LP, 94.7% of GP and 66.0% of IE.<sup>7</sup> In this sense, regardless the BE ratio to the number of private sector enterprises in a given type, they still constituted the majority - if not the great majority - of the capital of the private sector in that type, as the figures indicate.<sup>8</sup> The proportion of the BMs equities to the total capital of the enterprises in each type confirms to some extent the above results. The proportion of the BMs equities was more than 90.0% of the capital of the enterprises in each of the GP, LL and LP and almost two thirds of the capital of the IE. The only exception were the PS, where the BMs' equities were as low as 20.0%. The fact that the small shareholders could have between them a substantial proportion of PS total capital is one factor explaining the low proportion of the BMs' equities. On the other hand, a respectable proportion of equities within the PS was in some cases owned by equity holders who cannot be considered BMs, such as the Jordanian state or other governments and governmental institutions.

The distribution of the BE capital and of the BMs' equities can be considered as an appropriate indicator of the possession of means of production and of the distribution of surplus value. In light of the available data, it shows that the BE were generally in a position of control over the main stake of the means of production, and therefore their owners appropriated the majority of the surplus value. Such an assertion is highly faithful to the theoretical framework of this study.

Figure 5-1: Ratio of the BEs' Number and Capital to the Total Enterprise Number & Capital



<sup>7</sup> See Table (1), Appendix 7.

<sup>8</sup> For example, the 84.2% and 35.7% respectively of the IE and GP total number – which are not part of the BE – correspond to only 34.0% and 5.3% respectively of the total capital of these two types.

The structure of the BE enterprises according to their types shows that the IE type made up the majority of the BE at 47.3%, followed by the GP type at 40.6%. LP, LL and PS enterprises made up 6.2%, 4.5% and 1.5% of BE respectively.<sup>9</sup> However, the distribution of the BE in capital terms reveals a rather different picture; the BE of PS type constituted the largest share at 35.6%, followed by the GP at 29.0%, LL at 19.2%, IE at 8.7% and LP at 7.6%.

The structure of the BE in regard to the enterprise types does not appear to follow a specific pattern. For example, the fact that the majority of the BE were of GP and IE types, and that the majority of the BE capital was in PS enterprises, does not in the least indicate that the bourgeois members excluded any of the enterprise types to carry out their activities. It is difficult, however, to advance a set of factors or rules that can accurately explain the popularity of one type rather than another among the bourgeoisie, especially since the choice of a certain type could be simply driven by subjective reasons.

Looking at the distribution of the bourgeoisie members and equities among the different types of enterprises does not suggest any particular pattern. The data reveals that 39.3% of the bourgeoisie's equities was in GP enterprises. The second largest share of the bourgeoisie's equities was in LL enterprises, at 26.9%, followed by 12.3% in IE, 11.1% in PS and 10.5% in LP.<sup>10</sup> In number terms, GP had again the largest percentage of the bourgeois number at 40.5%, followed by PS at 19.5%, IE at 16.9%, LL at 12.4% and LP at 19.8%.<sup>11</sup> Despite the fact that these figures suggest that the bourgeoisie's capital and number were more concentrated in GP enterprises – which shows that this type was more popular among the bourgeoisie – the other types of enterprises were still significant for the bourgeois members.

Some general patterns, however, can be deduced from reviewing the BE types. The fact that the enterprises differ according to their fields and main activities in their requirements for capital intensive can explain the variation in their types. It is rare to find enterprises whose activities require capital intensive and are of IE or

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<sup>9</sup> See table (1), Appendix 7.

<sup>10</sup> The discrepancy between the BMs' equities in a certain type and the capital of the BE in the same type is due to the fact that the capital of the BE refers to equities belonging both to the BMs and to their non-bourgeois partners, such as the state or the small equity holders.

even of GP type. Usually, such enterprises were of LL or LP, if not of PS type. The opposite trend is also found to a large extent.

The popularity of the IE among the BM can be attributed to historical reasons related to the development of capitalism, the private sector and the bourgeois class. The bourgeoisie stemmed from the traditional merchants, who practiced all sorts of trade in the late 19<sup>th</sup> and early 20<sup>th</sup> century. The majority of these merchants' businesses were owned and run individually or by families. Hence, when some of the merchants moved into the bourgeoisie in the period of the socio-economic transformation, so that their ownership of businesses expanded at the quantitative and qualitative levels, many of them kept the enterprises intact from which their activities had started. Despite the underlying reasons, these enterprises acted as headquarters for the management of the other businesses, apart from the activities that were carried out by the enterprises themselves.<sup>12</sup>

At another level, a correlation can be deduced between the type of a given BE and the kinship ties that bound its partners. There seemed to be a tendency among the partners of a nuclear family to choose the GP form to run their business. This tendency can also be seen, to some degree, when extended family ties exist among the partners. On the other hand, LL or LP types were favored when there were no kinship ties among some or all partners. Such a proposition will be further pursued when the bourgeoisie members are analyzed.

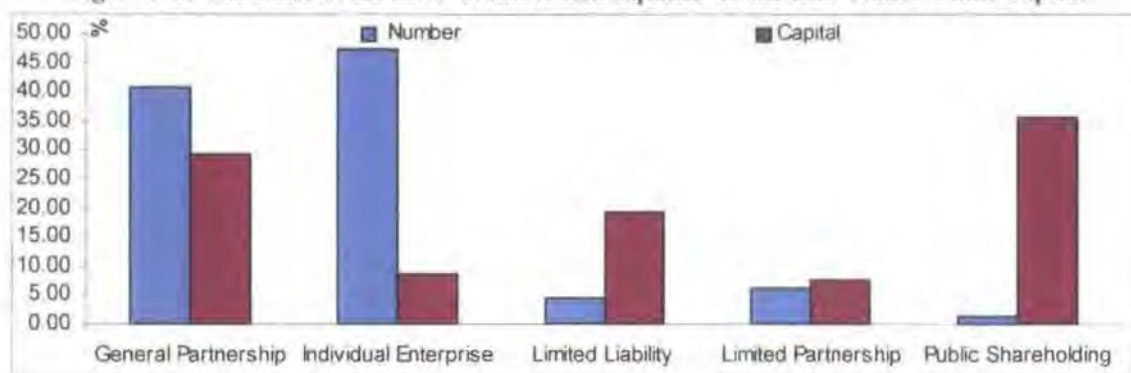
Such a trend should be expected not just because of the nature of the activities of these enterprises, but also because the Company Laws<sup>13</sup> imposed no restrictions on the capital of the IE, in contrast with the other types of enterprises, which made such a type desirable among the small businesses, in Jordanian terms.

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<sup>11</sup> Within each enterprise type, the BMs owned the majority of equities in relation to the total capital.

<sup>12</sup> For instance, Yuusif al-M'ashir, who started his business as the owner of a shop trading in clothes and fabrics, kept his shop in function despite the fact that his activities extended to cover imports and exports, manufacturing, banking and insurance. Muhammed Ali Badiir, who inherited a food trading shop from his father, kept this shop in function even after his activities included, from the 1930s and 1940s, electricity and construction.

Figure 5-2: The Ratio of the BMs' Number and Equities to the BEs' Number and Capital



### 5.1.2 THE BE AND BM ACCORDING TO THE ECONOMIC SECTORS

Concerning the BE ratio to the total enterprises in each sector, the data reveal that it recorded its lowest percentages in the commerce and service sectors, at 21.9% and 26.1% respectively. As regards the other sectors, the percentage of BE was around 50.0%; however, it reached 63.0% and 64.3% respectively in the case of construction and mining enterprises.<sup>14</sup> In terms of capital, the BE capital to the total capital of the enterprises in each economic sector was above 91.0% in most economic sectors. Transportation and commerce were the exception, with the BE percentage standing at 62.4% and 85.1% respectively.<sup>15</sup> The high proportion of BE capital to that of the private sector enterprises can be used, as in the case of the enterprise types, as an indication that the majority of the private sector assets had fallen under BE control.

The BE percentage to the enterprises in each economic sector, both in terms of capital and of number, was largely determined by the conditions of the private sector enterprises, rather than indicating specific features of orientation of the bourgeoisie investments. For example, the low proportion of BE to the number of enterprises in commerce and services<sup>16</sup> tells more about the concentration of the

<sup>13</sup> The reference here is to all the company laws that were introduced in Jordan: The Company Law of 1966, The Provisional Company Law of 1989 and The Company Law of 1996.

<sup>14</sup> See table (3), Appendix 7.

<sup>15</sup> The ratio of the BE capital in the different sectors was as follows: 99.7 in mining and electricity & water, 99.2% in finance & insurance, 96.0% in manufacturing, 94.9% in agriculture, 92.8% in transportation, 92.6% in construction, 88.6% in real estate, 80.3% in services and 64.8% in commerce. See table (3), appendix 7.

<sup>16</sup> Despite the limited number of bourgeois enterprises in the commerce and services compared to the entire number of firms in each of the two sectors, they represented 85.1% of the total capital of the commerce sector. See Table (3), appendix 7.

private sector activities in these two sectors than about the importance of these two sectors to the bourgeoisie. Factors such as the low cost of specific businesses in commerce and services (e.g. corner shops, plumbers or maintenance enterprises, which are usually self-employing) resulted in a large number of private sector enterprises in these two sectors, and consequently in a low proportion of BE.<sup>17</sup> Other factors, which were analyzed in the previous chapter, are related to the economic development of the country and to its natural resources. The state of the sectoral distribution of private sector enterprises can also explain the significance of the BE among the enterprises of each economic sector.<sup>18 19</sup>

The sectoral structure of the BE shows that more than two thirds of the BE were commerce enterprises, followed by manufacturing at 13.3%, construction at 5.6%, services at 5.0% and transportation at 4.9%. The enterprises of sectors such as mining, electricity, agriculture, finance and real estate made up together 2.0% of the BE.<sup>20</sup> The same factors that explained the small number of enterprises in these sectors compared to the other sectors, such as monopolies that were granted to some enterprises, state direct investments, large capital requirements and others, can also explain the low proportion of these sectors' enterprises to the total number of BE.<sup>21</sup> The distribution of the BE among the economic sectors in terms of capital reveals that commerce enterprises still made up the largest share of BE capital, though at only 29.9%, followed closely by manufacturing at 28.8%, construction at 10.2%, finance and insurance at 9.6%, mining at 5.7%, services at 5.6% and

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<sup>17</sup> See chapter 3.

<sup>18</sup> This is the case of agriculture, real estate and services. See chapter 2 concerning agriculture; also see 'The State of the Private Sector' section in the previous chapter concerning agriculture and the other sectors. This trend will change in later periods; for more details, see chapter 7.

<sup>19</sup> These considerations do not imply the absence of large agricultural estates where laborers were hired. In this study, the use of the term 'agricultural estate' differs from that of 'land estate': while the former designates a productive estate, the latter refers to an estate that was not exploited for different reasons, such as its being uncultivable, or the high cost of its cultivation, or simply upon the owner's wish. This distinction is of high importance in the case of Jordan, since land estates, even when cultivable, were often acquired for future investment, mainly speculation. The fact that land prices in Jordan rocketed in different phases, and that the demand on land for residential purposes continued to rise according to the abnormal population increase or to the increase in remittances, made it possible for some to acquire land and keep it in an idle state.

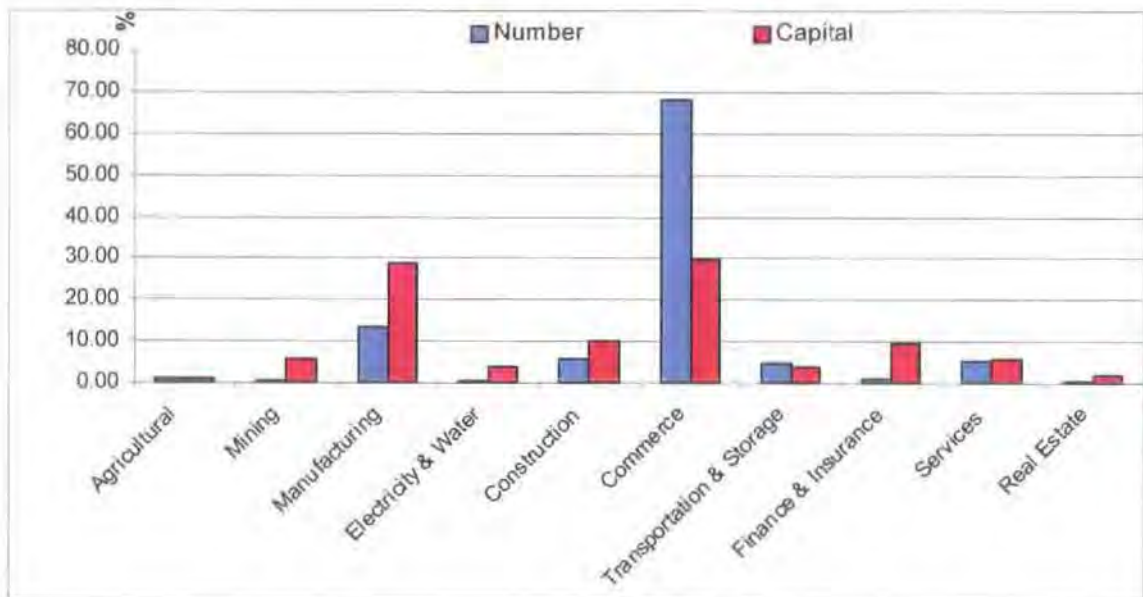
<sup>20</sup> Finance and insurance at 1.7%, agriculture at 0.77%, real estate at 0.52%, electricity at 0.3% and mining at 0.25%.

<sup>21</sup> See the section on private sector enterprises in chapter 4.

electricity and transportation at 3.9% and 3.8% respectively. The agriculture and real estate shares of the BE capital were as small as 0.96% and 1.7% respectively.<sup>22</sup>

When the data of the BMs is considered, a similar trend can be observed. The majority of the bourgeois members (45.8%) were in commerce, followed at some distance by manufacturing at 22.8%, transportation and storage at 9.5%, finance at 8.0%, services at 5.9% and construction at 5.7%. The proportion of the BMs in the remaining sectors – such as mining, electricity, agriculture and real estate - together made up less than 2.5%.<sup>23</sup> The distribution of the bourgeoisie's equities among the economic sectors shows that commerce was the favorite sector, having 40.9% of the entire capital, followed by manufacturing at 22.4%, construction at 14.3%, services at 6.7%, transportation at 4.4%, finance at 3.6%, electricity at 3.4%, and real estate at 2.4%. Agriculture and mining had the lowest portions of the bourgeoisie's capital at 1.3% and 0.5% respectively.

**Figure 5-3: The Ratio of the BEs' Number and Capital in Each Economic Sector to the Total BEs' Number and Capital**



Therefore, commerce was the main sector in which the bourgeoisie's activities took place, as indicated by the proportion of commerce BE to the total BE in number and capital terms, and by the BMs' equities proportion. The fact that commerce is, in a way or another, a cornerstone of the bourgeoisie's activities can

<sup>22</sup> See table 3/ Appendix 7.

<sup>23</sup> See table 4/ Appendix 7.

be better understood knowing that the commercial sector was the one that gave birth to the bourgeoisie, as was shown in the second chapter. Moreover, the conditions of the Jordanian economic development during this period<sup>24</sup> are the general conditions of a country whose poor natural resources and small market encourage activities in sectors of a service nature, such as commerce, banking and construction.

The ratio of the BE capital in some sectors, such as mining, finance, electricity and manufacturing, made up more than 90.0% of the entire capital of the private sector. This can be explained by the fact that the majority of businesses in such sectors require a large-scale capital investment, as is the case in the sub-sectors of banking or insurance. The above trend and the low proportion of the BMs' equities to the total equities in mining and electricity can be attributed largely to the same factors that explained the limited number of private sector enterprises in these sectors in chapter 4, such as the state's heavy involvement in specific projects within the mining and electricity & water sectors.<sup>25</sup> The fact that the country is poor in natural resources and has a small market constrains, by virtue of the competition, the number of enterprises in some specific fields such as mining and electricity production. Such constraints become decisive, given that some specific enterprises were granted a concession and monopoly over specific products, as is the case of the Jordanian Electricity Co., which provided Amman, and then the rest of the country apart from the Irbid district, with electricity.<sup>26</sup> The same can be said about mining, and mainly in the case of phosphate ores, whose exploitation was carried out solely by the Jordanian Phosphate Mines Company (JPMC).

The limited number of bourgeoisie members and of their investments in agriculture can on the one hand be attributed to the fact that no data were available concerning the big landholders who were engaged in agricultural activities. On the other hand, it seems that the investments of the bourgeoisie in this sector had not as yet taken the legal form of enterprises.

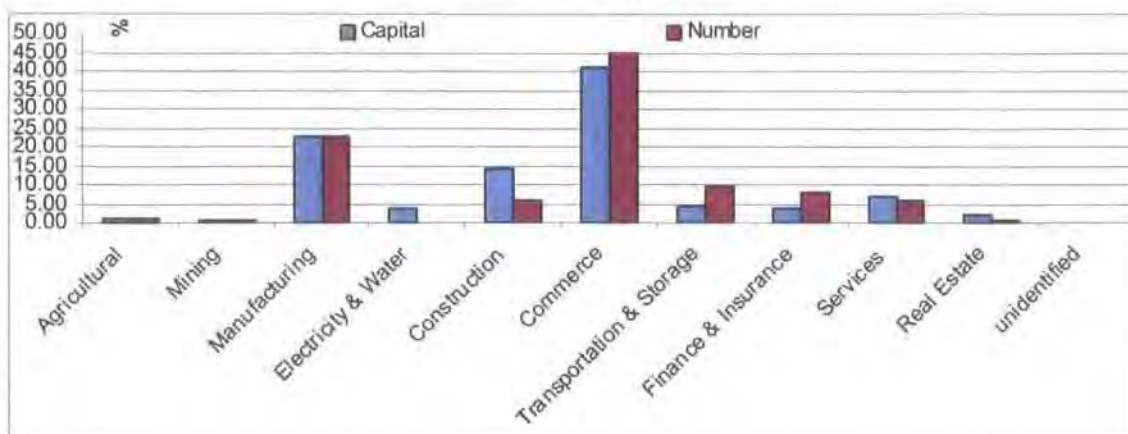
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<sup>24</sup> See Chapter 4.

<sup>25</sup> Except for the equities held by the Jordanian government, which is the major shareholder, data about the shareholders of the Phosphate Mines Co. and Jordanian Electricity Co. could not be obtained upon the refusal of the two enterprises to provide them.

<sup>26</sup> See Al-Dustur, 23/2/1982 (interview with Mohammed 'Ali Badiir).

Figure 5-4: The Ratio of BMs' Number and Equities in Each Economic Sector to the Total BMs' Number and Equities



Despite the above overall review of BMs' investments and the BEs in terms of economic sectors, it is difficult to fraction the bourgeoisie in terms of economic sectors. At the theoretical level, it is accurate to assume that the similar conditions and the common ground that certain sections of the bourgeoisie share by virtue of the fact of belonging to the same economic sector, can be determining factors in shaping the interests of that section. Reviewing the BMs, however, shows that these are divided into two large sections from the outset. The first is the multi-economic sector BMs that contains all the BMs whose activities are not confined to one specific sector. The second includes all the BMs whose investments were based in one sector or another. The majority of the equities of the BMs were in the hands of the multi-sector members.

This division among the BMs can be seen in every economic sector, where the multi-sector BMs possess the majority of equities in that sector. In this sense, within a specific sector, two sorts of interest co-exist, each of which represents one group. The first is the interest of the BMs whose entire investments are placed in that sector. This interest is largely determined by the conditions of the economic sector. The other interest is that of the multi-sector BMs, which one can claim is merely the articulation of the interest conditioned by the same sector that is invested in by the first group and the other that is derived from conditions of other sectors in which their remaining investments are placed. For example, in the case of industry, the BMs are divided into solo-sector members and multi-sector members. Hence, the formation of fraction on the basis of the sector, saying that the identity of the industrial bourgeoisie and its maintenance is conditioned by how strong the interest that embraces the BMs in industry. The fact is that the one-sectoral group in an

industry has an interest that partly shared by other members in the same sector, however, the fact that some of their investments are in other sectors threaten the unity of the bourgeoisie in industry. In some cases, the interest of a one-sector group in a given sector stands in contradiction with the interest of some members of the same sector, which also, have an interest in other sectors. Staying with the boundaries of the industry, the exclusively industry BMs could have a different agenda concerning the protection policies with other members in the same industry, but some of their wealth comes from imports or being agents for some foreign products. Another typical example is the conflict that occurs between the industrial BMs and the industrial banking BMs.

In this sense, this study claims that fractioning the bourgeoisie according to economic sectors cannot be accurate and has no rewarding value. The bourgeoisie can be seen in terms of capital finance that chapter 1 covered to refer to a fraction within the bourgeoisie class that is not one based in one sector, but rather based in the investments of its members in different economic sectors. The Jordanian bourgeoisie in this sense that was formed in a specific sector or another experienced some of its members moving beyond the boundaries of the one-sector base bourgeoisie. Rather than merging enterprises of different sectors and resulting in having cross-sector enterprises, what took place in Jordan was that investment webs of some BMs spread over different sectors, giving birth to a finance capital fraction.

### **5.1.3 THE BE OWNERSHIP TRENDS**

The ownership character of BE enterprises shows that individual control BE constituted the majority at 52.5%, followed by neutral control at 21.4%; however, only 5.5% of the BE were of individual control & family support. The other category that made up a substantial percentage of the BE was nuclear family control enterprises, at 19.4%. Categories like extended family control and corporate control enterprises made up insignificant proportions at 0.7% and 0.6% respectively.<sup>27</sup> The distribution of BMs through forms of ownership shows that 45.6% of the bourgeoisie were involved in neutral control enterprises, followed by 24.4% in nuclear family

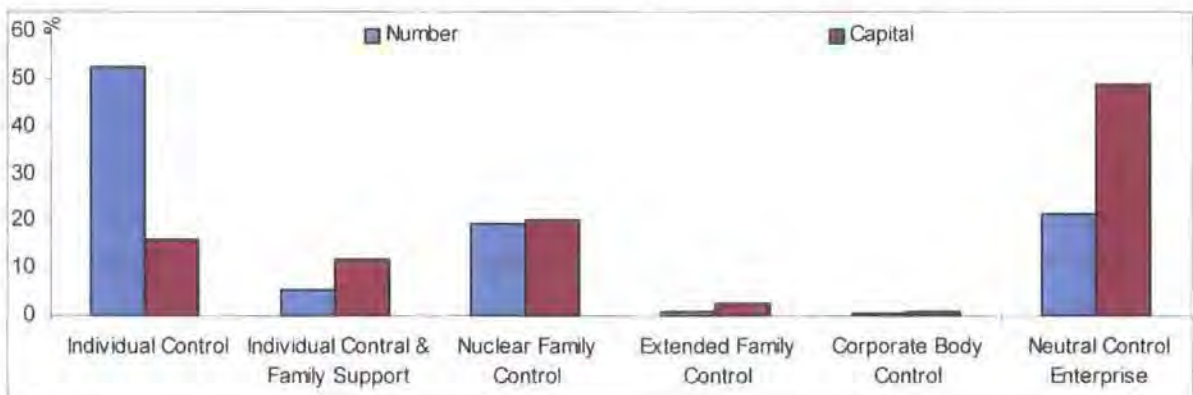
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<sup>27</sup> See table (7), appendix 7.

enterprises and 27.3% in individual control (22.3%) and family support (5.1%) enterprises. The extended family and corporate equity-holder control made up an insignificant 2.7% of the bourgeoisie numbers.

In capital terms, ownership character categories took a different order. For example, neutral control enterprises constitute the biggest proportion of the BE capital at 48.7%. Such a proportion can be understood bearing in mind that such a category contains all the PS, whose capital is usually far larger than other enterprise types. Individual control enterprises made up 27.8% of the capital (15.9% individual control and 11.9% individual control & family support). With a similar proportion to that of the BE number, nuclear control enterprises made up 20.3% of the BE capital. Reflecting their insignificant proportion in terms of number, extended family control and corporate body control enterprises made up 2.6% and 0.7% respectively of the BE capital.<sup>28</sup> Concerning BMs' equities, 36.9% of the bourgeois equities were invested in individual control and individual control & family support, followed by 33.1% in neutral control enterprises and 25.6% in nuclear family enterprises. The proportions of bourgeoisie capital that were found in extended family enterprises (3.6%) and corporate equity-holder control enterprises (0.9%) were trivial compared to other forms of ownership.

Figure 5-5: The Ratio of BMs' Number and Equities in Each Ownership Form to the Total BMs' Number and Equities



Looking at the prevalent forms of ownership among the BE shows that these forms were not consistently spread over the economic sectors. For instance, individual control, individual control & family support and nuclear family control

<sup>28</sup> See table (6), appendix 7.

enterprises were mostly found in commerce, since respectively 75.7%, 60.7% and 66.1% of their numbers and 41.1%, 64.5%, and 40.9% of their capital were found in this sector. Manufacturing was the other sector that absorbed a substantial proportion of these enterprise forms. 10.0% and 13.5% of the number and capital of individual control, 17.4% and 11.6% of individual control & family support and 17.2% and 35.2% of nuclear family control enterprises were found in manufacturing.<sup>29</sup> In the case of neutral control enterprises, 55.6% of their number were in commerce, followed by 16.3% in manufacturing, 10.0% in transportation, 6.8% in construction and 6.2% in services.<sup>30</sup> Capitalwise, 35.8% of the neutral control enterprises' capital was in manufacturing, followed by 19.6% in finance and insurance, 13.9% in commerce, 11.6% in mining and 8.0% in electricity.

This correlation between the ownership forms of businesses and economic sectors can also be seen when the BMs' number and equities are concerned. The great majority of the bourgeoisie number and equities in sectors such as commerce, services, construction and transportation, which were developed earlier than others and were less capital intensive, were in businesses of individual control or nuclear family control. For example, 72.9%<sup>31</sup>, 42.3%<sup>32</sup>, 62.4%<sup>33</sup> and 28.2%<sup>34</sup> of the bourgeoisie number in commerce, services, construction and transportation were either in individual control or nuclear family control businesses. Furthermore, 75.3%<sup>35</sup>, 67.6%<sup>36</sup>, 74.9%<sup>37</sup> and 62.7%<sup>38</sup> of the bourgeoisie equities in commerce,

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<sup>29</sup> See table (4) and (5), appendix 7.

<sup>30</sup> See table (5), appendix 7.

<sup>31</sup> 34.6%, 6.6% and 31.7% were in commerce businesses of individual control, individual control & family support and nuclear family control respectively.

<sup>32</sup> 18.9%, 5.6% and 17.8% were in Services businesses of individual control, individual control & family support and nuclear family control respectively

<sup>33</sup> 25.0%, 7.5% and 29.9% were in construction businesses of individual control, individual control & family support and nuclear family control respectively.

<sup>34</sup> 8.0%, 3.5% and 16.7% were in transportation businesses of individual control, individual control & family support and nuclear family control respectively

<sup>35</sup> 23.7%, 25.7% and 25.9% were in commerce businesses of individual control, individual control & family support and nuclear family control respectively.

<sup>36</sup> 43.7%, 16.6% and 7.3% were in services businesses of individual control, individual control & family support and nuclear family control respectively.

<sup>37</sup> 40.9%, 17.2% and 16.8% were in construction businesses of individual control, individual control & family support and nuclear family control respectively.

<sup>38</sup> 17.0%, 8.7% and 37.0% were in commerce businesses of individual control, individual control & family support and nuclear family control respectively.

services, construction and transportation respectively were either in individual control or nuclear control forms of business.

A substantial proportion of bourgeoisie number and equities in some other sectors were in neutral control businesses, since such sectors had started to develop later than those mentioned above, and some of their projects required intensive capital. 92.1% and 99.5% respectively of the bourgeoisie capital and number in mining, 40.0% and 99.8% in electricity, 95.7% and 97.1% in finance & insurance and 59.7% and 37.7% in manufacturing were in neutral control enterprises.

Apart from the correlation between some specific economic sectors and the forms of ownership that was deducted above and attributed mainly to the capital requirements of business, some other patterns can be highlighted. Firstly, there is a clear widespread use of individual control, nuclear family control and neutral control enterprises, as the data relating to the BE<sup>39</sup> and BMs reveals that one of the bourgeoisie's investment strategies was conducting their businesses through enterprises. The late inception - even in Middle Eastern terms - of private sector activities at large and of the formation of the bourgeoisie in particular, coupled with the fact that the Jordanian formation is poor, can account for the bourgeoisie's preference for individual control and nuclear family forms. Moreover, the bourgeoisie, originating within the womb of the merchants' domain, carried out the same methods that the merchants used in establishing and running their business, which was either individual or family-based. The expansion and articulation of private sector activities at large and of the bourgeoisie's in particular did not require the abandonment of individual or nuclear family control enterprises, but rather a variation in the forms of the enterprises in which the bourgeoisie became involved. In other words, a gradual shift towards neutral control enterprises was necessary only for those projects that were beyond the means of nuclear family control enterprises, or when the small size of the Jordanian market could not tolerate a large number of businesses in the same field, obliging the bourgeoisie members to cross the nuclear family boundaries into neutral control enterprises.

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<sup>39</sup> What the neutral control enterprises lacked in their percentage of BE number, was compensated for by their proportion of BE capital. On the other hand, the proportion of individual control and individual control & family support enterprises, coupled with nuclear family control enterprises, constituted 48.2% of the BE capital and 77.0% of the BE number.

Therefore, the move towards neutral control businesses was not a radical transformation aimed to abandon individual or nuclear family forms of ownership because they had become inadequate for the businesses conducted by the bourgeoisie. In fact, the neutral form of ownership co-existed with the individual and nuclear control forms. As the figures indicate, individual and nuclear family control were still widespread forms of ownership among the bourgeoisie during this period.

Apart from the historical factors that brought the nuclear family control of forms of ownership among the BMs, one could argue that the continuation of this form in particular during this period was due to the parallel relations that the nuclear family ties established along with the relations that were objectively born with the foundation of the enterprise. When the enterprise in question was of the family control form, the cooperation/contradiction relations that occurred between the partners of a given enterprise, determined by the equities that each partner possessed, were accompanied by another form of relationship dictated by the nuclear family kinship ties. Thus, two forms of relations co-existed: a legal formal one, which recognized the partners in regard to their assets, and an informal one, which was reinforced by virtue of the nuclear family kinship relations. The former, which was the dominant one, was based on the interest of the enterprise and consequently on the interest of its bourgeois members. The second one, originating in the family ties, made up another domain of cooperation/contradiction that could influence and even overshadow the first type of relations. It is important to stress that the family-based relations could reduce the importance of the other relations by putting forward a management committee that functioned under the family's home roof rather than in the workplace. The nuclear family relations reproduced within society could overshadow the supposed cooperation/contradiction relationship existing between the partners. Hence, in extreme cases, a patriarchal relationship tying father and children or males and females within a family could eclipse the requirements of the enterprises. Nevertheless, it is possible that some bourgeoisie members might have invested within the same nuclear family, making use of the family ties.

The BE statistics reveal that the individual and nuclear control enterprises were corner stones in the bourgeoisie activities, in contrast the extended family control enterprises were of no significance. Family ties acted as a device to form enterprises within the limitations of the nuclear family. Extended family control

businesses attracted only a small number of bourgeois and a small proportion of their equities; they also covered only a small proportion of the BE number and capital. What is at stake here is not only the important lack of an even impact of family ties on the bourgeoisie's approach to investments, but rather the trivial role of the family in its extended or tribal dimension. The tribal dimension of kinship ties was a significant variable in the social relations of Jordanian society during this period. The tribe was a fundamental unit, in that it played a social role which included a wide range of functions in events such as marriage, death, inheritance and the organization of relations with other tribes within the local community, especially when a dispute broke out between two members who belonged to different tribes. Nuclear family ties, in this perspective, did not stand in contradiction with the tribal ones; on the contrary, consolidation of the tribal dimension of family ties required a reinforcement of nuclear family ties. Belonging to the tribe was not achieved individually, but through belonging to a nuclear family. During this period and in periods to come, the tribe also had a political role. The tribal dimension in social life was recognized by the political system through the application of the traditional juridical common laws and the institutionalization of the council of tribal leaders. Political participation of the individual was implemented through the nuclear family whose position was generally consistent with the tribal positions. The local government elections in villages, small towns and large ones were to a large extent tribal politics.<sup>40</sup> In societies such as in Jordan, family and tribal ties of traditional form, accompanied by the dominance of the patriarchal system, are still in existence, and have even been reinforced. In contrast, tribal relations are not significant as a social variable determining the activities of the BMs, when compared to their role in social or political domains. In other words, the figures disclose that the bourgeoisie in the course of its economic activities were very far from taking into consideration extended family ties as a base for its possession or control over the means of production. Apparently, excluding the tribal dimension was the bourgeoisie's strategy, despite its use of nuclear family ties and the importance of tribal relations in other spheres of society.

The assertion of such a trend in the bourgeoisie's strategy goes only as far as control over the means of production and appropriation of the surplus labour are concerned, and does not imply that tribal relations had no impact on the economic

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<sup>40</sup> See Hamarneh, M. (1995), *Al-Mujtama' Al-Madani fii Al-Urdun*.

activities of the BMs. In other words, the tribal dimension could be an important device in providing some of the extended family members with jobs in the businesses owned by other members of the extended family. Extended family ties could also be used to facilitate the activities of some of the BMs, when some of their extended family members were in a position to do so.

Two possible factors can be the rationale behind the lack of a tribal dimension in the BE strategies to form businesses. The first is related to the rules of the capitalist system, while the other is rooted in the formation and development of the Jordanian bourgeoisie. One could argue that qualifying the tribal relations as the determinant factor in a BM's decision concerning the form of ownership would stand in contrast to the rules the capitalist system. In other words, a BM's decision to establish a business as an extended family would mean that the interest of this member, the conditions of the market and the control of the means of production have become secondary elements in the decision. The marginalization of these factors would lead to the socialization of control over the means of production at the extended family level, and/or to the bankruptcy of the businesses. Socialization and democratization of control over the means of production within the domain of the tribe, even under the assumption that each tribal member has an equal share of the assets, would advance a new system of production that not only would not be a capitalist system, but would stand in contradiction with it.<sup>41</sup> The other factor, which is of a domestic nature and hindered even the historical possibility for a significant impact of tribal ties on the bourgeoisie's activities, is the fact that the Jordanian bourgeoisie was born from the merchants of Trans-Jordan, who were mostly from Syria, Palestine or Lebanon. These merchants, who became the nucleus of the bourgeoisie, were of a different social texture from the Jordanian. However, establishing businesses in Trans-Jordan did not involve a transfer to the area of their extended families, but only of their nuclear families as defined in this study. The injection of the Palestinian bourgeoisie into the Jordanian bourgeoisie after 1948 did not carry with it a tribal dimension like the one that existed in Jordan; this is in line with the argument of this study that the uprooting of the Palestinians hit the structure of the extended family. In this context, the impact of kinship bonds as a social variable on the way in which the bourgeoisie wielded its investments can be seen at

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<sup>41</sup> As a matter of fact, such a system would be close to the anti-capitalist system that Marx and his adherents invoked.

two distinct levels. The first one, which was seriously taken into consideration by the BMs, lies within the boundaries of nuclear family ties. The second one, which had no significant impact, is that found outside the nuclear family, i.e. in the extended family ties. In other words, one cannot talk of a tribal factor in the businesses of the bourgeoisie in the sense in which the term can be applied in other social and political issues.

#### **5.1.4 THE CORPORATE BODIES**

The bourgeois domain consisted of two main categories: the individual members, who made up the great majority of the bourgeois members' numbers at 96.1%, and the corporate bodies, which constituted just 3.9%. In capital terms, however, the corporate equity-holders had a share of around 11.8%, as opposed to the 88.2% of the individual members. This sub-section will focus on the non-individual BMs, i.e. the corporate bodies as a new limited phenomenon used by the individual BMs to conduct their businesses.

Three main components made up the corporate bodies, the largest being Jordanian companies, which constituted around 11.0% of the total bourgeois equities and 93.2% of the total capital of the corporate bodies. The second largest component was foreign companies, making up just 0.65% of the total bourgeoisie's capital and 5.5% of the corporate bodies' capital. The NGOs component was insignificant, since its percentages of the bourgeoisie's and corporate bodies' capital were only 0.09% and 1.3% respectively.

As regards the distribution of the corporate bodies among the different economic sectors, finance and insurance, commerce and manufacturing possessed the largest number of corporate bodies at 29.3%, 19.8%, and 19.6% respectively. Transportation and storage came next, with a relatively substantial corporate bodies' percentage of 10.2%, followed by the services at 6.1% and electricity and water at 5.6%. The other sectors, such as agriculture and construction and mining, had only a moderate percentage of the number of corporate bodies, which ranged between 2.5 and 4.5%.<sup>42</sup> The picture in terms of the corporate bodies' equities distribution was not very different. Finance was once again the leading sector, possessing 24.2% of the total corporate equities, followed by commerce at 23.3% and

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<sup>42</sup> See Table 9/ Appendix 9.

manufacturing at 16.6%. However, a sector such as electricity and water, which had a limited number of corporate bodies compared to the other sectors, absorbed as much as 12.7% of the corporate equities. The services, too, possessed a respectable proportion, namely 11.2%. In contrast, transportations and storage, which had a reasonable proportion of the corporate bodies (10.2% numberwise), possessed a very modest percentage of 3.1% of the entire equities. Other sectors had a moderate proportion, which ranged between 1.1% in the case of constructions and 3.9%, as in agriculture and mining.<sup>43</sup>

It was predictable that sectors like finance & insurance, manufacturing and commerce should attract the highest percentages of the corporate bodies and their equities. For the latter sector, this reality could be attributed to the fact that it was the oldest and most consolidated sector, as well as being the center of gravity of the private sector's economic activities at large, and of the bourgeoisie's in particular. As for the finance and manufacturing sectors, some of their enterprises, due to their economic activities, required capital intensive, which opened the gates for the corporate bodies to carry out their investments.<sup>44</sup> The fact that the majority of the finance and, to a lesser extent, of the manufacturing sector enterprises were of PS type made it easier for corporate bodies to hold equities in them, since the will of the shareholders in PS enterprises is far less relevant to the acceptance of new equity holders, contrary to other types of enterprises.

Looking at the Jordanian companies in particular, the data shows that they were the most diversified corporate equity-holders, since they appeared in all economic sectors. 32.0% of them were in manufacturing, followed by 24.3% in commerce, 13.1% in finance and 11.5% in transportation. Their presence in mining, agriculture, electricity and construction was very modest compared to the former sectors.<sup>45</sup> In capital terms, 34.0% of the equities of the Jordanian companies were concentrated in the commerce sector; electricity came next with 22.3% of the equities, followed by manufacturing at 18.4%, services at 8.1% and finance at 6.7%. The figures show that the contribution of the Jordanian companies in the rest of the

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<sup>43</sup> See table 12/ Appendix 7.

<sup>44</sup> Clearly, the Jordanian Government had its own reasons, based on its economic policy, for choosing a sector rather than another, which will be discussed separately.

<sup>45</sup> See table (20) for details.

sectors was merely nominal.<sup>46</sup> Apart from historical factors and the fact that the structure of the Jordanian economy in that period, as was mentioned above, favored commerce, there seemed to be a trend for the Jordanian companies to direct the majority of their investments into this sector, as a simple comparison between the proportions of commerce and finance, or between those of commerce and manufacturing, shows.<sup>47</sup> In terms of the number of the Jordanian companies that had equities in other enterprises, the figures show that PS enterprises were the main target, absorbing 38.2 % of the Jordanian companies, followed by GP at 29.6% and LL at 28.0%. In equity terms, 53.8% of the Jordanian companies' equities were invested in LL, 37.6 in PS and just 6.8% in GP.<sup>48</sup>

Jordanian companies that held equities in other enterprises were mainly of GP, LL, and PS types. 46.1% of the Jordanian companies that held equities in other enterprises were of GP type, followed by LL at 21.8%, PS at 18.6%, LP at 9.9% and IE at 3.5%. In terms of the equities that these companies held in other enterprises, the figures show that 42.5% of these equities was held by companies of LL type, followed by 30.7% of GP and 21.5% of PS type. The share of the total equities of the Jordanian companies invested in IE and LL enterprises was only 4.1%.

Concerning the sectors of the Jordanian companies that held equities in other enterprises, the figures show a prevalence of sectors such as commerce, finance, manufacturing, electricity. 51.9% of these companies were in commerce, followed by manufacturing at 17.6%, finance at 10.9%, transportation at 6.7% and construction at 4.5%. Companies of other sectors were of lesser significance. In terms of the equities that these companies held, the figures show once again that commerce companies held the largest share at 48.7%, followed by electricity at 22.2%, construction at 10.8%, manufacturing at 8.1% and finance at 7.0%. The rest of the sectors held together 2.4% of the total equities of the Jordanian companies.

Concerning the strategies that the Jordanian companies followed in their investment in other enterprises, one can distinguish between two strategies, along the line of the type of investing companies. The first is investment in the PS

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<sup>46</sup> For more details concerning the other sectors, see table (8).

<sup>47</sup> Bearing in mind that there were no commerce PS enterprises.

<sup>48</sup> The shares of number and equities that were invested by Jordanian companies into other enterprises of LP and IE types were insignificant, making up 4.1% of the number of the Jordanian companies and 1.9% of their total invested equities.

enterprises, the second investment in companies of other types. PS companies invested in other PS enterprises more than 3 times as much as in other enterprise types. That is, the size of these investments in non-PS enterprises amounted to 11.7% of the investments in PS enterprises. By contrast, the investments of non-PS companies in other non-PS enterprises were almost three fold their investments in PS enterprises, while the value of these investments was more than three times that of investments in PS enterprises. Despite the fact that PS enterprises would seem more attractive for non-PS companies' investments than non-PS enterprises for PS investments, the trend of the investments of non-PS companies was directed to non-PS enterprises.

With regard to the PS investing companies, one can argue that the investments of each of them reflected the investment strategies of that specific company, which could vary from other investing PSs. Some common patterns, however, can be deduced about the entire PS investments. Almost half of the PS investing companies were banks, making up only 30.6% of the PS total investments. With one exception, all of the investments of the banks were in PS enterprises. Manufacturing and finance enterprises were the main target of the banks' investments, with 37.0% and 33.3% respectively of the number of investments and 38.9% and 29.8 of the investments' value.

More than a quarter of the investing PS and 15.4% of their investments' value were carried out by PS manufacturing companies, of which around one third were in non-PS enterprises, constituting 52.4% of the entire manufacturing PS investments. 40.0% of the PS manufacturing investments were in manufacturing enterprises, followed by 26.4% in commerce enterprises, 18.5% in finance and 16.0% in mining. The noticeable proportion of the investments of the manufacturing PS in (mainly manufacturing) non-PS enterprises can be explained by the fact that some of the latter were satellite enterprises that specialized in manufactured goods used in the finished products of the investing companies, to the extent that the investing enterprise was in some cases a major shareholder. In specific cases, the development of the activities of a non-PS enterprise which would become a satellite enterprise of the PS had been the reason behind the foundation of the PS in the first place. In other words, the establishment of a PS enterprise was the brainchild of the non-PS enterprise that would owe its prospective existence to the investments of the PS. In other cases, the enterprise in which a PS company invested operated in the

same field as, or close to the field of, the investing company. In some other examples, it seems that the driving force behind some of the PS investments in other enterprises - especially those of non-PS type - was the fact that some influential shareholders of the investing enterprises were major owners in the enterprises that received the investments.

The Industrial Agricultural Commercial Co. had equities in three enterprises, all of which were non-PS and manufacturing enterprises. One of these non-PS enterprises the Jordanian for Fuel, including among its shareholders members of the Al-Taahar family. The Industrial Agricultural Commercial Co. also held 20.0% of the Jordanian for Carpet Manufacturing shares, which was a joint venture between the Jordanian Material Construction Co. (Badiir enterprises), Bahjat al-Hammsii Co. (18.0%) and Mathqaal, Shoukat and Saami 'Asfour Co. (7.5%) and Abdalrahman Abu-Hasaan (10.0%). The Jordanian Company for Manufacturing and Printing Boxes was almost a satellite company of the Industrial Agricultural and Commercial Co., which controlled 45.0% of its shares plus 11.0% of the shares belonging to the Abu-Hasaan family, in the person of Abdalrahman Abu-Hasaan. The Jordanian for Tobacco and Cigarettes manufacturing invested in a non-PS enterprise, the Jordanian for Printing and Packaging, in which it owned 97% of the share. It also owned 33.3% of the national Tobacco Co., 33.3% of whose shares was owned by the Cooperative Society.

Concerning the characteristics of the investing companies of non-PS types, and apart from the above mentioned trend by which the majority of their investments were placed in non-PS enterprises, it seems that their investments were a device used by some bourgeoisie members to spread their investments from the enterprise with which they had started to others. In this perspective, one could argue that the investments of certain bourgeoisie members could take either the form of direct personal holdings in other enterprises or could be indirect, when his/her enterprise was the equity holder. Of the non-PS investing companies, only 15.2% were of neutral control ownership, constituting 7.8% of the investments' value. In contrast, the individual control and individual control with nuclear family support enterprises made up 32.1% of the non-PS investing companies and 35.9% of the investments' value. Regardless of the actual form of cooperation/conflict that determined the decision-making of investing in other enterprises, the choice boiled down to the subjective point of view of the controlling equity holder. In this sense, the

investments of such companies in other enterprises were nothing but another form of personal investment of the controlling equity holder.<sup>49</sup>

Some of the above points concerning the investing individual control companies can be applied to specific cases in which the ownership of the investing enterprises was of nuclear family control type. In fact, the latter form was the most widespread among the investing companies, with 41.7% of the number and 48.1% of the investments value. The bourgeoisie members of the same nuclear family were equity holders in other enterprises through their nuclear family enterprise, rather than each member having personal holdings. This was a way of expanding the investment web of the bourgeoisie members who were still completely or partly operative economically on a nuclear family basis. For instance, the Hammudah family enterprise, with the Jordanian chemical Co., was the main shareholder in the National Hatching Incubation Co.<sup>50</sup> It was also the main shareholder in the Jordanian African for Commerce Co. (JAFCO), besides being one of the main equity-holders in the Manufacturing of the Bathroom Fitments.<sup>51</sup>

In other cases, the investments in enterprises, especially if new, were facilitated when they were carried out through the already established nuclear family companies. These investments were nothing but joint ventures or cartels of nuclear family businesses. For example, the Naqal Bothers Co. held equities in the Arab Factories of Sponge, which in its turn was a joint venture between the Naqal family and the Niinuo family.

The data shows that some Jordanian companies holding equities in other enterprises were outstanding in terms of the number of enterprises in which they had equities or in terms of the size of the equities that they held. For example, the GP Mathqaal, Shoukat and Saamii 'Aṣfour Co. had equities in 12 enterprises, of which

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<sup>49</sup> For example, the commercial enterprise Al-sa'uudii Co. was owned entirely by the BM Khairii Faaris Al-sa'uudii, and had equities in three other enterprises specialized in cars and electric retails. As for Fariid al-Sa'd, a tycoon of the tobacco industries, his investments went through the Jordanian Investments Co., which was entirely owned by him.

<sup>50</sup> As a matter of fact, Fariid Al-S'ad, who was himself a tycoon at the Jordanian level, was also an equity holder.

<sup>51</sup> Another example was the General Construction, a nuclear family business belonging to Raja'aai Al-ma'ashshar and his siblings. This company was an equity-holder in four enterprises, two of which were partially construction enterprises, one was a construction materials retail enterprise, while the fourth was specialized in bricks and tiles manufacturing.

two PS were banks,<sup>52</sup> two insurance companies,<sup>53</sup> one was in mining, one in commerce<sup>54</sup> and the remaining 6 were all in manufacturing.<sup>55</sup> The commerce GP Mahmud Abu-al-dhabb & Sons Co. had equities in six enterprises, of which 3 in commerce<sup>56</sup> and the rest in manufacturing.<sup>57</sup> The commerce LL Jordanian Construction Material Co. was a partner in 6 enterprises, of which one was mining, two commerce and three manufacturing. However, two of the manufacturing and one of the commerce enterprises in which this company held equities were specialized in construction material. Likewise, the equities of the 'Abdallah al-Balbiisii Co. were distributed among five enterprises, including three in manufacturing,<sup>58</sup> one in kitchenware wholesale and one in transportation.

Looking at the data concerning the other type of corporate equity-holder, i.e. foreign companies, one might distinguish between two types of companies that invested in Jordanian enterprises. The factors that determined foreign companies' investment in the Jordanian enterprises can be deduced from an analysis of the enterprises that they targeted: 86.4% of these were of the neutral control type. This trend could be explained on the basis of the fact that the neutral control form of enterprise ownership was more accessible than the individual or family control for the foreign enterprises. Moreover, this type of enterprises involved lower risk for foreign investments. This was particularly true of the PS enterprises, which were typically of the neutral control type, and which were ruled by clear regulations concerning the management and the rights of the shareholders, as well as their financial statutes. Hence, 72.7% of the enterprises with foreign companies' equities were PS. Almost half of the PS enterprises that contained foreign companies' investments were banks, one third manufacturing enterprises. Therefore, it was rare to find a foreign company which was an equity holder in a non-PS enterprise, or in an enterprise of individual or family control ownership. One such exception was the Jordanian non-PS enterprise *Al-Karnak* for Transportation and Tourism, 67.0%

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<sup>52</sup> Cairo Amman Bank and The Industrial Development Bank.

<sup>53</sup> The Union Insurance co. and The Jordanian insurance Co.

<sup>54</sup> Shourbajii and 'Asfour Co. and the General Mining Co.

<sup>55</sup> The Manufacturing enterprises included.

<sup>56</sup> One of the commerce companies was specialized in car trading, another one in kitchenware, while the third was in general trade.

<sup>57</sup> These companies were specialized in radio, plastic shoes, and paper and cardboard manufacturing.

<sup>58</sup> Specialized in plastic, paper and hardboard manufacturing.

of which was owned by a successful Syrian transportation company, as an extension or copy of which it had been established. The bridge to the Jordanian market was the bourgeois member Mohammed 'Ali Badiir, himself of Syrian origin. A similar example of a non-PS enterprise was the *Union of Jordanian Contractors*, which was controlled by Habiib Jariis al-Sabaagh,<sup>59</sup> who possessed 51.0% of the equities; the rest of the equities, however, was owned by a Lebanese construction company. Other cases that brought foreign investments to Jordan were rooted in the fact that some bourgeoisie members - or simply Jordanian entrepreneurs - signed contracts with foreign enterprises, using their methods, technology or expertise to produce similar products for the Jordanian market, or even for the regional market. The foreign companies thus became involved in joint investments in Jordanian enterprises. For example, the equities of the non-PS enterprise *Jordanian Dutch for Chicken Breeding* were divided between the members of the Yaghnom family and the Dutch company *Jager Schaffield*, whose activities were in animal stocks.<sup>60</sup> At the sectoral level, the majority of the foreign companies that held equities in the Jordanian enterprises were concentrated in finance and insurance (59.1% of the total number and 65.8% of the total equities) and manufacturing (13.6% number-wise and 24.5% equity-wise). These in the finance and insurance sector were shareholders in PS enterprises.

Concerning the nationality of these foreign investing companies, the data shows that the majority were Arab. In fact, less than 30.0% of these enterprises were non-Arab companies. Among the Arab companies, the majority were of Lebanese nationality. The liberal economic policies in Lebanon and Jordan compared with other Middle Eastern states could have encouraged the mutual movements of capital in both countries. The fact that Beirut was the base of some of the Jordanian BMs either for residential or investing purposes could have led to joint ventures in Jordan. Moreover, the powerful financial ability of companies from the oil producing countries had not as yet swept the region in this period.

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<sup>59</sup> He was a bourgeois member of Palestinian origin (Haifa); it appears, from the Ministry of Trade and Industry's records, that he had a Lebanese nationality besides the Jordanian one.

<sup>60</sup> *Khiir-al-diin's* gate to the world of the bourgeoisie was his and his wife's investments in the chicken project as a joint venture with a Dutch enterprise. Interview with Subahji Al-M'aanii.

### 5.1.5 THE NON-BOURGEOIS EQUITY HOLDERS IN THE BE

The focus here will be given to the equity-holders in the BE that were not qualified according to the implemented criteria as BMs, though sharing with the bourgeoisie the ownership of the BE. Some of these equity-holders are important, due the significance of the equities that they held. The most obvious example is that of the PS enterprises, of which only the large shareholders, who were a limited number compared to the totality of the shareholders in a given PS enterprise, were considered to be bourgeois. However, these shareholders are a significant element for the function of the PS enterprise, if not for its survival. Some other shareholders are important due to the significant number of shares that they possessed, but were nonetheless ruled out of the bourgeoisie by virtue of the fact that they could not be characterized as bourgeois elements. The most obvious example is the state, which had been involved since the 1950s in economic activities in partnership with the private sector, not to mention their solo economic activities, some of which were denied to the private sector, or in which the latter lacked an interest. The state or public sector cannot be part of the bourgeoisie according to the criteria adopted in this study, despite its participation in the bourgeois activities. Along the same line that excludes the Jordanian state, the foreign governments that held equities in private sector projects were excluded. Local governments' investments were also excluded from the bourgeoisie, and so were employee saving funds, despite the fact that, in some cases, these funds included bourgeoisie equity-holders, who generally occupied executive positions. The rationale for excluding the latter category is that the majority of the assets of these funds still belonged to the employees who had no assets in the businesses.

During this period, all of the categories were equity-holders in the BE; however, two main categories can be distinguished by their outstanding proportion in BE capital in comparison to the others, namely the state and the individual. Individual equities were the largest, constituting 28.9% of the BE capital and 26.5% of the private sector capital; their ratio to the bourgeoisie's equities stood at 40.6%. The state proportion of the BE capital was 8.1% and 7.5% of the private sector enterprises, while its ratio to the BM equities was 11.4%. The other categories were less significant, in that their ratio to the BM equities never recorded more than

fractions of 1.0%.<sup>61</sup> However, due to the fact that the individual equity-holders cannot be confined in number or equities over all the years of the period, and on the other hand analyzing them means analyzing a large proportion of the private sector participants that is beyond the scope of this study, analysis will be confined to state involvement in these projects, and to a lesser extent to that of the remaining categories.

The data of non-bourgeoisie corporate equity-holders (excluding the individuals) shows that the Jordanian state had the largest share of their total equities at 90.5%, followed by the foreign governments at 4.4%, local governments at 2.6%, autonomous governmental institutions at 1.8% and employee saving funds at 0.8%. The majority of the Jordanian government's investments in the BM were in manufacturing at 37.5%, followed by 27.3% in mining, 13.1% in electricity, 11.9% in finance & insurance, 7.9% in services and, less significantly, 2.2% and 0.13% in transportation and agriculture respectively. In commerce, construction and real estate there were no governmental investments.<sup>62</sup> The high proportion of investment in manufacturing reveals the economic policy of the state which, since the 1950s, had been becoming involved in the manufacturing activities. The rationale behind choosing manufacturing and mining in particular was due to two articulated factors. Firstly, the state chose to be involved in some particular projects, conducting which required capital intensive that was beyond the means of the private sector, such as the project of the petroleum refinery that was proposed in the first half of the 1950s. Other projects, investment in which was motivated by the same factors, were the Cement Factory Co., the Arab Pharmaceutical Industries Co. and The Paper and Cardboard Co. The other factor was more ideological: there was a perception in state economic decision making circles that industrialization could lead to a better economy and, ultimately, to the actualization of the economic independence of the country. Poor natural resources were an obstacle to extensive industrialization as was undertaken in other third world countries. Furthermore, the establishment of the Industrial Development Bank as a specialized financial institution provided industrial projects with a different type of aid. Some of the state investments in some manufacturing projects could not be explained on the basis of the above factors.

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<sup>61</sup> See table 17/ Appendix 9.

<sup>62</sup> The fact that there was no governmental investment along the BM does not indicate the absence of state activities in these economic sectors. What is discussed here is the investments that the government had in the BE.

One could attribute state involvement in projects such as the chocolate factory, the Jordanian Tainting Co. or the Jordanian Ceramic Co. to the influence that some main shareholders had in the state economic decision making circles.

State involvement in mining projects comes from two main factors, the first of which is the capital requirements of the projects in which the state was encouraged to take steps. The second factor was that the mining commodities that Jordan possessed became strategic commodities that the state would not want to lose control of, as in the case of phosphate. The importance of the Phosphate Mines Co. increased rapidly after 1967, as a consequence of the increase of the international price of phosphate, which resulted in sales of the latter being one of the main domestic contributions to governmental revenue. The Arab Potash Co., which was even beyond the means of the state, was an Arab governmental project. The other contributions of the state were highly selective; for instance, the involvement in finance was limited to two projects that the state initiated, that is the Industrial Development Bank and the Housing Bank. In services, the state paid some attention to the potential of tourism by being the main shareholder in the Jordanian Hotels Co. and the Hamah Spa Co. Tourism was again the motivation for its shares in the Jordanian Tourist Transportation Co., while its involvement in transportation BE enterprises was confined to its shares in Amman Union Buses, which ran buses along with other private sector enterprises in the capital city. It is worth noticing that the control that the state assumed over the media explains its shares in the Jordanian for Press and Publishing Co., which published the daily newspaper al-Dustuur. The equities of autonomous governmental institutions in the BE enterprises were mainly in electricity (40.2%) and manufacturing (32.2%), and followed closely the pattern of the central government. The investments of the Royal Jordanian Airlines (Alia), however, were divided among three enterprises, two of which were aviation enterprises,<sup>63</sup> while the third was the Electronic Accountancy Center, initiated by the Jordanian airlines itself, by the Royal Scientific Society - which in its turn was another autonomous institution - and by some private entrepreneurs.

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<sup>63</sup> The first enterprise is the Holy Land Airlines, which was established prior to 1967 and ceased to exist gradually by virtue of the Israeli occupation of the West Bank. The second is the Jordanian for the World Aviation Transportation that was established as joint venture between the private sector and the Royal Jordanian before it was shut down in 1975.

Concerning foreign governments' investments in the BE, the data shows that these governments were Arab ones,<sup>64</sup> and that their investments were divided between 82.0% in mining and 18.0% in banking. Investments in mining were exclusively in the Arab Potash Co., which was initiated as an Arab governmental project, as was mentioned before. As for investments in banks, the majority of them went into the Arab Bank Co., and belonged to the governments of Saudi Arabia, Kuwait and Qatar, while the Industrial Bank had Qatar as one of its shareholders.<sup>65</sup>

Among the local governments' investments, one can distinguish between the municipalities of some towns and villages in the Irbid District, holding equities in the Irbid District Electricity Co., which was the provider for their electricity supply, and the more diversified investments in the case of the Municipality of Amman. The latter's investments ranged from three manufacturing enterprises to one services enterprise, in addition to its equities in the Jordanian Electricity Co. Noticeably, all of the investments of the Municipality of Amman were in enterprises in which the central government had investments too. The same point can be made about the employee funds, whose investments coincided with the investments of their enterprises.

## 5.2 THE ECONOMIC POWERS

In the previous sections, the context of the bourgeoisie and its main trends were the issues of concern. This section attempts to apply the power parameters, which were advanced and discussed in chapter 3, in order to explore areas according to which the BMs differ as well as to measure the discrepancy between the BMs' capacities to act according to the different assets that they possess. Applying these parameters achieves two goals: the first is to address the differences that occur between the BMs according to the variables that each parameter takes in consideration. The difference in proportion of each BM's equities relative to the total BMs' equities, for example, defines a ground according to which cleavages among the BMs occur. Based on the first, the second aims to make a distinction between

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<sup>64</sup> The focus here is not the involvement of foreign governments in the economic activities in the country, but contributions and grants from western governments towards development projects that the Jordanian government conducted.

<sup>65</sup> The government of Kuwait was one of the main shareholders in The Housing Bank Co.; however, this contribution does not appear in the data since it dates January 1974. In fact, from 1974 the Arab governments' contribution would start to become more significant as a consequence of the petrodollar revolution.

the BMs' capacities to act by recognizing the core group that results from applying each parameter. This is the group of BMs whose power points place them in a more influential position than the remaining BMs. Therefore, this section is designed to go through the power parameters one by one, highlighting their significance during this period and the results of their applications.

### 5.2.1 POWER A

As was introduced in chapter 3, this parameter is based on what any given BM's equities make up of the total BMs' equities according to the below formula.

$$\text{Power A} = 3 \times [(\text{BM share} / \text{Total BMs' Equities})\%]$$

To make sense of the importance of this parameter, it is enough to say that only 768 BMs (12.5%) possessed 81.3% of the total BMs' equities. The members whose equities made up 0.1% or more of the total BMs' equities were only 179. However, they possessed together 57.2% of the BMs' equities, leaving less than half to be shared among more than 5700 members.

Applying power A to the BMs shows that there is a large discrepancy between the BMs' assumed power. For example, 91.9% of BMs maintain power that ranges between 0.0 and less than 0.1, while only 26 BMs assume power that ranges between 3.0 and 12.6.<sup>66</sup> Using the sum of all the BMs' Power A for comparison purposes shows that 99.3% of the BMs, whose power score ranges between 0.0 to less than 1.0 points, possess some 53.2% of power A, leaving a percentage of 46.7% of the total power A for only 0.7% of the BMs, i.e. only 40 BMs whose power A score is 1.0 point or more. In fact, the average power of each of these 40 members was 2.4, which is equivalent to 134 times 0.08 points, i.e. the recorded average points of members whose score was less than 1.0. One could assume that, in regard to Power A, these 40 members make up the core of the BMs, where Power A is concentrated.

Looking in depth at the composition of the core BMs according to Power A (the 40 members) reveals that there was nil presence of female BMs. As high as 70.0% of the core's number was made up of members whose some NFs relatives were part of the BMs, sharing 77.8% of the core's total power A points. The core

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<sup>66</sup> See Table 4/ Appendix 10.

members who had NFs relatives belonged to 20 NFs, whose power score sum made up 43.5% of the entire BMs' power A points.<sup>67</sup>

### 5.2.2 POWER B

As was mentioned in chapter 3, Power B is a parameter that takes into consideration the proportion of a given BM's equities to the total equities of the enterprise in which that BM has an ownership, according to the formula below.

$$\text{Power B} = \text{Sum } (1.5 * ([\text{BM equities} / \text{equities of the enterprise}] / 100))$$

Applying power B to the BMs shows that 71.3% of them had score ranges between 0.0 and 0.9, while only 6.1% had ranged between 3 and 7.9 points. The sum of Power B distributed among the BMs shows that 87.1% of the BMs, whose points on this scale ranged between 0.0 and 1.9, shared a total power of 50.6%, while the rest of the BMs (12.9%) had a score of 2 or more. In fact, the 368 members who scored 3 points or more had more than a quarter of the power B points together.

The core members' composition shows that the female members were a tiny minority at 1.0% number wise, possessing together 0.9% of the core's total power points.<sup>68</sup> The overall weight of the members whose NF relatives were part of the BMs is less significant than that of the Power A core group, making up only 29.8% of the core number and 33.5% of the power points, and leaving the non-NF relatives to be the overwhelming majority. Some NFs, however, recorded remarkable scores, as in the case of Al-ma'ashar (14.5), Ruuhii Sha'shaa'ah (12.5), Abd-al-Rahman Abu hassaan (12.2), Muhammad Abu Khjail (10.3), Sa'd Abu jaabir (9.2), Abd-al-Faftaah Malhas(8.4) and Bashiir Hataahit (8.2).<sup>69</sup>

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<sup>67</sup> Among these NFs, 4 registered a remarkable score: Shuukat 'Asfuur (12.6 power points), Saamii 'Asfuur (11.4) Muhammed 'Ali Badiir (8.8), Muniir Al-Sakhtiin (6.4). Interestingly, all the three BMs who scored the highest points according to the Power A parameter were from the same family, the 'Asfuur: Zuhir 'Asfuur (12.6), Shuuqii 'Asfuur and Kamaal 'Asfuur (5.7 points each), and had been in some joint investments. See Table 11/ Appendix 10.

<sup>68</sup> All female members belonged to NFs whose male members were among the core group.

<sup>69</sup> Notice that in this group, which was part of the newcomer bourgeoisie, there was only one NF (Muhammad Abu Khjail).

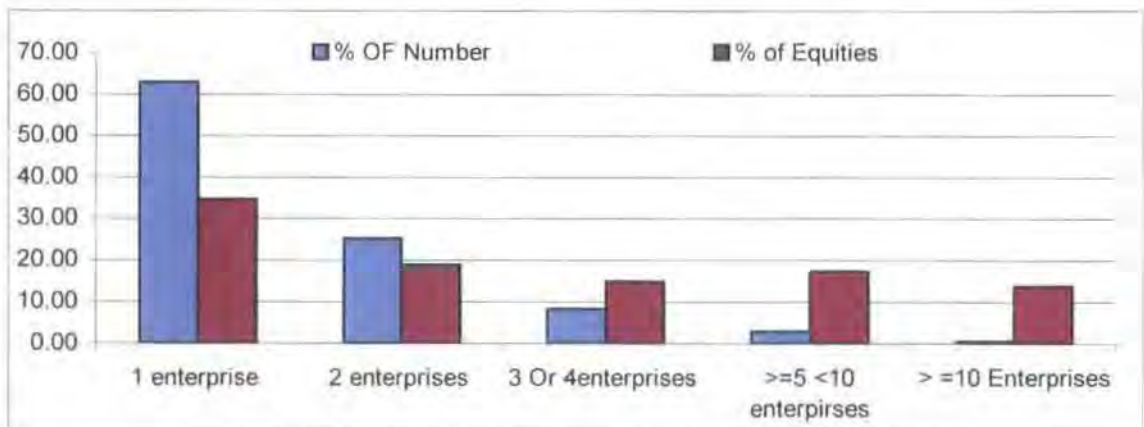
### 5.2.3 POWER C

Power C is a parameter that makes a distinction between the BMs according to the number of enterprises in which their investments are spread. In addition to what has been asserted in chapter 3 concerning this parameter, figures about the BMs of this period confirm its significance. Almost 2/3 of the individual BMs were equity-holders in only one enterprise; however, the proportion of their equities to that of the total BMs was slightly more than one third. 25.3% of the BMs, holding 18.9% of the BM equities, were equity-holders in 2 enterprises. In contrast, a small number of BMs were equity-holders in a large number of enterprises. For instance, just 176 (2.9% of the BMs) were equity-holders in a number of enterprises that ranged between 5 and 9, while only 26 members held equities in 10 or more enterprises. The proportion of the equities of those who were equity-holders in 5 or more enterprises was 31.4% of the total BM equities, which is almost equivalent to what the one-enterprise equity-holders possess. As was mentioned in chapter 3, power C is calculated according to the below formula:

$$\text{Power C of a certain BM} = 0.1 + (0.4 * (n - 1))$$

(n is the number of enterprises)

Figure 5-6: The Ratio of BMs' Number and Equities According to their Number of Enterprises to the Total BMs' Number and Equities



Applying power C to the BMs shows that the majority of them at 62.6% had investments in one enterprise, while 25.4% had investments in two enterprises, leaving 12.0% of the BMs with investments in 3 or more enterprises. However, the amount of power that the BMs whose investments in one enterprise shared was only 17.2% of the total power C, while the proportion of power that was shared among the BMs whose investments were in 3 or more enterprises stood at 47.8%.<sup>70</sup>

Based on the distribution of power C and on the points that each BM scored, one could argue that 362 BMs occupy the core of the BMs according to the application of power C. The average power points that each of the 362 members has is 2.0 points, compared to 0.26 points that each of the remaining BMs obtains. This discrepancy between the averages of the two groups indicates that a BM in the former group had a capacity to act that was 10 fold than that at the disposal of the BMs of the second group. These members, who made up around 5.9% of the entire BMs and 32.7% of the total Power C points, are those who had investments in 4 or more enterprises. Analyzing the members within the core reveals some interesting trends. For instance, the great majority of them were males, since only 10.6% of the group's number was made up of women, who shared only 10.1% of its total power points. The members whose NF relatives were BMs obtain the great majority of the core number and power points (79.6% and 82.3% respectively), while 17.4% of the group number and 14.2% of the power points are assigned to the non-NF relative BMs. Among these NFs, there were 24 whose members' power points sum was 6.5 or more for each NF, making up together a significant 38.3% of the total power points.<sup>71</sup> As for power A and power B, the members who had the highest score in

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<sup>70</sup> The fact that a substantial proportion of the sum of power C points is concentrated in the domain of the BMs who owned investments in one enterprise or two is due to Power C being designed to give 0.1 points for the first enterprise and 0.5 for those whose investments were in two enterprises. Since the majority of the BMs are of this type, this led to inflating the Power points of these members. If the formula, for instance, had been based on giving one point to every enterprise in which the BMs had investments apart from the first one (whose presence is a condition for its belonging to the BMs domain), almost 2/3 of the power points would have ended in the hands of these 362 members.

<sup>71</sup> The NFs that scored the most points among the 24 families are Muhammad 'ali Badiir, NF, who recorded the highest score at 24.2, followed by Saamii 'Asfuur (20.6), Al-ma'ashar (20.2), Abd-al-Hamiid Al-adlbii (19.7), Mahmuud Abu al-dhahab (19.3), Abudallah al-Bilbaisii (17.2), Husiin Abu al-raaghiiib (15.1), Yuusif Al-taahir (13.5), Abd-al-haadil Hammuudah (10.5), Khalilil Manguu (10.1) and Sa'd Abu jaabir (10.0). All of these NFs apart from one belonged to the pre-1948 circles. The great majority of them appeared as the most significant families in the Power A and Power B core groups.

power C were mainly from the pre-1948 circles, and NF relatives in the bourgeoisie domain.<sup>72</sup> They also appeared in the top core of power A, of Power B or of both.

#### 5.2.4 POWER D

Power D is a parameter that makes a distinction among the BMs according to the number of economic sectors over which their investments stretch. It was mentioned in chapter 3 that there is a correlation between the number of sectors, in which a BM has investments and the economic power of that member. Figures about the BMs of this period confirm such a proposition. For instance, 81.3% of the BMs have investments in only one sector. The percentage of the one sector BMs' equities to the total BMs' equities stood at 43.5%; however, some of these investments were in more than one enterprise.<sup>73</sup> Such a percentage is modest considering that less than 12.0% of the BMs whose investments were in more than one sector held 56.5% of the total BM equities. In fact, less than 1.5% of the BMs whose investments were in 4 sectors or more had 26.3% of the total BM equities. The differentiation between the number and equities of one-sector BMs and those of multi-sector BMs is not only an overall phenomenon. In each economic sector, the majority of the BMs are based in that selfsame economic sector; however, the equities of this majority are usually fewer than those belonging to the BMs of that sector that had investments in other sectors.<sup>74</sup> Using the power parameters A, B and C shows that, in each economic sector, multi-sector BMs have double the score that sole-sector BMs have in that sector. As was introduced in chapter 3, Power D is calculated as follows:

$$\text{Power D of a given BM} = (n) \cdot (n) / 10$$

**n is the number of the economic sectors and ranges between 1 and 10**

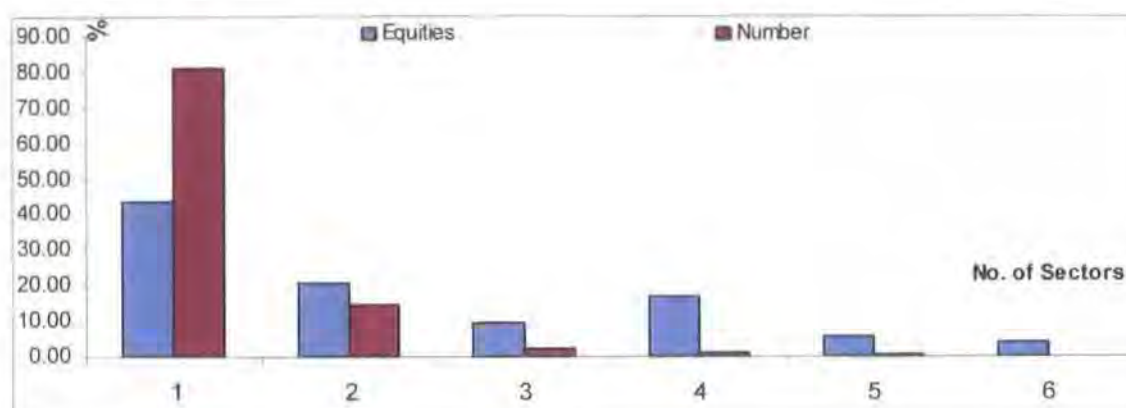
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<sup>72</sup> 'auunii Hajaazii1 (6.5), Juudat Sha'shaa'ah (6.1), Asbiiruu Hadaad4 (6.1), Shaḥaadah Al-Tuuaal (6.1), Yuusif Al-ma'ashar (5.3), Muhammad 'ali Badiir (5.7) and his son 'Iṣaam (5.3), 'Abd al-Majiid Hajaazii1 and Kamaal (5.3).

<sup>73</sup> More than a thousand BMs who were based in one sector had investments in more than one enterprise. This will be looked at in details in the section that deals with the composition of the bourgeoisie at the economic sector level.

<sup>74</sup> See table 3/ Appendix 10

Figure 5-7: The Ratio of the BMs' Number and Equities According to their Number of Sectors to the Total BMs' Number and Equities



Applying Power D shows that the maximum number of sectors that a BM was involved in was 6 sectors. Only 8 BMs had investments in 6 sectors together. The majority of BMs (96.1%) had 0.1 or 0.4 points on this scale, corresponding to their involvement in one or two sectors. In fact, 81.3% of the BMs had one-sector investments, while the percentage of those whose investments were in two sectors was 14.8%. On the contrary, only 238 BMs (i.e. 3.9%) had investments in 3 to 6 different sectors. These 238, who, this study argues, can be considered as the core group of the BMs according to Power D, share around 27.0% of the total power D points. A simple comparison shows that the average power D points that each of the 238 members has is 1.3, while it is 0.14 for each of the remaining members.<sup>75</sup>

Concerning the composition of the Power D core group, gender distribution was similar to that of the previous core parameters, where the female members were merely 22, making up 9.2% numberwise and sharing 8.9% of core total points. Generally, having NF relatives has a great deal of impact on the composition of the power D core group. Only 24 members, that is 10.0% of the core's total number, did not have NF relatives as part of the bourgeoisie, sharing 8.1% of the core's total power points. This indicates that the majority of the core's number and power was in the hands of the members who had some NF relatives among the BMs.

<sup>75</sup> The same reasons that were given to explain the concentration of power C points can apply here. The fact that 0.1 points were given to any BM whose investments were of the sole-sector type is a necessary condition without which the member in question would not be considered a BM. In fact, if the formula had been based on giving one point to every sector that a BM had investments in apart from the first one, which is the condition for its belonging to the BMs' domain, 40 of the power points would have ended up in the hands of these 238 members.

### 5.2.5 POWER E

Power E, as was argued in chapter 3, was advanced to balance power D, which assigned a certain score to each BM according to the number of the sectors among which that BM's investments were distributed without any consideration for the proportion of these investments to the totality of the investments in that sector. Power E is calculated to give each BM a score based on the proportion of their investments to the totality in that sector.

$$\text{Power E} = \text{Sum } (0.3 * [\text{BM equities} / \text{equities of a sector}] / 100)$$

Applying Power E shows that the great majority of BMs (99.1%) had power points on the scale that range between 0.0 and 0.9, while only 56 members have 1 or more points. These 56 members assume among themselves 68.5% of the sum of Power E points, which means that 99.1% of the BMs share only 31.5% of the sum points of this scale. In this context, it is possible to assume that the group of 56 members is dominant among the BMs according to the application of this scale. 38 out of these 56 members belonged to 10 NFs, while the remaining 18 had no nuclear relatives among the same group. The core composition reveals that the members with NF relatives as part of the BMs were dominant: only 7.% of the core's number had no BM relatives, sharing a trivial 0.43% of the core's total points.

### 5.2.6 THE ECONOMIC POWER (POWER I)

The economic power 'Power I' is the sum of the points that each BM scored in all power parameters covered above.

$$\text{Power of BM} = \text{BM} [\text{Power A} + \text{Power B} + \text{Power C} + \text{Power D} + \text{Power E}]$$

The power scale index shows a great deal of differentiation between the BMs according to the points that each of them scored on the scale. Whilst the majority of the BMs are concentrated around a score that ranges between 0.2 and 0.5 points, the scale shows that there are BMs whose Power points stretch between 10.0 and 24.0 points. When these points are conceived as a measure to reflect the assets that each BM had, and therefore their capacity to act, the difference between those who lie at the bottom of the scale and those who occupy the upper part of the scale is clearly considerable. Drawing the line that can distinguish those who are more

influential from those who are less influential within the BM domain according to this scale appears to be a difficult task, since any power point can be chosen as a dividing line and any choice can be justified. Therefore, this study assumes that those who score the highest points when Power I is applied, and whose total points make up more than 50.0% of the BMs' total points, are the most powerful group within the BM domain.<sup>76</sup> In this context, the Power scale can distinguish three main groups. The first group occupies the upper part of the Power scale and includes 16.2% of the BMs; these share between them 50.7% of the sum of Power points, and their Power score ranges between 2.8 and 24.8. The second group contains the majority of the BMs at 59.3%; it is concentrated in the lower part of the scale, where each member scores between 0.2 and 1.0 points. This group shares 16.7% of the total Power points, that is around 1/3 of the percentage of the first group. The third group contains the BMs who occupy the middle ground between the first two, where the range of power is 1.1 to 2.7 points. This group includes 24.8% of the BMs, sharing 32.6% of the total power points. Using such an approach to distinguish between these groups resulted in the first group containing a wide range of members, to the extent that the same group can be divided into subgroups. However, the generosity in including members whose score was far lower than others is motivated by a desire to avoid missing out any influential members. Despite such generosity, there was still a great deal of distinction between the groups. Firstly, most members are concentrated in the second and third group, where less power is shared between the members; while in contrast, in the first group a small number of BMs share a majority of Power points. The average power points that a member of each group assumes is 4.3 points in the first, 0.39 in the second and 1.8 in the third. A simple comparison shows that a member of the first group assumes a score or capacity to act equivalent to 11 times that of a member of the second group and 2.8 times that of a member of the third group.<sup>77</sup> In other words, a first group member assumes an economic power equivalent to 2.8 and 11 times a third and a second group member respectively.

Analyzing the patterns of the first group, which is considered to be the Power I core group, the core members' distribution into economic sectors shows an almost

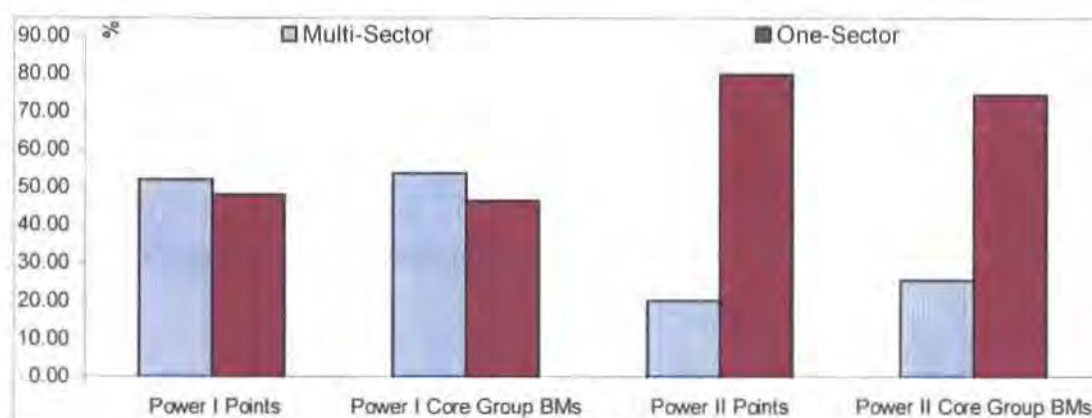
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<sup>76</sup> See Table (10), Appendix 10

<sup>77</sup> For instance, 117 BMs scored between 6 and 24.8 points on the scale, making the average power of each of them 9.5, and as few as 41 BMs have a score of 10 points or above, with an average of 12.9 points, which is almost 33.6 times that that each member in the first group scored.

even division between those whose investments were in one sector and those whose investments were in more than one sector. 52.6% of the core members, holding 53.1% of the total core power I points, were those who could be considered as multi sector members. The distribution of one-sector members according to their economic sectors shows that the great majority of these members were commerce based. The proportion of each of the one-sector members to the core's number and power points apart from commerce (40.9% and 38.8% respectively) was insignificant.<sup>78</sup> This could be attributed to the fact that commerce was the bosom of the bourgeoisie activities and to the late development of other sectors in comparison with commerce, which led the commercial bourgeoisie to be the pioneers in the new emerging sectors. It indicates, moreover, that commerce was still a focal sector that could provide its members with economic power and with the ability to compete with multi-sector members. It was apparent that the multi-sector members scored far higher than their counterparts who were based in one sector. For instance, none of the above-mentioned core members<sup>79</sup> was based in just one sector. Among the 195 members with the highest Power I score, there were only 19 one-sector members, 18 of which were in commerce. The highest score that a one-sector member scored was 7.4 points; this is the commerce BM Abdrabah Gharaaybah.

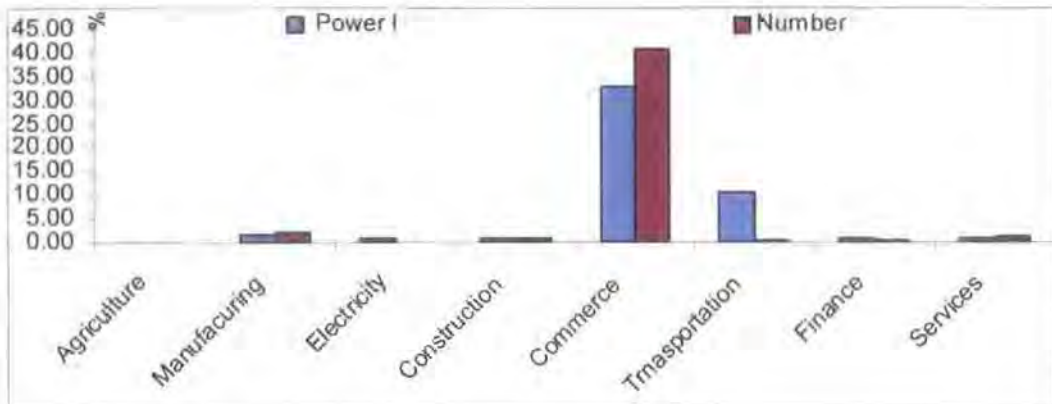
Figure 5-8: The Ratio of One and Multi Sectors BMs' Power I and II points to that of the Core BMs



<sup>78</sup> See Table 17/ Appendix 11

<sup>79</sup> The members who scored 5 points or more

Figure 5-9: The Ratio of One-Sector Power I Core BMs' Number and Power I Points in Each Economic Sector to that of One-Sector BMs



Gender composition shows that the great majority of the core members were males at 94.7%, sharing 94.4% of the power points. The females' trivial contribution and the males' dominance in the core group can be seen through the fact that the average points that each of the 39 female members were 3.9, which is below the general average of the core. In fact, the maximum points that any of the female members scored was below 7.0 points<sup>80</sup>, compared to 72 male members whose score exceeded such a figure. The great majority of the female members had male NF relatives, such as fathers, husbands or brothers, in the core.<sup>81</sup> This indicates that the NF connection could have been one of the factors that brought them around. For example, the members who scored the highest points among the females were *Huda* and *Hand Badiir*, daughters of *Muhammad 'Ali badiir*, *Diiaana*, daughter of *Juudah Suuaadii*, *Aaily*, daughter of *Miishieal al-Suusah* and *'Abiir*, daughter of *Muniir al-Sakhtiyaan*.

As was noticed in the core groups of the other parameters, the BMs with NF relatives were more influential. 44.9% of the core's members had NF relatives among the bourgeoisie, sharing 52.6% of the total power points.<sup>82</sup> The average power score of the core BMs with NF relatives was 5.0 points, compared to 3.4

<sup>80</sup> The majority of the female members had scores of less than 5 points.

<sup>81</sup> Only 5 female members lacked NF relatives in the core.

<sup>82</sup> 47.4% of the Power I points were shared by BMs with no NF relatives and corporate bodies.

points of those with no NF relatives.<sup>83</sup> Among those who had the highest score in Power I, only 40 members out of 195 had no NF relatives. The power points that they scored were below 9.0 points. Only four members with no NF relatives scored more than 9 points: *'Wnii Al-hijaazii1* (17.09 points)<sup>84</sup>, *Muhammad Beni-Haanii* (16.59)<sup>85</sup>, *Sabrii Hakiim2* (10.54)<sup>86</sup>, *Frij al-Shahaatiit* (10.29).<sup>87</sup> On the contrary, there were 44 members who had some NF relatives among the BMs and scored more than 9 points. Among these are families like *Muhammad 'Ali Bidiir* (70.7 points & 6 members), *Al-ma'ashar* (55.7 & 6), *Husiin Abu al-raaghib* (47.7 & 7), *Muniir al-Sakhtiyaan* (47.1 & 4), *Saamii Asfuur* (45.6 & 6), *Yuusif Al-taahir* (38.0 & 8), *Sa'd Abu jaabir* (37.4 & 4) *Abd-al-Haadii Hammuudah* (33.1 & 5), *Mahmuud Abu al-dhahab* (32.1 & 5), *Ruuhii Sha'shaa'ah* (30.3 & 2), *Abudallah al-Bilbaisii* (30.1 & 8), *Abd-al-Rahman Abu Hassaan* (28.2 & 3), *Khaliil Manguu* (26.0 & 4). In addition to the conclusion that the BMs with NF relatives were more influential than those without, these NFs gave their members another dimension of power that was not available to those without relatives among the bourgeoisie.<sup>88</sup>

## 5.2.7 NUCLEAR FAMILY POWER

NF power is a power parameter that was advanced to calculate the power points of individual BMs who belonged to the same NF. It is assumed that the NF, as a social entity that is used by the BMs to carry out their investments, can be considered as a structure serving their interest. As the application of the previous power parameters showed, the core groups can be subdivided according to whether their members had NF ties within the domain of the BMs. The task of this parameter

<sup>83</sup> 37 out of the 83 families contained 2 members, 17 contained 3 members and 10 contained 4 members.

<sup>84</sup> His economic base was in transportation; however, his investments stretched to cover manufacturing, construction, commerce and services.

<sup>85</sup> His main economic base was in the Irbid District electricity com., with further investments in commerce and finance.

<sup>86</sup> He was involved in manufacturing, commerce and transportation.

<sup>87</sup> He had investments in construction, commerce and services.

<sup>88</sup> This can be seen from the average power I points of each member of a certain NF, that was as high as 15.4 points in the case of the *Ruuhii Sha'shaa'ah*, 12.4 for each member of the *Shuukat Asfuur* and 11.8 in the case of the *Muniir al-Sakhtiyaa* and *Muhammad 'Ali Bidiir* NFs.

is to distinguish the BMs who had the possibility of using NF ties as a ground for their interest from those who did not.

**NF Power: Sum Power BM1+ Power BM2+....+ Power BMn**

**N is the number of the members of a given NF**

Applying NF Power to the BMs shows that there were 760 NFs. A Simple majority (53.7%) of BMs' number was made up of those members whose NF relatives appeared in the domain of the bourgeoisie. These share 51.7% of the total points of power I.

The power score of these families ranges from an insignificant score of less than 1.0<sup>89</sup> to more than 30.0 points.<sup>90</sup> Using the sum of NF Power as an indicator shows that the majority of the families (465 families, 61.2%) concentrate around scores of less than 4.5 points.<sup>91</sup> Only 130 families (17.1%) shared the majority of the aggregate power points (52.1%).<sup>92</sup> Hence, almost ¾ of NFs had a score of less than 9 points, sharing less than half of the total power points. In terms of average, each of the NFs whose power points are 9 or more scored 17.7 points, compared to 3.4 points for each family of less than 9 points, and only 2.3 points for each of those who scored 4.5 points or less. This clearly creates a great deal of distinction between the NFs, since the NF Power is a scale that measures the economic power of the families, i.e. their capacity to act. One can claim that a league of the 24 families are certainly out of proportion with respect to the remaining families in regard to their capacity to act and to the influence that they possessed within the bourgeoisie domain.

Based on the fact that the families that scored 9 points or more made up the majority of the aggregate power points and the majority of the total equities of the NFs (82.0%), one can argue that these families are the core group of the NF power parameter. The pattern that reoccurs in the majority of the families is that 2 or 3 members have a great deal of power I points, which leads to that family having high score, while the other members are of lesser significance. The power assumed by

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<sup>89</sup> There were 93 NFs whose score ranged between 0.2 and 0.9 points.

<sup>90</sup> 12 families scored above 30 points, the highest score being 73.4 points.

<sup>91</sup> 4.5 points was the average of the power I core group.

<sup>92</sup> These families scored 9 points or more, which is at least twice as the average of power I core group.

an NF is therefore generated by the high score of some members and by the relatively large number of family members. The ratio of the NF power points per family member rarely exceeds 4.5 points. For instance, though Muḥammad 'Ali Bidiir's NF points are the highest at 73.6, the average NF power points that each member of the family has does not exceed 4.5, i.e. the average of the power I core group.

The NFs who have the highest scores according to the NF power are Muḥammad 'Ali Bidiir (73.6)<sup>93</sup>, Al-ma'ashar (63.6)<sup>94</sup>, Yuusif Al-Taahir (55.6)<sup>95</sup>, Husiin Abu al-raaghib (50.0)<sup>96</sup>, Muniir al-Sakhtiyaan (48.0)<sup>97</sup>, Saamii Asfuur (46.5)<sup>98</sup>, Sa'd Abu Jaabir (39.8)<sup>99</sup>, Ruuhii Sha'shaa'ah (36.2)<sup>100</sup>, Abd-al-haadii Hammuudah (33.4)<sup>101</sup>, Abd-al-Rahman Abu hassaan (33.3)<sup>102</sup>, Mahmuud Abu al-dhahab (32.1)<sup>103</sup>, Khalil Manguu (31.7)<sup>104</sup>, Abudallah al-Bilbaisii (30.1)<sup>105</sup>.

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<sup>93</sup> It consists of 16 members (9 females), 3 of whom were part of the Power I core group. It had 75 investments stretching over 22 enterprises and covering all economic sectors with the exception of agriculture and real estate. Their economic base was in electricity and wholesale, before it extended to insurance, construction and mining.

<sup>94</sup> It consists of 15 members (5 females), 5 of whom were in the power I core group. It had 67 investments in 25 enterprises, covering all sectors except for agriculture, electricity and services. Originally, its economic base was wholesale, before it extended to manufacturing (mainly clothing), construction and banking.

<sup>95</sup> It consists of 27 members (9 females), 2 of whom power I core group BMs. It had 71 investments in 16 enterprises, and mainly in retails, beverage & chemical manufacturing, constructions, banking, road transports and hotels.

<sup>96</sup> It consists of 11 members (3 females), of whom 4 power I core group BMs. It had 46 investments in 13 enterprises. Its economic base was laid in the 1930s in the retails sector, before it encroached on wholesale, construction, banking and insurance.

<sup>97</sup> It consists of 5 members (2 females), of whom 2 power I core group BMs. It had 18 investments in 5 enterprises in chemical & food manufacturing, real estate and road transports.

<sup>98</sup> It consists of 7 members (3 females), 3 of whom power I core group BMs. It had 57 investments in 15 enterprises in chemical, textiles, tobacco manufacturing, real estate, road transports, wholesale and banking. This family was active in trade in Trans-Jordan since 1920s.

<sup>99</sup> It consists of 10 members (3 females), 3 of whom power I core group BMs. It had 35 investments in 22 enterprises based in food & beverages manufacturing, retails, hotels, construction, insurance and banking. This family had been active as large landholders, trade and money in Trans-Jordan before the establishment of the state.

<sup>100</sup> It consists of 7 members (1 female), 1 of whom power I core group BM. It had 33 investments in 22 enterprises based in wholesale and retails trade, textiles, banking, insurance. Its economic activities went back to the 1930s in Trans-Jordan.

<sup>101</sup> It consists of 6 members (0 females), 5 of whom power I core group BMs. It had 28 investments in 11 enterprises based in agriculture, food manufacturing, services, road transports, insurance, retails and export & imports.

<sup>102</sup> It consists of 10 members (4 females), 3 of whom power I core group BMs. It had 28 investments in 15 enterprises based in construction materials, chemicals, textiles and food manufacturing, services, sea transports, wholesale, retails and insurance. This family was active in trade in Trans-Jordan since the 1920s.

### 5.2.8 POWER II

The NF power made a distinction between those members who had NF relatives within the domain of the BMs and those who did not. It also shows that there are differences in the economic Power of the different NFs. The focus here shifts to the impact that NF ties had on the individual BMs.

The Power II parameter allows one to calculate the power points of each BM taking into account the points of the NF that BM belonged to. Hence power II for BM whose NF relatives appear in the BMs domain is:

**BM Power II:  $1/10 \cdot (\text{NF Power Points} - \text{BM Power I points}) + \text{BM Power I Points}$**

when the BM has no NF relatives, it is calculated as follows:

**BM Power II: BM Power I Points**

When the Power II parameter is applied, the power II points of almost half of the BMs who had no NF relatives remains the same as was recorded in power I. The Power II score of the remaining members who had NF relatives has improved compared to their Power I record. This improvement varies from one BM to another, and is conditioned by the NF power points and Power I points that each individual member recorded. The improvement was more noticeable when the power I of a given member was low, while his/her NF power points was high. The opposite result is obtained by the BMs whose power I points were high, while their NF power points were low. Interestingly, more than 100 members whose power I points were less than 2.8<sup>106</sup> had a score of more than 4 points on Power II. 41 members, whose score in power I ranged between 0.2 and 0.9 points, benefited from the high score of

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<sup>103</sup> It consists of 5 members (0 females), 3 of whom power I core group BMs. It had 52 investments in 12 enterprises based in retails, plastic, clothing, paper and packaging manufacturing. This family was active in trade in Trans-Jordan since the 1920s.

<sup>104</sup> It consists of 17 members (9 females), 2 of whom power I core group BMs. It had 28 investments in 15 enterprises based in construction materials, chemicals, textiles and food manufacturing, services, sea transports, wholesale, retails and insurance.

<sup>105</sup> It consists of 8 members (4 females), 1 of whom power I core group BM. It had 49 investments in 10 enterprises based in retails, plastic and chemical manufacturing and road transports. This family was active in trade in Trans-Jordan since the 1920s.

<sup>106</sup> 2.8 points or more was considered to be the line that qualified the BMs to be part of the power I core group.

their NFs jumping to more than 4.0 points in power II.<sup>107</sup> By contrast, the difference between the power I and power II points for the members whose power I scores were high was less significant.<sup>108</sup>

The overall distribution of power II points among the BMs shows similar trends to that of power I. The variation in the distribution of power II points among the BMs was even larger than that of Power I. 45.1% of the BMs' score ranged between 0.2 and 0.9 points, sharing only 11.7% of the total power II points. The same percentage of power points was held by 107 BMs whose score was 8.0 points or more. The average power II points of each BM of the latter group stood at 11.8 points which, when compared to the 0.05 point average of the former group, tells the entire story of the differentiation between the BMs' capacity to act. Some substantial proportion of the power points were concentrated in the hands of the BMs whose score ranged between 1.0 and 3.0 points; however, the concentration reflected the large number of members within the limit of this range. In fact, the average power II was only 2.2 points, that is less than the 2.8 points in power I. Hence, this study argues that the core group of BMs applying the power II parameter includes those members whose score was 4 points or more. These are 528 (8.8%) members, sharing almost one third of the power II points at an average of 6.6 points, which is more than three times the average points of the entire BMs.

The composition of the core group indicates that the proportion of the female members, both in terms of power points and number, was almost 1/10 that of the males, i.e. 11.7%. Although the male members had the upper hand, the female proportion of the core group of power II was three times more than that of Power I. The shift in their proportion can be entirely attributed to the points that some of them gained from their belonging to NFs with a strong family power score.<sup>109</sup>

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<sup>107</sup> Nadiim, (0.9 in power I & 7.2 in Power II), Nabiil (0.9 & 7.2), 'Amaad (0.9 & 7.2), Ramazii (0.2 & 6.5) and Faars (0.2 & 6.5) from the Al-ma'ashar brothers NF. Farhaan, (0.8 & 4.7), Qiis (0.2 & 4.2), Tim (0.2 & 4.2) and Marwaan (0.2 & 4.2) from Sa'd Abu jaabir. Nu'maan (0.9 & 5.5) from Saamii Asfuur. 'Aadii (0.8 & 5.7) and Husiin Abu al-raaghib. 'Auunii (0.7 & 4.3) Ruuhii Sha'shaa'ah. Zakariiaa (0.5 & 6.0), Naajah (0.4 & 5.9), Ibraheem (0.2 & 5.7), Haamad (0.2 & 5.8) and Husiin (0.2 & 5.7) from Yuusif Al-taahir. Taariq (0.2 & 7.5) and Yuusif (0.2 & 7.5) from Muhammad 'Ali Bidiir.

<sup>108</sup> These are members whose score at power I and power II were the highest. Zahiir 'Asfuur (24.8 & 25.2), Fwaad Abu Jaabir (20.16 & 22.1) Juudat Sha'shaa'ah (19.62 & 21.3), 'Uthmaan Bidiir (19.31 & 24.7), Ghiaath Al-Sakhtiyaan (17.60 & 20.6), Munjd Al-Sakhtiyaan (17.01 & 20.1), Kamaal 'Asfuur (16.28 & 19.3), Shuuqii 'Asfuur (14.45 & 17.7), Shahaadah Al-tuwaal (15.69 & 16.3), Asbiirw Hadaad4 (14.42 & 14.5), Jack Al-khayyaat2 (14.21 & 15.0), Allias Al-ma'ashar (19.29 & 23.7).

<sup>109</sup> Ghaadah (0.9 & 7.2), Huda (0.9 & 7.2) and Julie (0.3 & 6.6) from Al-ma'ashar borthers. Baasamh (0.7 & 4.6) and Miirii (0.2 & 4.2) from Sa'd Abu jaabir. Daarrah (0.3 & 5.8), Ziin (0.3 & 5.8), Hanaa' (.3

Concerning the economic sectors, it is clear that the main component of the core was multi-sector based members. They made up the great majority of the core members (74.5%), sharing 79.8% of the power points, while the members who were based in one sector had 1/5 of the power points. Compared to the power I core group, the multi-sector members of this core group yielded far more power points. The average power points of a multi-sector BM was 7.1 points, compared to the 5.3 of the sole-sector member. Only 11 of the one-sector members' power points exceeded 7.0 points, 9 of which belonged to the Muḥammad 'Ali Badiir NF, which contained other members who were categorized as multi-sector. The other 2 members were Abdrabah Gharaaybah (7.4)<sup>110</sup> and Sa'iid Malhas (7.3 points)<sup>111</sup>.

The overall distribution of the core group in the economic sectors shows that commerce (29.6% power points, 34.0% number) and manufacturing (21.8% and 22.6%) shared the main proportion of the power II points and number. The share of construction, finance, transportation and services was around 10.0% of the power points and number. The proportion of the core group in sectors such as agriculture real estate, mining and electricity was insignificant. The proportion of multi-sector members in both the number and power of the core was similar to that of the core distribution, while that of the one-sector members was of no significance. The one-sector members who had the largest share of power points and number were those who were involved in commerce. In fact, around 2/3 of the power points (63.2%) and number (68.1%) of the sole-sector members were in commerce. Manufacturing was the second sector, absorbing 13.1% and 11.9% of the power points and number of the sole-sector BMs. The remaining 20-25% of number and power points were distributed among the different sectors.

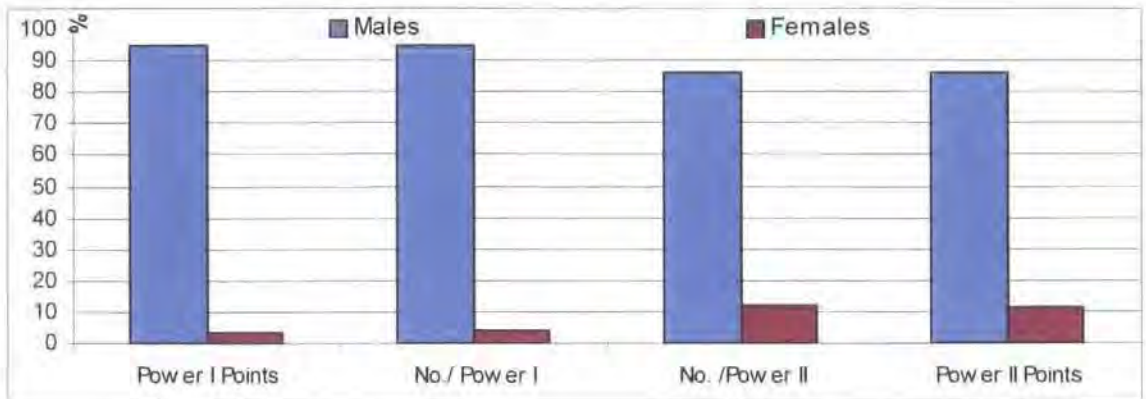
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& 5.8) and Zakaa' (0.3 & 5.8) from Yuusif Al-ṭaahir. Haalah (0.2 & 7.5), Ruuz (0.2 & 7.5), Najja' (0.2 & 7.5), Miisam (0.2 & 7.5), Ranaa (0.2 & 7.5), Diina (0.2 & 7.5) and Nada (0.2 & 7.5) from Muḥammad 'Ali Badiir. Su'aad (0.2 & 5.2), and Amal (0.2 & 5.2) from Ḥusiin Abu al-Raaghīb.

<sup>110</sup> He had 4 enterprises based in commerce.

<sup>111</sup> He had 4 enterprises based in commerce and his activities stretches back to the pre 1948 Jordan.

Figure 5-10: The Ratio of Power I and Power II Core Groups BMs' Power Points and Number According to the Gender



On the top of the power I and power II core groups were the following BMs who scored the highest points in the two parameters and this study consider them to be the most influential BMs. Zahir 'Aṣfuur (25.2 Power II & 24.8 power I)<sup>112</sup>, Fwaad Abu Jaabir (22.1 & 20.2)<sup>113</sup>, Juudat (21.3 & 19.6) and Usaamah Sha'shaa'ah (13.3 & 10.7)<sup>114</sup>, 'Uthmaan (24.7 & 19.3) 'Iṣaam (20.8 & 15.0), Muḥammad (20.1 & 14.2), 'Umar (16.5 & 10.2), Huda (13.5 & 6.8), Hand (12.1 & 5.2)<sup>115</sup>, Alias (23.7 & 19.3), Yuusif (19.2 & 14.3), Sa'iid (13.4 & 7.9) and Jamiil (11.8 & 6.1)<sup>116</sup>, Ghiaath Al-Sakhtiyaan (20.6 & 17.6), Munjd Al-Sakhtiyaan (20.1 & 17.0)<sup>117</sup>, 'Wnii Al-hijaazii1 (17.1 & 17.1)<sup>118</sup>, Muḥammad Beni-Haanii (16.6 & 16.6)<sup>119</sup>, Kamaal (19.3 & 16.3) and

<sup>112</sup> He is part of the Shuukat Asfuur NF. His activities go back to the 1930s in commerce; however, his investments during this period were in 12 enterprises and covered also Manufacturing, Transportation and Finance. Muslim from Palestinian origin.

<sup>113</sup> He belongs to the Sa'd Abu jaabir family. This family had been active as large landholders, trade and money in Trans-Jordan before the establishment of the state.

<sup>114</sup> Ruuhii Sha'shaa'ah had 33 investments in 22 enterprises based in wholesale and retails trade, textiles, banking, insurance. Its economic activities go back to the 1930s in Trans-Jordan. Muslim from Palestinian origin.

<sup>115</sup> all of these members belong to Muḥammad 'Ali Bidiir. Their economic base was in electricity and wholesale, before it stretched to insurance, construction and mining. During this period Muḥammad 'Ali Bidiir himself was the chairman of the Jordanin Electricity Co. and big shareholder of the Jordanian Insurance Co. where he was on the board of directors. He was also the president of Amman chamber of commerce. Muslim from Syrian origin.

<sup>116</sup> Al-ma'ashar. Originally, the economic base was wholesale before it stretched to manufacturing mainly clothing, construction and banking. Christian from Jordanian origin.

<sup>117</sup> Muniir al-Sakhtiyaan. He had 18 investments in 5 enterprises in chemical & food manufacturing, real estate and road transports. Muslim from Palestinian origin

<sup>118</sup> Wnii Al-hijaazii1 is part of the newcomers, his investments are based in construction and transportation.

Shuuqii 'Asfuur (17.7 & 14.5)<sup>120</sup>, Shahaadah Al-tuwaal (16.3 & 15.7)<sup>121</sup>, Asbiirw Hadaad4 (14.5 & 14.4), Jack Al-khayyaat2 (15.0 & 14.2)<sup>122</sup>, Tuufiiq Al-tabbaa' (15.0 & 13.5)<sup>123</sup>, Ahamad Khuurmaa (13.2 & 13.1), 'Abd-al-Majiid Al-hijaazii1 (13.0 & 12.3), Raduuaan al-Hajaar (12.3 & 12.2)<sup>124</sup>, Farah Tamaarii (12.5 & 11.9)<sup>125</sup>, Hasaan Manguu (13.8 & 11.8)<sup>126</sup>, Muusa ( 15.1 & 11.2), 'Ali (13.2 & 9.1) and Khalil Abu al-raaghib (11.5 & 7.3)<sup>127</sup>, Mamdwh (13.4 & 11.2), Khaalad Abu Hassaan (12.4 & 10.11)<sup>128</sup>, 'Abd-al-haadii Hammuudah (13.4 & 11.2)<sup>129</sup>, Fariid al-Sa'd (11.1 & 10.8)<sup>130</sup>, Sabrii Hakiim2 (10.5 & 10.54), Muhammad (15.0 & 10.5) and Yuusif Al-taahir (11.4 & 6.5)<sup>131</sup>, Aiiliiaa Nuql (11.8 & 10.3)<sup>132</sup>, Khaalad al-Rifaa'ii1 (10.4 & 10.3)<sup>133</sup>, Ibraheem Al-shaykh (11.1 & 10.3)<sup>134</sup>, Friij al-Shahaatiit (10.3 & 10.3), Raadii Al-khasaawnah (11.0 & 10.0)<sup>135</sup>, Tuufiiq Qataan (10.8 & 10.0)<sup>136</sup>, 'Aadal Abu Khjail (10.4 & 10.0),

<sup>119</sup> Muhammad Beni-Haanii economic activities is from 1950s. his main economic base is in Irbid District Electricity Co. Muslim from Jordanian origin.

<sup>120</sup> Saamii Asfuur. He had investments in 15 enterprises in chemicals, textiles, tobacco manufacturing, real estate, road transports, wholesale and banking. This family was active in trade in Trans-Jordan since 1920s. Muslim from Palestinian origin.

<sup>121</sup> Shahaadah Al-tuwaal, Christian from Jordanian origin, his activities goes back to the pre-1948. his base is in transportation, commerce and banking.

<sup>122</sup> Jack Al-khayyaat2. Christian from Palestinian origin.

<sup>123</sup> Sabrii Al-tabbaa'. Muslim from Syrian origin. His activities dates back to pre-1948 Jordan. Economic base in commerce. Construction and services.

<sup>124</sup> Aaraf Al-Hajaar. Muslim from Syrian origin, his activities dates back to pre1948 in Jordan, his economic base is in construction and commerce.

<sup>125</sup> Wahba Tamaarii. Christian from Palestinian origin, his activities goes back to the mandate Palestine. His economic base commerce and insurance

<sup>126</sup> Khalil Manguu. construction materials, chemicals, textiles and food manufacturing, services, sea transports, wholesale, retails and insurance. The main base for his economic activities was the real estate and housing company Rivko. Muslim from Palestinian origin.

<sup>127</sup> Husiin Abu al-raaghib. Its economic base began in 1930s with retails before it encroached wholesale, construction, banking and insurance. Muslim from Syrian origin.

<sup>128</sup> Abd-al-Rahman Abu hassaan. based in construction materials chemical, textiles and food manufacturing, services, sea transports, wholesale, retails and insurance. This family is active trade in trans-Jordan since 1920s.

<sup>129</sup> Abd-al-haadii Hammuudah. 28 investments in 11 enterprises based agriculture, food manufacturing, services, road transports, insurance, retails and export & imports.

<sup>130</sup> Fariid al-Sa'd Muslim from Palestinian origin, his economic power goes back to the mandate Palestine. His economic base in manufacturing and commerce.

<sup>131</sup> Yuusif Al-taahir had 71 investments in 16 enterprises mainly in retails, beverage & chemical manufacturing, constructions, banking, road transports and hotels.

<sup>132</sup> Qustandii Nuql. Christian from Palestinian origin. His economic base in commerce and manufacturing.

<sup>133</sup> al-Rifaa'ii1 Borthers. Muslim from Palestinian origin.

<sup>134</sup> Ahamd Al-shaykh. Muslim from Palestinian origin.

<sup>135</sup> Raadii Al-khasaawnah. Muslim from Jordanian origin.

Mwriis Al-sawaalhah (10.0 & 10.0)<sup>137</sup>, Fwaad Tanuus (10.4 & 9.7)<sup>138</sup>, 'Auunii Al-saakat (10.0 & 9.5)<sup>139</sup>, 'Abduallah Malhas (10.7 & 9.3)<sup>140</sup>, Sabiih al-Masrii (10.1 & 9.2).<sup>141</sup>

### 5.3 BOURGEOISIE FRACTIONS

A Categorization of the bourgeoisie of this period into three main fractions based on the historical background of its members was advanced in chapter 3. It shows that 56.1% of the BMs' number were considered to be newcomers, while the proportion of pre-1948 Jordanian bourgeoisie and pre-1948 Palestinians made up 21.1% and 18.8% respectively. Where equities are concerned, the pre-1948 Jordanians and Palestinians make up the majority at 36.6% and 18.0% respectively. The newcomers' proportion of the total equities was still substantial at 38.8%. Application of power I shows that the newcomers hold the majority of its sum points at 53.8%, followed by the pre-1948 Palestinians at 21.9% and the pre-1948 Jordanians at 17.2%. However, the average power of each pre-1948 Jordanian BM stood at 1.7 points, followed closely by that of the newcomers at 1.4 and pre-1948 Palestinians at 1.2. The Power I core group majority was made up of newcomer bourgeoisie at 59.5%, sharing among them 53.2% of the power I points, while the pre-1948 Jordanian and Palestinian bourgeoisies constituted respectively 20.4% and 18.0% numberwise and 25.4% and 18.6% pointwise. However, the core members with the highest score were non-newcomers.<sup>142</sup>

Looking at the bourgeoisie fractions in the core groups of each of the power parameters shows that the pre-1948 Jordanian and Palestinian bourgeoisie held the majority of the power A, C and D points at 74.2%, 74.3% and 71.1%, curtailing the

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<sup>136</sup> Tuufiq Qataan his activities back to pre 1948 palestine. His economic base is in commerce and manufacturing.

<sup>137</sup> Lwiis Al-sawaalhah. Christian from Jordanian origin. His economic activities is based in commerce and services.

<sup>138</sup> Saliimaan Tanuus.

<sup>139</sup> 'Ali Al-saakat. Muslim from Jordanian origin. His activities in commerce and construction.

<sup>140</sup> Kaamal Malhas. Muslim from Syrian origin, his activities goes back to pre 1948 jordan. His economic base is in commerce, construction and services.

<sup>141</sup> Taahar Al-masrii. Muslim from Palestinian origin, his activities dates back to pre-1948 palestine. Economic base is in commerce and manufacturing.

<sup>142</sup> Among the members who scored 5 points or more are Zahir 'Asfuur (24.8), Fwaad Abu Jaabir (20.2), Juudat Sha'shaa'ah (19.6), 'Uthmaan Bidiir (19.3), Allias Al-ma'ashar (19.3), Kamaal 'Asfuur (16.3), Shaḥaadah Al-tuwaal (15.7), 'Isaam Bidiir (14.9), Shuuqii 'Asfuur (14.5), Asbiirw Hadaad4 (14.4), Yuusif Al-ma'ashar (14.3), Jack Al-khayyat2 (14.2) and Muḥammad Bidiir (14.2).

proportion of newcomers to around a quarter in each. On the contrary, the newcomers had 68.7% of the power B points, while the pre-1948 Palestinian and Jordanian bourgeoisies held 15.1% and 14.5% respectively. The distribution of the power E points among core group members was almost even between pre-1948 Jordanian and newcomers bourgeoisies at 31.4% and 35.8% respectively, leaving only 5.8% for the pre-1948 Palestinian bourgeoisie.

The NF power core group distribution along the bourgeois fractions reveals the dominance of the pre-1948 Jordanian bourgeoisie, which made up 41.7% of the core's number. This fraction's equities were 60.7% of the total core's equities and its power points amounted to 48.9% of the total NF powers. Although the pre-1948 Palestinian and the newcomers were very close, the former came second making up 30.7% of the NF number, 20.6% of its equities and 29.4% of its power points.<sup>143</sup> The pre-1948 Jordanian fraction seems to have wielded the NF to be an effective device in its hands, increasing the capacity of its members to act: the average NF power of each Jordanian NF was 21.1 points, compared to 17.2 for the Palestinians and 14.1 for the newcomers. In fact, the Jordanian fraction NFs shared among themselves 27.8% of the total BM equities, compared to 9.5% and 8.6% for the Palestinians and the newcomers respectively.

The effective use of NF ties among the Jordanian fraction alters their fortune when power II is applied, overturning the dominance of the newcomers which was found in the power I core group in favour of the Jordanian fraction, which constitutes 43.5% and 38.4% of the Power II points and number respectively. The Palestinian and newcomer fractions proportion of the power points is 26.8 each, and respectively 28.6% and 30.1% numberwise. The average power II points of a core group Jordanian member is 7.5 points, compared to 6.2 and 5.9 points for the Palestinian and newcomer fractions respectively.

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<sup>143</sup> The newcomers made up 27.6% of the NF number, 18.7% of the equities and 21.7% of the NF power points. A further indication is given by the break-down of the BMs with no NF relatives, showing that the great majority of their number (65.9%) were newcomers, holding the majority of the power I points at 72.9%. The pre-1948 Palestinians and Jordanians made up 8.0% and 12.3% numberwise and 8.0% and 11.4% pointwise. Taking the proportion of BMs with NF relatives to the total of the BMs in each of the bourgeoisie fractions shows that the majority of the pre-1948 Palestinian and Jordanian bourgeoisie had NF relatives. 78.2% of the pre-1948 Jordanians had NF relatives sharing 81.6% of the power I points; similarly, 74.0% of the pre-1948 Palestinian bourgeoisie had NF relatives, sharing 70.6% of the power I points.

The low proportion in number and equities of the pre-1948 Palestinian bourgeoisie can be explained by the fact that some of the pre-1948 Palestinians were inaccurately placed among the newcomers. The fact that Palestinian refugees fled to Lebanon, Syria, Egypt and Gaza meant that some of the Palestinian 1948 bourgeoisie had stalled in these countries, even if they later moved at least some of their businesses to Jordan. The low contribution of the pre-1948 Palestine bourgeoisie also shows that a substantial proportion of them (1948 is the year in which the state of Israel was founded) lost their economic base assets and business by virtue of being turned into refugees.

Analyzing the bourgeoisie fractions along the lines of enterprise ownership shows that the newcomers concentrated into individual control (35.2% and 31.2% of the newcomers' equities and number) nuclear family control (25.7% and 23.5%) and neutral control (22.3% and 38.3%). The pre-1948 Palestinians' equities and numbers were concentrated into nuclear family control (46.0% and 28.9% respectively) and neutral control (25.9% and 49.2%). The pre-1948 Jordanians seem to be evenly distributed spread over the different types of ownership forms; however, it is obvious that their preference was towards individual control & family support (30.6% and 6.72%), nuclear control (24.5% and 27.0%) and neutral control enterprises (26.1% and 49.2%). This is reflected in the fact that 65.7% of the BMs' equities invested in the form of Individual control & family support was held by the pre-1948 Jordanian fraction, which held 31.8% and 32.2% of the nuclear family control and neutral control respectively. On the contrary, the majority of the individual control equities 60.8% and BMs 71.1% were in the hands of the newcomers. Interestingly, the highest proportion of the extended family enterprise, which was an irrelevant form of ownership for the BMs was in the hands of the newcomers, while the pre-1948 Jordanian fraction had the great majority of the corporate bodies control equities and number wise at 74.1% and 53.2% respectively. Despite the fact that the overview of the bourgeoisie fractions did not show an extreme tendency towards one form of ownership rather than others, it is still possible to say that individual control, nuclear family and neutral control were the favorable forms for the relatively new fractions pre-1948 Palestinians and newcomers.

A break-down of the fractions according to their economic sectors shows that the greatest proportion of each fraction's number and equities were concentrated in commerce. 53.5%, 49.8% and 33.2% of the pre-1948 Jordanians', pre-1948

Palestinians' and newcomers' equities were in commerce. Numberwise, the proportions were 42.4%, 43.1% and 51.2% respectively. The second sector that attracted a substantial proportion of each fractions' numbers and equities is manufacturing. Construction comes in third place, when the equities are concerned, while transportation is third numberwise. The variation between the break-down of the fractions into economic sectors is not very significant except when it comes to finance and insurance, where the proportion of the pre-1948 Jordanians' and Palestinians' equities in this sector was more than three times that of the finance newcomers proportion.<sup>144</sup> It could be also noticed that, in services, the pre-1948 Jordanians' equities were a substantial proportion of the total pre-1948 Jordanians' equities at 9.7%, while it was 6.9% for the newcomers and only 2.7% for the Palestinians.

The break-down of the BMs' equities in each sector reveals some interesting patterns. On the one hand the pre-1948 Jordanian fraction possessed the majority of the equities in sectors such as mining (52.2% of the sectors equities), service (51.2%) finance (48.7%), commerce (43.9%), and was still in a strong position in manufacturing (31.4%), transportation (26.3%) and construction (25.2%), despite the fact that the newcomers were leading in the latter three sectors at 39.2%, 54.2% and 53.5% respectively. The pre-1948 Palestinian fraction led only in agriculture, having 34.9% of the agriculture BMs' equities, and had a proportion of around 20.0% of the BMs' equities in commerce, manufacturing and construction. Additionally, it was in a strong position - close to that of the pre-1948 Jordanians - in finance, by virtue of the proportion of the companies that were owned by members of this fraction, bearing in mind that this sector was almost closed off to of the newcomers. Numberwise, the majority of the BMs in each sector were from the newcomers' fraction, however, that of the pre-1948 Jordan equitywise undermines this overwhelming proportion. The Jordan fraction was still the dominant fraction in almost all sectors. If one is to assume that the pre-Palestinian and newcomers fractions had strategies to penetrate the earlier established bourgeoisie circle, i.e. the pre-1948 Jordanian fraction, these strategies that targeted sectors such as construction, manufacturing

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<sup>144</sup> The small market of Jordan explains the lack of interest in establishing banks or insurance companies. Apparently in the previous period, the existing banks were sufficient to support the economic activity. *Khalil al-Saalam*, one of the Jordan National Bank and its director for 3 decades, reports that it was a huge risk to establish a bank in Jordan in 1950s when the market did not require new banks. such a conclusion was also advanced by the *'Abd-al-Hamid Shuuman* the founder of the Arab Bank in Jerusalem in 1935 and its director up to 1968.

and transportation were more successful given the fact that these two fractions gained a strong foot hold there. Targeting commerce certainly is unavoidable taking into consideration its vitality in the private sector activities at large and the bourgeoisie in particular.

The question that rises objectively here is to which degree did clustering take place among the BMs along the lines of their fractions? Despite the existence of sole fraction business along the side multi fraction business, the majority of the fractioned BMs were those who had investments in multi fraction enterprises at 70.5% holding equities of 54.6% of the total individual BMs' equities spread over 80.1% of the enterprises. On the contrary the sole fraction members made up 29.5% of the fractioned BMs number holding 46.4% of the equities and 19.9% of the enterprises. It seems that all fractions had a substantial proportion of their equities concentrated in the hands of the sole fraction members ascending from 40.7% of the Palestine equities to 43.6% in the case of the newcomers reaching 49.7% of the Jordan's equities. The variation between the pre-1948 Jordanians and the other two fractions could be attributed mainly to the fact that this fraction existed in Jordan before 1948, while the others had to establish or re-establish themselves over the period of 1950-1973. Certainly the small number in the Jordanian fraction and its early establishment had created a favorable context to encourage its members to invest together. Reading the significance of the above figures concerning the equities of sole fraction can be misleading, since this study frequently stressed that investments in forms of individual and NF control business was the dominant pattern among BMs at large and in each fraction. In order to have accurate conclusions, examining the clustering of each fraction should exclude individual control and NF control enterprises and rather focus on neutral control enterprises. The sole fraction members of the neutral enterprises made up 6.1% having 4.3% of the fractioned BMs' enterprises and holding 5.0% of their total equities. Despite the lesser significance of these figures, it seems that the clustering was more noticeable among the newcomers.<sup>145</sup> Looking at the neutral enterprises that witnessed a clustering shows that the majority of these were in sectors like commerce,

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<sup>145</sup> The newcomers who clustered in neutral enterprises of their own made up 8.2% numberwise and 5.5% and 5.1% enterprises and equity-wise. 81.0% of the neutral enterprises owned by sole fraction members were those owned by newcomers. Additionally, 72.3% of the sole fraction BMs in neutral enterprises were newcomers holding 43.1% of the equities. See table 5/Appendix 10.

construction, manufacturing and transportation.<sup>146</sup> Reviewing the sub-sectors and the field of activities of each of these enterprise does not show that there was a trend of having two sole fraction enterprises that belonged to the same field and in competition with each other.<sup>147</sup> It is not possible to deduce the factors that led members of one fraction to cluster. In the case of the pre-1948 Jordanians, the business relations that were established prior to this period, friendships or other sort of relationships could be factors to bring some members of this group to invest together especially if the investments in mind required capital intensive. One of the most interesting examples is the alliance that two neutral enterprises that exclusively by the Jordan was owned by three bourgeoisie NFs; Muḥammad 'Ali Badiir, Malaṣ and Adlbii families who share between them the Syrian country of origin. In this sense, the Syrian background was an equal factor to that of being from the same fraction.

Examining state investments in the BEs shows that they were not in any sole-fraction enterprise. Evidently, the state was not carrying out a biased policy towards one fraction in particular. Targeting multi-fraction enterprises was not necessarily based on a non-discriminative policy on the side of the state, but rather on its economic priorities during this period or the preceding periods.

## **5.4 THE VERTICAL DIMENSIONS AND THE BOURGEOISIE**

### **5.4.1 BOURGEOISIE AND GENDER**

The breakdown of the BMs' gender shows that 15.1% of individual BMs were females, possessing only 7.9% of the equities, and making up 7.7% of the power I and 13.0% of the power II points respectively. These figures and others concerning the insignificant figures of females' proportion in the core group of the various power parameters show that the BMs were overwhelmingly in favor of male members, to the degree that analyzing male members is almost giving an account of the entire

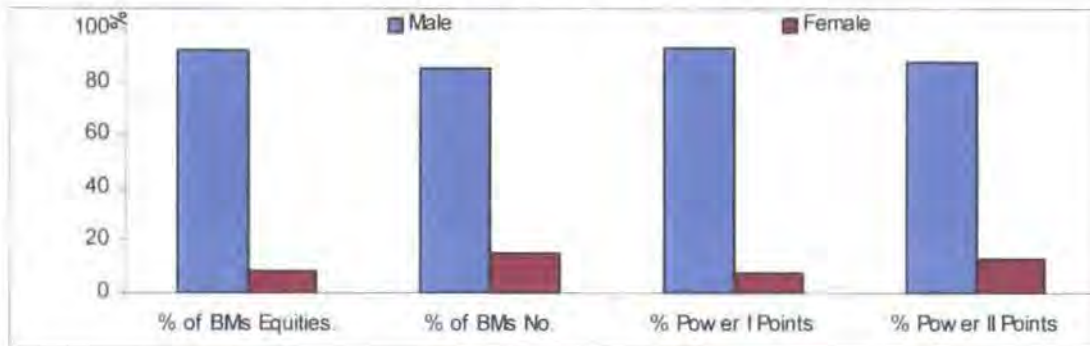
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<sup>146</sup> The equities of the newcomers' sole fraction enterprises distribution among the sectors was: commerce 48.8%, manufacturing 22.3%, construction 14.2% and transportation 9.4 %. The equities of the Palestine' were: manufacturing 60.1%, commerce 25.2% and construction 11.9%. the equities of Jordan were construction 50.9%, commerce 16.3%, transportation 32.4%.

<sup>147</sup> For instance the commerce sole fraction enterprises in each of the 3 fractions that were assumed to be in competition with each other does not conclude that but . another example is the road transportation enterprises. A few of them were mainly in the newcomers' fraction and some in the other fractions. All of these enterprises are running their services on different routs which at least excludes the possibility of direct competition targeting the same customers.

BMs. This sub-section, therefore, is devoted to shed light on the female members of the bourgeoisie. Females are not only underrepresented in their presence and the size of equities within the domain of the bourgeoisie, but are also of lesser significance when compared individually to their male counterparts. In fact, equities per male BM stood at JD 19947.3, which is 2.5 times the equities per female, which recorded JD 7388.2. The power I points per female BM was 1.3 compared to 2.0 points for their male partners.

Figure 5-11: The Ratio of Male and Female BMs' Equities, Number and Power I and II points to that of the Individual BMs



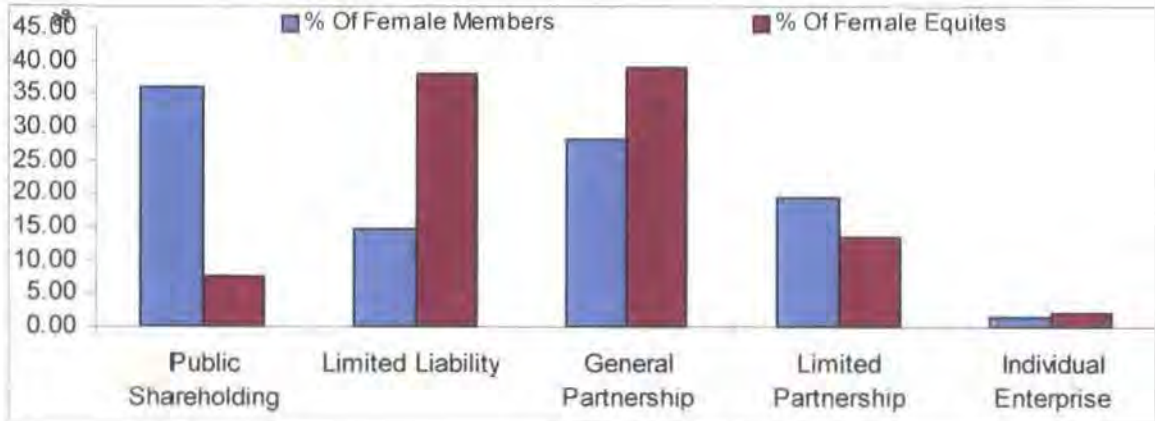
The majority of the female BMs were concentrated in businesses of PS type at 36.0% followed by GP at 28.2, LP at 19.6, LL at 14.8% and finally 1.5% in IE. The fact that the PSs are more accessible for equity-holders without the need for their services in management could explain the high proportion of the females in this type.<sup>148</sup> Another factor that explains the high presence of females in this PS business is the tendency for some male BMs to spread a certain proportion of their stake in the names of their children including the daughters or/and in the names of their wives. Contrary to PS businesses, which don't require management tasks of the equity-holders who are not at the committee of directors, IEs are generally run by the owners. This could explain the small number of females being involved in the IEs, which absorbed only 2.1% of the females.<sup>149</sup> The majority of the females'

<sup>148</sup> The female BMs' equities in PS to that of the total Individual BMs in the same type was only 8.5%.

<sup>149</sup> The proportion of the female equities to the individual total equities in IE was as little as 1.3%.

equities (77.1%) were concentrated in enterprises of GP and LL type; however, the females' weight in these enterprises in comparison to that of the individual BM equities was still as little as around 10.0%. Moreover the majority of the enterprises of these types were of NF control, which meant the presence of NF male relatives as partners.

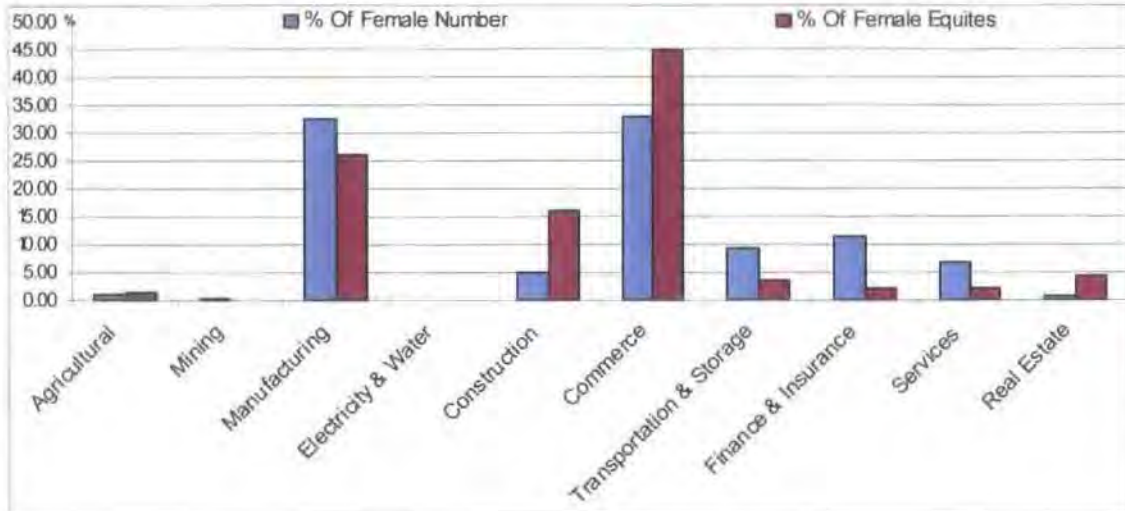
Figure 5-12: The Ratio of Female BMs' Number and Equities in Each Enterprise Type to that of Individual BMs



The presence of the females varies from one sector to another, the majority of them being concentrated in commerce and manufacturing where 32.9% and 32.5% respectively of their number and 44.5% and 26.0% of their equities are. Concerning other sectors, there was an indication that the proportion of female members to the total number of females and their equities was insignificant in sectors such as real estate, mining, agriculture, while in electricity they were completely absent. As for the remaining sectors, despite the small proportion of their number in construction, their equities in this sector made up a noticeable 15.9% of the entire female equities. The opposite trend is to be found in finance, where 11.4% of females had only 2.5% of the total female equities. The proportion of the female number and equities to the total individual BM and their equities in each sector does not indicate a significant variation. The females' equities as a proportion of the individual BM equities was below 10.0% in all economic sectors, while the females' proportion to the number varied slightly from one sector to another, recording its highest - above 20.0% - in finance and manufacturing and its lowest at

around 10.0% in commerce. These figures suggest a gap between what the female signify numberwise and what they make up equitywise.

Figure 5-13: The Ratio of Female BMs' Number and Equities in Each Economic Sector to that of the Individual BMs



Assuming that the proportion of females' equities, which reached in some cases almost 10.0% of the individual BMs in some business types or in some economic sectors, reflects the same percentage of female control over the means of production is misleading. The great majority of the businesses in which female members were involved were under the control of male partners tied together in NF kinship. Apart from the fact that NF kinship relations (husband & wife, brother & sister and father & daughter) have an influence on the distribution of power in a given business, the fact that male partners possessed the majority of the equities in that business reduces the power of the female partners.<sup>150</sup>

Despite this assertion, there were a number of females who either owned a business exclusively or owned the majority of an enterprise's equities. Still, the number and equities of these females were small. For instance, they made up 8.0% of the female BM and 36.2% of the latter's equities, while their proportion to the total individual BM was 1.2% and 2.9% of the latter's equities. Despite their

<sup>150</sup> The female BMs of the power B (is the parameter that take into consideration the parentage that is held by BM to the total equities of the enterprise) points was 4.1%. While their proportion of power B core group was 1.0% and 0.9% number and equity-wise. Interestingly all the female members of power B core group were members of NFs.

insignificance, the majority of these female businesses or female-controlled businesses were of GP (57.6% of the female number and 63.2% of their equities), LP (20.3% & 15.9%) and IE type (18.6% & 5.7%). Sectorwise, the majority of them were in commerce (64.4% of number and 60.8% of their equities), manufacturing (19.5% & 9.4%) and construction (6.8% & 25.0%), while their proportions in the remaining sectors were trivial.<sup>151</sup>

The figures reveal without doubt that the cleavage among the BMs according to gender was of no relevance, to the extent that one can claim that the bourgeoisie's domain was homogeneous when gender as a non-class factor is applied in this period.<sup>152</sup>

#### 5.4.2 ETHNIC AND RELIGIOUS BACKGROUND

This subsection deals with two of the main variables that can be the basis on which the people of the Jordanian society mobilise and contribute to their identity, i.e. religion and ethnicity. An account of the ethnic groups within the domain of bourgeoisie is to be covered first followed by analyzing the BMs in terms of religion.

Among the individual BMs, the Arabs made up more than 96.0% of BMs' number, equities, power I and Power II points. This dominance can be understood knowing that non-Arab ethnic minorities' proportion of the entire population was trivial. The biggest minority to the other ethnic minorities, the Circassian and Chechens had around 1.5% of the BMs' equities, number and power points. The Kurds and Armenians, whose relevance population wise was of no weight, made up above 0.5% of the BMs accounts. The overall dominance of the Arabs did not preclude the presence of the Circassian & Chechens nor the Kurds in the power I and II core groups. The former minority had more than 1.0% of the power I core group number, power I and II points and around 0.8% when the power II core group is concerned. Kurds parentages of power I core group's number, equities and power

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<sup>151</sup> The number of females who exclusively owned businesses was 3.6% of the female BMs possessing 5.8% of the female equities. The majority of these members and their equities were in enterprises of GP types at 57.4% and 64.8% respectively followed by IE at 40.7% and 35.1% in turns. The majority of their equities were in manufacturing at 38.3%, commerce at 26.1%, construction at 20.7% and transportation at 10.3%.

<sup>152</sup> Taking the religion as a factor shows that Christian female BMs have a respectable proportion of the total female BMs and their equities at 24.5% and 33.8% respectively against 71.5% and 64.5% of Muslims. Despite that the majority of the females BMs were Muslims, still the proportion

I and II points was slightly less than 1.0% each, however, these percentages jump to above 1.0% when power II core group is applied. The Kurds use of the NFs explains this increase in the percentages from the core group of power I to that of power II.<sup>153</sup>

Concerning the distribution of the ethnic minorities into economic sectors the data reveals that there was a concentration of Armenian equities in commerce and construction, leaving less than 8.0% in the other sectors. The concentration pattern can also be seen among the Kurd BMs: 94.8% of their equities were in commerce, manufacturing and services, while they had no investments in real estate, transportation, mining and construction. The Circassian and Chechens were more spread throughout economic sectors, however, substantial proportion of their equities were in commerce, construction and manufacturing.

Reviewing each of the ethnic minorities' investments in the different enterprises did not show any evidence of clustering.<sup>154</sup> However, these minorities used efficiently the NF ties as blocks to carry their investments either through their NF control enterprises or even in the neutral control enterprises. In fact the proportion of Circassian and Chechens equities that were in NF control enterprises was 21.3%, while it was 27.4% in the case of the Kurds.<sup>155</sup>

Among these minorities, one can see BMs who were the center of power in some important enterprises. For instance, the Bank of Jordan since its establishment had a substantial presence of Circassian BMs<sup>156</sup> to the extent that it can appear to one as a Circassian bank. However, other founders and the main shareholders were from other ethnic groups including Arabs Muslims and Christians. This Bank stayed under the influence of the al-Mufti family and even in the crises that led to their departure from the management of the Bank in 1970/1971 the

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of Christian female BMs number and equities exceeded that that of the Christian BMs to the entire BMs.

<sup>153</sup> Only 30.0% of the Kurds BMs were of no-NFs relatives, it was 36.0% concerning the Ss and CH. Still both minority is below the overall percentage of the BMs

<sup>154</sup> There was only one enterprise, The Engineering Company for Construction, that can be considered as ethnic base enterprise, since its two Circassian owners were not connected by any kinship ties.

<sup>155</sup> The majority of Circassian, Circassian and Kurds' equities were in individual control and individual control and NF-support-at respectively 48.2% and 60.1%

<sup>156</sup> Such as the brothers Fauuzii and 'Az-al-diin al-Muftii, N'iim Snuubar, Muḥii al-dinn Bashquuii, Aḥamad Khuurmaa and S'iid al-Muftii

divisions among the main shareholders and the board of Directors of the bank was not on ethnic ground.<sup>157</sup> On the other hand, The Jordanian National Bank established in 1956 had among the founders and the main shareholders the Circassian NF of 'Abdal-Qaadar Taash in close partnership with the Christian NF of Yusiif al-M'ashar. Another bank that had the influence of Hiidar Shakrii, another Circassian NF, was Cairo Amman Bank where the Palestinian NF of Ruuḥii Sh'ashaa'h also had a leading influence alongside Cairo that is an Egyptian Bank. The point of these details about competing banks in Jordan during this period is to stress that in the cases where certain members of a minority were in position of influence and/or wielding power over an enterprise, that was not the basis of ethnic support or solidarity.

Religion-wise, 76.6% of the bourgeois members were Muslim, while the Christian members made up 20.5%, with as little as 0.3% of unidentified religious background. The figures in terms of capital almost coincided with those in terms of numbers, since 76.2% of the bourgeois capital was held by Muslims, leaving 23.7% for the Christians. The share of the Christian BMs of power I and power II stood at above than 21.0%. Power I and Power II per BM among Christian and Muslims was almost identical, however equities per BM among Christian stood at JD 11934, and was higher than that among Muslims whom recorded JD 10497. When it comes to the bourgeoisie of Jordanian origin, the percentage of the Christians records 35.4%, which is above the overall Christian proportion.<sup>158</sup> This percentage is even larger when the equities held by the Christians of Jordanian origin are considered; these are 49.9%, which is more than double the overall proportion of the capital owned by the Christians. There was more than 25.0% of power I core group who were Christian BMs. Among the leading 29 BMs whose power I points 10 or more, there were 11 Christian members.<sup>159</sup>

Looking into the economic sector, there was no evidence that the Christian BMs were involved in one economic sector rather than other. When the ownership forms are concerned, certainly the Christian members, who were involved in all forms, used the NF ties in more effective fashion than their Muslim counterparts.

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<sup>157</sup> The camp that led Huusnii Siiduu al-Kurdii, who is a Kurd BM, and resulted in the latter's group taking over included Circassian and Arab shareholders, and certainly the camp of al-Mufti brothers incorporated Arab members.

<sup>158</sup> See table 13/ Appendix 12.

In the question of clustering, there was no evidence of clustering among the Christian BMs.<sup>160</sup> Only Christian BMs enterprises exist however, where the partners are bound by NF.

### 5.4.3 COUNTRY OF ORIGIN

The distribution of BMs numberwise according to the country of origin shows that BMs of Palestinian origin were the dominant group making up 63.6%, followed by the BMs of Jordanian origin at 22.9%, BMs of Syrian origin at 10.3% and of Egyptian origin at 1.1%. The proportion of Hajazi, Iraqis, Lebanese, royal family and others were respectively 0.14%, 0.12%, 0.12%, 0.15, 0.04%.<sup>161</sup> The BMs' distribution equitywise did not reveal a major difference from that of numberwise, the BMs of Palestinian origin still had the biggest share at 58.8%, followed with 5 points improvement in equities compared to their numbers by those of Jordanian origin at 23.7% and Syrian origin at 15.2%. The minor contribution of the BMs of other sort of origins numberwise was repeated equitywise. The proportion of the Egyptian, Hajazi, Iraqis, Lebanese, royal family and others were respectively 0.43%, 0.02%, 0.07%, 0.25%, 0.07%, 0.01%. The share of the bourgeoisie fractions country of origin-wise of power I shows that the Palestinian origin BMs were dominant, yielding a majority at 63.9% of the power I points, followed by the Jordanians at 23.4% and 10.7%. The proportions that were held by the BMs of remaining countries of origin were trivial, ranging between 0.06% and 1.0%. The highest average power I points was 1.9 points of the Egyptians followed by the Syrians at 1.7, Jordanian at 1.3 and then the Palestinians at 1.4 points. Despite the overall upper hand of the Palestinians when the sum of power I points is concerned, the capacity of the Syrian or Jordanian BM to act is 22.5 and 9.0 points better than that of the Palestinian.

Power II points distribution was almost identical of that of power I; despite the trivial decrease of the Palestinians' share, they were still holding 63.0%, followed by the Jordanian at 23.1%, while the Syrian share jumped to 12.0%. Although the shares of BMs of other countries of origin increased, they were still insignificant. However, the change can be better seen in terms of the average power II points. For instance, the Syrians average that stood at 2.5 was 47.0% above of its average

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<sup>159</sup> See table 10/ Appendix 10.

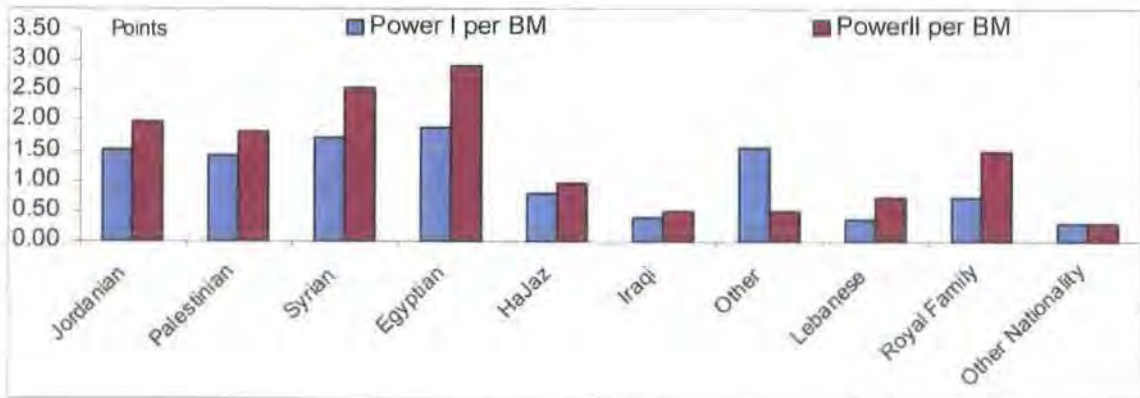
<sup>160</sup> Based on applying Chi-squared analysis.

<sup>161</sup> See table 14/Appendix 9.

in power I and recorded 1.4% of that the Palestinians Power II average that stood at 1.8 points recording an increase of 28.7% of its power I average. A similar increase was seen in the Jordanian average recording 2.0 points that is 1.1 of the Palestinians average.

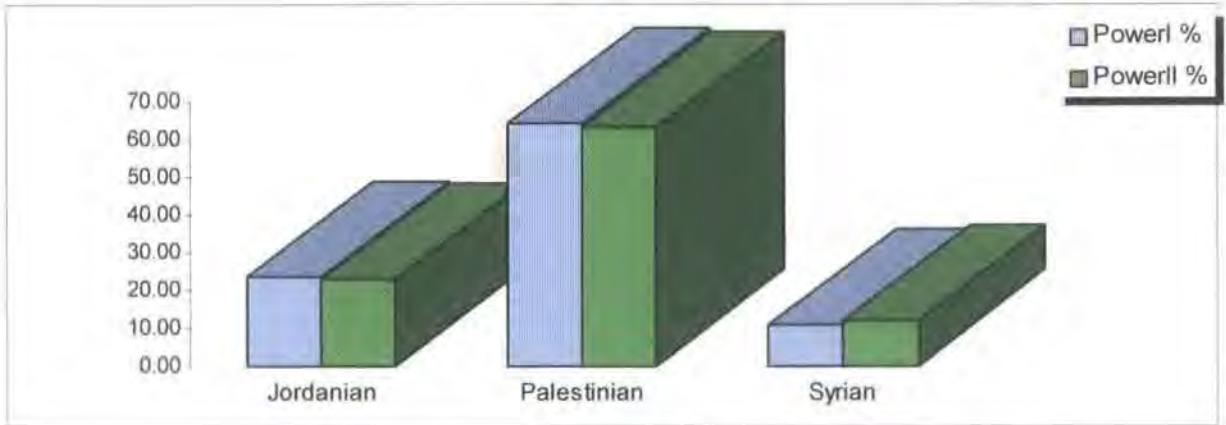
The sort of variation in the shares and averages of power I and power II is indicative of the wide spread use of NFs by all BMs despite their country of origin. The majority of BMs and equities in each fraction were in the hands of BMs with NFs. However, the proportion of equities in the hands of NFs Jordanians was 65.3%, reaching 70.8% among Palestinians up to 79.7% and 92.6% respectively in the case of Syrian and Egyptians. One can conclude that the NF was more used by bourgeoisie of Syrian and Egyptian origin than other fractions. Though the majority of the BMs' with NFs number, equities and power I points (around 60.0%) were in the hands of Palestinian BMs with NFs, the Syrians BMs with NFs proportion of equities, power points I stood at respectable figures of 17.6% and 14.4% respectively. In fact the 17.3% of NF power core group<sup>162</sup> were of Syrian origin sharing 18.6% of the group power points, while the proportion of the Jordanian and Palestinians stood at 25.2% and 54.7% numberwise and 24.6% and 54.2% power points.

Figure 5-14: The BMs' Average Power I and Power II According to their Country of Origin



<sup>162</sup> The NFs that scored 9 points or more, see the subsection of the Nuclear Family power

Figure 5-15: The Ratio BMs' Power I and Power II Points in Each Country of Origin to the Total BMs' Power I and II Points

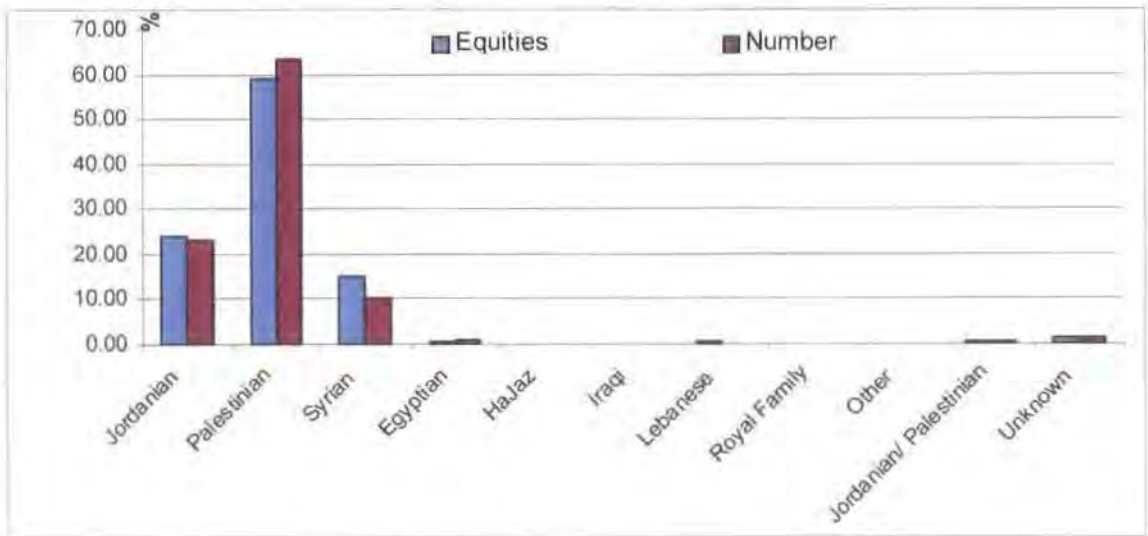


As the figures clearly indicate the main country of origin fractions were the Palestinian, Jordanian and Syrian that together make up 96.7% of the BMs number and 97.7% of their equities. Therefore, these three groups of the BMs will be given further analysis in order to bring out any trends or features that can be deduced along the lines of the country of origin.

Concerning the religion profile among each of these groups, the data shows that 65.0% of the Jordanian origin BMs were Muslims, 35.0% were Christian. In equity terms, however, what the Christian and Muslims held was almost the same at 49.9% and 50.1% respectively. The proportion of Christians among the Jordanians exceeded the percentage of Christians the overall BMs number and equities. The Christian Jordanian BMs were of high significance in the make up of the Jordanian origin BMs and they held almost half of the Christian BMs' equities. Still a respectable proportion of the Palestinian BMs were Christian, i.e. 20.2% numberwise and 19.3% equitywise. In fact almost 60.0% of the entire Christian BMs were of Palestinian origin holding 47.7% of the Christian BMs' equities. Muslims were predominant when the Syrian origin BMs are concerned making up 99.4% and

97.2% of respectively equities and number.<sup>163</sup> It is worthwhile mentioning that the only country of origin group, where the Christian BMs were prevalent was the Lebanese origin in which the proportion of Christians was 63.6% holding equities of 93.9%.<sup>164</sup> hence, one could argue that the BMs of Palestinian and Jordanian origin were less homogenous compared to that of the Syrian BMs since the first two groups have the potential of cleavages along the line of religion.

Figure 5-16: The Ratio of BMs' Number and Equities in Each Country of Origin to the Total BMs' Number and Equities



The distribution of the BMs among the different sectors reveals some important patterns concerning the first three groups; Jordanian, Palestinian and Syrian origins. On one hand these groups share that the majority of their equities are concentrated in commerce and manufacturing as 51.0%, 43.5% and 24.4% of the equities of the BMs of Palestinian, Syrian and Jordanian origins respectively were in commerce. In the same order, 21.0%, 20.1% and 25.4% were in manufacturing. On the other hand, these fractions varied in importance between other sectors, for example a small proportion (between 0.0 and 1.5%) of Palestinian equities were in service, finance and electricity, while there were substantial proportions of Jordanian and Syrian equities in services at 14.8%, and 16.8%, and an indicative proportion of their equities in finance and electricity. The small market of Jordan certainly dictated a limited number of enterprises in electricity and finance. The monopoly that was given to The Jordanian Electricity Co. that had been

<sup>163</sup> See table 8/Appendix 9.

established in the 1930 to supply Amman firstly and other regions later on, explains the absence of other competing enterprises and thus the low proportion of the BMs of Palestinian origin.

The breakdown of the equities in each sector in terms of the BMs' country of origin, shows that there were some sectors that were dominated by one fraction rather than other. This was evident in agriculture and real estate where 97.1% and 94.3% respectively of their total equities were in hands of BMs of Palestinian origin. Some similarity can be seen in other sector where the Palestinians were the holder of the majority of the equities such as in commerce (69.1%), construction (55.0%), manufacturing (51.0%) and transportation (51.0%). It does not come as a surprise that Palestinians have a majority in these sectors' equities, since they had the biggest share of the total equities, but it does not necessarily mean that they were dominant in these sectors, since both Jordanian and Syrian still have substantial proportions of the total equities of these sectors. Jordanians, for instance, had 13.3%, 30.7%, 27.6% and 32.4% of the equities of commerce, construction, manufacturing and transportation, while the proportion of the Syrians were 15.4%, 10.7%, 13.7% and 9.6% respectively. Despite the fact neither Jordanians nor Syrians made up the majority of any of the sectors equities, their proportion in sectors such as electricity, finance and services were substantial and even dominant in electricity and services where the Palestinian shares were insignificant. It is important to bear in mind that these sectors that fall under one fraction or another were not leading sectors in the make up of the BMs wealth and economic power and that the state was heavily present in some of these sectors' activities such as mining and electricity. Looking at these fractions in terms of economic sectors shows that none of these fractions was entrenched in one specific sector or sectors and its activities negated form others. Some sectors showed that a fraction could have a strong position without necessarily being dominant by the virtue of the insignificance of the shares of the other sectors.

The regional distribution of the bourgeoisie reveals that 34.5% of its members were from the West Bank, followed by 26.8% from Palestine '48, 23.4% from the central part of Jordan, 7.2% from northern Jordan and 3.6% from southern Jordan. Members from Gaza represented the smallest proportion, with 0.23%, considering

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<sup>164</sup> See Table 19/Appendix 9.

that 2.6% are unidentified/ unknown. The fact that all of the categories, apart from the Palestinians and the Jordanians, were considered to be part of the central part of Jordan, as was mentioned in the methodology chapter, led to inflating the proportion of such a region. In this perspective, and in order to avoid any misleading reading of the regional distribution, it is relevant to talk about the regional distribution just for the bourgeois who are of Jordanian or Palestinian origin. The majority of the bourgeois of Jordanian origin were from the center, at a proportion of 49.5%, possessing 59.5% of the equities.<sup>165</sup> The northern Jordanians come in the second place, at 32.2%, having 23.6% of the equities, while the southerners made up 16.1% of the bourgeois members of Jordanian origin, holding 16.6% of their equities.

Among the bourgeois of Palestinian origin, the number was almost evenly divided between the ones from the West Bank (55.1%) and those from Palestine '48 at 43.0%. The proportion of their equities was even closer, since 50.9% were held by West Bankers, 48.2% by Palestinians '48. Such an even division was possible in the former two regions because of the insignificant proportion of the Palestinians of Gaza.

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<sup>165</sup> See tables 20 and 21/ Appendix 9.

## **CHAPTER SIX**

### **AN OVERVIEW OF THE JORDANIAN ECONOMY (1974-1989)**

This period makes one unit because of its political and economic characteristics. At the economic level, the oil boom from 1974 until 1982 and the decline of its prices from 1983 had a fundamental effect on the Jordanian economy. In the boom phase Jordan's economic ties with the oil-producing Arab countries were strengthened to the point that the Jordanian economy was highly dependent on these countries.

#### **6.1 MACRO ECONOMY OF JORDAN (1974-1989)**

##### **6.1.1 THE DEVELOPMENT PLANS**

This section deals with the development effort during this period as it was represented throughout the governmental development plans. Therefore, it covers the three successive five-year development plans. This section covers the main goals of each plan and its sectoral aims as well as its main planned projects. It also covers the share of the private and public sectors in the projects of each development plan. Furthermore, it assesses the extent to which the main goals of each plan were achieved primarily by referring to statistics capturing the (economic) situation at the end of each plan and secondarily by the evaluation of the Jordanian planners and the other literature. Although the fourth plan was scheduled to be completed by the end of 1990 one year after our period, it was suspended in 1989 and replaced by the economic adjustment program.

### **6.1.1.1 The First Five-Year Development Plan (1976-1980)**

The studies that covered this plan described it as an ambitious plan, ambitious in its goals, framework, its projects and finance. In fact this description was not far from reality especially when the targets and the projects of this plan are compared to those of the former one. However, the political and economic conditions that determined the design of the three-year plan were totally different to those which influenced the shape of this one. Jordan enjoyed a high level of political stability during the four years prior to the plan accompanied by better relations and understanding with the neighbouring Arab countries. Moreover, the economic environment that benefited from political stability was further strengthened by the implementation of the three-year development plan. This enhanced the confidence of the private sector both locally and abroad in Jordanian economic prospects. Apart from the factors above the Jordanian planners were encouraged by the impact of the oil boom on financing economic development in Jordan in two ways: firstly, the increase in Arab aid to the government that would allow the government to expand its role in the development projects. Secondly, the Jordanian workers in the Gulf resolved the unemployment problem and their increased remittances were partially used to finance private sector development projects. These appealing conditions encouraged the planners to propose an ambitious plan.

The five-year plan aimed to increase the volume of real GDP by 75.0% during the plan period or at an average annual rate of 11.9%. According to the Jordanian planners, this growth would be achieved by changing the structure of the economy to concentrate on the commodity producing sectors. The plan aimed to increase their share of the GDP from 35% in 1975 to 44% in 1980.

The overall volume of fixed investment during the plan period was estimated at JD 765 million, which would be divided into 75.8% for the productive sectors and 24.2% for the social sectors<sup>1</sup>. The ratio of fixed investment to GDP would be 36.4% compared to 32.0% in the previous development plan.

As for the projected economic growth of the commodity productive sectors, the mining and manufacturing sectors, according to the plan goals, would have the highest growth rates with an increase in income of 220% in 1980 compared to the

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<sup>1</sup> Five-Year Plan for Economic and Social Development 1976-1980, p78-80

1975 level of an annual growth rate of 26.2% on average. This growth rate would increase the relative share of industry in GDP from 17.4% in 1975 to 28.3% in 1980. As a result, this sector would have the biggest relative share in the GDP by the end of the plan period. Moreover, the planned rate showed that industry would play the main role in achieving Jordan's development strategy of increasing the relative share of the productive sectors in relation to the service sectors. Nevertheless, expanding the production of import-substituting and export-oriented industries as well as the production of phosphate, petroleum products and cement would generate the increase in the industry sector income. Additionally, new mineral enterprises such as phosphate fertilisers and copper would be established<sup>2</sup>. As the plan indicated and Kanvosky noted the chief focus of the planners was on industry<sup>3</sup>.

The income of the agricultural sector was projected to increase by 40.0% relative to 1975; in other words, at an average rate of 7.0% annually. Hence, the relative importance of agriculture in GDP would drop to from 10.3% in 1975 reaching 8.3% in 1980. This aim went along with the plan policy that did not consider agriculture as the principal sector for economic growth as had been the case in the previous plan. Increasing agricultural productivity, expanding irrigated areas in the Jordan Valley and Southern *Ghor* and augmenting livestock would make achievement of the planned rate possible. Hence, agricultural production would meet the increasing proportions of local food requirements<sup>4</sup>.

The electricity and water supply sector would grow by 120% compared to its 1975 level at an annual growth rate of 17.1%, the second highest growth rate after industry. This growth would be attained by the planned expansion of power generation for production and household uses. A large majority of the water projects was directed to irrigation rather than household uses. The average growth rate of the construction sector was projected at 5% per year. However, the Jordanian planners noted that the income originating in this sector would rely on the quantity and type of investment in each year<sup>5</sup>.

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<sup>2</sup> Five-Year Plan for Economic and Social Development 1976-1980, p80-83.

<sup>3</sup> Kanovsky, E. (1976), p125.

<sup>4</sup> Five-Year Plan for Economic and Social Development 1976-1980, p84-86.

<sup>5</sup> Five-Year Plan for Economic and Social Development 1976-1980, p83-87.

The relative importance of the service sectors (including transport & communication, trade, financial institutions, ownership of dwellings, public administration & defence and other services) in GDP was projected to drop from 64.8% in 1975 to 55.9% in 1980(see table 6-3). Nevertheless, the overall growth rate of services would record 51.1% over the plan period at an annual growth rate of 8.6%. The financial institutions would show the best annual growth rate at 17.1% of the service sectors followed by the ownership of dwellings sector and the transport & communications sector at an average growth rate of 12.0% and 10.6% respectively (see table 5-3). The planners mentioned that expansion of some of the service sectors would be due to an upsurge in mineral and industrial production, particularly those sectors are linked to the mineral activities, such as transportation.

In addition to the sectoral goals above, the plan highlighted two of the main problems that the Jordanian economy was suffering from: firstly, the chronic trade deficit and secondly, the reliance of the government budget on external revenues. In order to confront the former, reducing the trade deficit would be possible by increasing the volume of exports particularly phosphate and chemical fertilizers. Therefore, the plan anticipated that the value of exports in 1980 would be 238% above the 1975 level. The plan did not rely on limiting the import rate but rather relied on increasing exports, due to the fact that investment project requirements would keep the rate of imports relatively high (8.0% per annum) in order to meet the investment requirements as well as the requirements of consumer goods. In conclusion, reducing the trade deficit would exclusively bear down on increasing the exports.

In the latter case, the plan aimed to augment domestic revenue by 115% during the plan period in order to finance 91.5% of the recurring expenditures in 1980, compared to 61.5% in 1975. Finally, the plan aimed to distribute development gains among the various regions of the country, particularly rural areas.

Turning to the plan investment and subsequently its indications of the policy that the planners followed, the plan estimated a fixed investment for the whole plan period of JD 765 million divided between the economic sectors (75.8%) and the social sectors (24.2%). The mining and manufacturing sector received the majority of the investment with a relative share of (29.9%) followed by transportation and communications and information (18.7%), water (12.7%) then housing and

governmental buildings (11.3%). Apart from the main goals of the plan mentioned above, the distribution of investment among the different sectors (see table 4-3) revealed that the priorities of the Jordanian planners were:

- Firstly, to develop the mining and manufacturing sector which was essential to achieve the basic changes in the structure of the national economy, in other words, the main goal of the plan. This sector also included phosphate production, which has become the main Jordanian exports since 1974.
- Secondly, to establish and build the infrastructure that was required for all development activities.

Almost one fifth of the entire fixed investment was allocated to the housing and governmental building sector. This high relative share can be explained by the demand for housing construction witnessed in previous plans as a result of the tremendous increase in the size of remittances since 1974. Khader noted that the plan's investment indicated that the Jordanian development strategy in this phase concentrated on big projects. In particular, one third of this plan's investment was allocated to eight big projects. He agreed with Mazur's interpretation<sup>6</sup> that the reason behind adopting this option might have been the ready availability of foreign assistance<sup>7</sup>. Or, as he expressed it later, "big is beautiful" was the fashion<sup>8</sup>. Other reasons explain the strategy of "big projects", such as that the development projects were oriented to exploit the country's natural resources. Moreover, the fact that the mining and industry sector showed good results in the previous plan and indicated a promising future with an increased price of phosphate in the 70s drew the Jordanian planners into proposing big projects mainly in this sector or in related ones.

As far as private sector involvement in plan investments was concerned, the plan proposed to attain its aims on the condition that the private sector would continue to respond to the development effort and play its role in the development plan by mobilising its savings and channelling them towards direct investment and/or extending loans to the public sector. It estimated that the private sector share would

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<sup>6</sup> Mazur, (1979), p252.

<sup>7</sup> Khader, B. (1987), Targets and Achievements, p179.

<sup>8</sup> Khader, B. (1989), Jordan Economy: 1952-1989, p6.

be 50.1% of the total fixed investments. Though the plan did not show the distribution of private investment amongst the different sectors, it indicated its sources of finance, which mainly consisted of the current account surplus, loans and contributions from the government and net Arab and foreign loans.

Regarding the public sector, the plan assumed that the government would finance its projects by using the expected surplus increase on the current account. Furthermore, the planners presumed that the Arab and foreign countries would continue their financial budget support at least to the level JD 61 million per year from 1976 to 1980.

Turning to the plan's achievements, the performance of the plan was successful in attaining some of its targets, but failed in others although it showed better growth rates in the various economic indicators compared with the previous plan. The real GNP grew on average by 11.0 % yearly against the targeted rate of 11.5%, while the actual annual growth rate of the real GDP was 8.5% compared to the targeted rate of 11.9%.

On the sectoral level some of the key projects in the agricultural sector were not implemented by the end of the plan period. Despite successive drought seasons, the relative share of agriculture was 8.5% slightly more than the planned one. However, the real annual growth rate of this sector was 5.7% yearly while the targeted rate was 7%. Likewise in the previous plan industry showed the highest annual growth rate amongst the other sectors at 13.6%, even though this rate was just around half the targeted rate (26.1%). This shortfall in the growth rate of industry was due to the fact that a number of industrial projects not implemented such as the fertiliser project as well as a reduction in phosphate productions<sup>9</sup>. In contrast the actual growth rate of construction (13.1%) far exceeded the targeted rate (4.1%).

The relative share of the service sectors of the GDP was still dominant at (61.2%). Thus meant that the plan had failed to a large extent to increase the share of the commodity producing sectors at the expense of the service sectors. Subsequently the predicted change in the basic structure of the economy, the main goal of the Jordanian planners during this period, did not take place.

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<sup>9</sup> Khader, B. (1989), *Jordan Economy 1952-1989*, p6.

Correspondingly the share of the commodity sectors was 38.8% by the end of the plan term despite having been planned to reach 44.1%. Concerning the realisation of targets and the performance of the plan, Abu Jaber claimed that on the whole the plan had strengthened confidence in the stability of the country and its economy for the private sector at home or abroad.

In terms of capital fixed expenditure, the size of investments amounted to JD 843.7 million at constant prices, 10% more than the anticipated figure. The share of the private sector including the project financed jointly with public sector was 59% of the total investment. Weiss claimed that private investment in small-and medium-sized businesses played a greater role than what was expected, while governmental investments were directed towards capital-intensive and large-scale projects in the different sectors<sup>10</sup>.

The realisation ratio of the investment on the sectoral level was far exceeded in the housing sector (218.2%); transportation (144.3%) and the industry sector (104.5%). In addition, these sectors received more than three-quarter of the capital expenditure, while the other sectors were close to the anticipated figures, except agriculture, which received only 49.7% of the estimated investment.

#### ***6.1.1.2 The Second Five Year Development Plan 1981-1985***

This plan was prepared during the golden years of the Jordanian economy and in the light of promising and encouraging conditions that indicated the Jordanian economy would have the potential and capability to actualise remarkable growth. Furthermore, the planners were encouraged that the Jordanian economy would benefit from the flourishing regional economic situation. In particular, oil prices were still high, thus ensuring that financial support would continue to flow into the Jordanian economy from the Arab oil producing countries. This was especially so after resolutions of the Arab summit in Baghdad, which promoted to support the front line countries after the Egyptian Israeli peace treaty. Moreover, the Jordanians would continue to work in the Gulf countries and their remittances would be circulated in various economic activities in Jordan.

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<sup>10</sup> Weiss, D.(1977), Development Plans, p152.

In the encouraging atmosphere of the domestic and regional economies, the expectations of this plan as well as its aims were optimistic. However apart from magnifying its objectives, it was not essentially different to the previous plan. To a large extent, the plan aimed to achieve the same goals of the previous one Amin claimed that repetition in the aims was due to the failure of the previous plans to fulfil their main goals.<sup>11</sup>

The main goal of this plan was to increase the GDP by 69.0% at an annual real growth rate of 11.0%. This growth rate would be possible throughout the different sectors, which are displayed below. Likewise the plan estimated the overall increase of the GNP by 67.7 or at a real growth rate of 10.9% per annum.

The aim of changing the structure of the Jordanian economy was to enhance its reliance on the producing commodity sectors at the expense of the services sectors. This aim would be achieved by raising the contribution of the commodity sectors to GDP from 38.8% in 1980 to 46.0% by the end of the plan period. In contrast the share of the service sector would drop from 61.2% to 54.0%. This modification would come about by achieving an annual growth rate of 14.9% for the commodity sectors against 8.4% for the services. Despite the fact that increasing the contribution of the commodity producing sectors in GDP was the central goal in the Jordanian planners agenda, the share of these sectors was just 50.0% of the total plan investments. In other words, the same amount was allocated to the service sectors.

In order to cover recurrent expenditure and to realise a surplus to be channelled to finance the developing expenditures, the plan aimed to increase the ratio of domestic revenue to recurrent expenditures from 70% in 1980 to 100.4% in 1985. Likewise, the plan aimed to reduce the trade deficit ratio in the balance of goods and services. Thus the plan expected that imports of goods and services would increase at an annual growth rate of 13.5% against a growth rate of 17.8% in exports. Hence the ratio of the trade deficit to the GNP would drop from 51.9% in 1980 to 40.7% in 1985.

The plan aimed to develop the labour force by extending compulsory education, vocational training and increasing women's participation in the labour

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<sup>11</sup> Abdallah, K.A. (1994) *The Development Strategy in Jordan from 1950s-1990s*, p 75-78.

market. In particular, the plan intended to increase the number of students in vocational training so their ratio to the total number of enrolled students would rise to reach 30.0% in 1985. Similarly the ratio of the age group in compulsory education would reach 95.0% at the end of the period of this plan.

Finally, satisfying basic needs and narrowing disparities among the different regions of the country was one of the main goals of this plan.

The plan envisaged economic growth of the following sectoral targets:

- 1- Agricultural income would increase by 43.6% or at an annual growth rate of 7.5%. That increase would be possible by improving agricultural techniques and extending irrigated areas in the Jordan Valley and Southern Ghors. The plan expected that the utilisation of the waters of the Maqarian Dam for irrigation purposes would begin before 1985, the last year of the plan. The planners emphasised that implementing the Maqarian Dam project would play a major role in reaching the targets of this sector. However, any tardiness in the implementation of this project until after the plan term would seriously affect the planned growth rate of this sector.
- 2- The income from manufacturing and mining was planned to increase by 127.3% or at an annual growth rate of 18.0%. This increase would be possible as a result of completing the projects started during the previous plan as well as establishing new projects such as chemical industries and expansion cement productions. Hence, the relative share of this sector in the GDP would rise from 21.8% in 1980 to 29.3% in 1985.
- 3- The service sector would show an increase of 49.4% during the plan period or a real growth rate of 8.4% per annum, although its relative share in GDP was planned to decline as mentioned above.
- 4- Other sectors: the growth rate of the electricity and water sector was planned to be 18.9% per annum which would increase its relative share in GDP from 1.1% in 1980 to 1.6% in 1985. The annual growth rate of the construction income was expected to be 12.6%, which would increase the ratio of this sector of the GDP from 7.4% in 1980 to 7.9% in 1985.

Regarding the success of this plan and comparing it to the first five-year development plan, all economic indicators indicated that the actual performance fell far below the plan's projections. The real annual growth rate of the GDP at factor cost was 4.2%, whilst the real GDP at market price averaged 5.3% yearly; correspondingly the rate of GNP recorded 4.8%. These growth rates were less than half the rates the Jordanian planners envisaged reaching during the plan. At the sectoral level, the growth rate of the agricultural sector registered 7.0% per annum, close to the planned rate of 7.5%, which was not the case for the other sectors. The actual annual growth rate of industry including mining did not exceed 4.9%, which was less than one third of the targeted rate. The Jordanian planners ascribed this shortfall to the underutilisation of the productive capacity of a number of large new industries including potash, cement and fertilisers.

Three factors affected the performance of the Jordanian economy and subsequently the realisation of this plan: Firstly, the reduction in the size of transfers from the Arab countries to the central government (see the section on the balance of payments). Secondly, the fall in the growth rate of remittances after the first year of the plan<sup>12</sup>. And thirdly, the decrease in the growth rate of exports and re-exports compared with growth rate during the previous plan or the anticipated rate for this plan. In this matter, Khader noted that 1983 witnessed a decline in the value of the Jordanian exports to the Iraqi market, and subsequently the value of the industrial exports dropped from JD 42.7 million in 1982 to JD 13.5 million in 1983. Furthermore, the phosphate income declined in the last three years of the plan although the total production increased<sup>13</sup>.

It is important to note that the above factors were external, and those regional economic elements rather than domestic ones affected the performance of the Jordanian economy.

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<sup>12</sup> The foreign aid and remittances started to drop in 1981 forwards Abu Jaber noted that the performances of the economy in the first year of the plan was higher than the targeted before declined dramatically in 1981 the second year of the plan. Abu Jaber, Kamel, Shimizu, M (1984), p.70,71.

<sup>13</sup> Khader, B. (1987), Targets and Achievements, p187.

### **6.1.1.3 The Third Five Development 1986-1990**

The aims and objectives of this plan were designed under the new circumstances of the economy of the Middle East, which suffered from the decline in oil prices and the continuation of the first Gulf war. Subsequently the recession in the economics of the Middle East affected Jordan directly in two of its main economic pillars: the remittances and foreign aid. Both these revenues showed a dramatic decline in 1983. Thus the objectives of this plan were not ambitious and were more reasonable in comparison with the previous plans. Furthermore, this indicates that the Jordanian planners took into consideration the poor achievements of the previous plan due to the gradual drop in external payments. Hence, the main theme of this plan was to develop the economic independence as Feiler outlined<sup>14</sup>. The goals of this plan were as follows:

- 1- The Plan aimed to increase GDP during the plan period at an annual growth rate of 5.0%, a modest rate compared with the projected growth rate in the previous plans. The plan also aimed to achieve an average growth rate of GNP at 5.0% per annum<sup>15</sup>.
  
- 2- The plan intended to create 97,000 new employment opportunities through out the investment projects. Furthermore, the plan predicted the availability of another 104 thousands jobs, 50,000 of them by substituting for the foreign labor, 29,000 jobs to replace retirement and 25,000 jobs could be available for the Jordanian workers abroad. The aggregate employment in 1990 would be 703 thousands of which 12% were expatriates<sup>16</sup>. It is important to outline that such a goal, which was not included in any of the plans since the three-year development plan 1973-1975, indicated that some Jordanian expatriates in the Gulf countries came back to Jordan. Also, the demand for

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<sup>14</sup> Feiler, G. (1994) *Jordan's Economy 1970-1990: The Primacy of Exogenous Factors*, p51.

<sup>15</sup> Ministry of Planning, *The Five Year Plan for Economic and Social Development (1986-1990)*, p80.

<sup>16</sup> Ministry of Planning, *The Five Year Plan for Economic and Social Development (1986-1990)*, p80.

Jordanian labor in the Gulf countries was not as much as it was during the second half of the 70s and the early 80s. In other words, the era that was characterized by labor shortage and lasted for almost one decade turned into a period of labor surplus and subsequently, Jordan had to face a growing unemployment rate and to suffer from the foreign labor burden.

- 3- The plan aimed to reduce the public and private consumption expenditure in order to reach a GDP growth rate higher than the rate of consumption. Thus the ratio of consumption to GDP would drop from 111.0% in 1985 to 99.0% in 1990. Moreover, the domestic revenue would cover the current expenditure by curbing the increase of current expenditure and increasing the domestic revenue in the main time.
- 4- The plan aimed to reduce the deficit in the balance of goods and services<sup>17</sup>.
- 5- The plan aimed to reach its goals by achieving sectoral targets which were designed as follows:
  - (A) Agriculture: the average annual growth rate of this sector was planned to be at 7.8% so the agricultural contribution to the GDP would rise from 8.2% in 1985 to 9.4% in 1990. This target would be attained by introducing advanced agricultural and irrigation techniques, augmenting irrigated land in the Jordan Valley region, developing animal resources and leasing out the state land to be exploited by the private sector. The plan allocated 9.4% of its fixed investment to agriculture excluding irrigation investment. 71.6% of them would be provided by private sector.<sup>18</sup>

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<sup>17</sup> Ministry of Planning, The Five Year Plan for Economic and Social Development (1986-1990), p80-81.

<sup>18</sup> Ministry of Planning, The Five Year Plan for Economic and Social Development (1986-1990), p87-88.

- (B) Mining and quarrying: the plan envisaged increasing the income generated from this sector by 45.6% at an annual growth rate averaged at 7.8%. The phosphate and potash would constitute 71% and 18.0% respectively of the added value of this sector by the end of the plan. According to the planners, expanding the activities of this sector would create 1600 new jobs<sup>19</sup>.
- (C) Manufacturing industries: the plan designed to increase the real income of this sector by 39.5% at an average growth rate of 6.9%, yearly which would increase its share in the GDP from 12.3% in 1985 to 13.4% in 1990. The anticipated growth rate would create 11,000 new jobs and the aggregate employment in this sector by the end of the plan period would count for more than 63 thousand workers, or about 10% of the labor force<sup>20</sup>. Both the manufacturing and mining industries were anticipated to receive 12.6% of the plan investment.
- (D) Electricity and water: the average growth rate of this sector was planned to be 4.7% per annum, which would be attained by the expansion of water distribution and recycling projects, in addition to power generation, transmission and distribution projects<sup>21</sup>.
- (E) Construction: the projected increase of this sector's income was 21.8% during the plan period or an average annual growth rate of 4.3%. The projects of this sector would cover housing to serve low and limited income groups as well as the construction of roads and bridges<sup>22</sup>.
- (F) Service sectors: the plan envisaged to increase the income generated from services by 23.3%, at an annual growth rate of 4.3%. In order to reduce the share of these sectors in favor of the productive ones, the

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<sup>19</sup> Ministry of Planning, The Five Year Plan for Economic and Social Development (1986-1990), p88.

<sup>20</sup> Ministry of Planning, The Five Year Plan for Economic and Social Development (1986-1990), p88-89.

<sup>21</sup> Ministry of Planning, The Five Year Plan for Economic and Social Development (1986-1990), p89.

<sup>22</sup> Ministry of Planning, The Five Year Plan for Economic and Social Development (1986-1990), p89.

Jordanian planners gave priority to developing the service sectors connected to the commodity producing sectors. Transportation would show the highest annual growth rate averaged 5.6% followed by government services, trade and the rest of the service sectors by 4.3%, 4.0% and 3.6% respectively. The total fixed investment of services was planned to be JD 1223.6 million, which represented 39.3% of the plan's investment<sup>23</sup>. However, this amount was less than that actually planned since the plan categorized sectors, for instance, transportation and telecommunication as infrastructure sectors. The share of the service sectors, including transportation and telecommunication, would reach 56.9% of the entire investment.

As far as the investment of plan and private sector involvement are concerned, the plan estimated its investment at JD 3115.5 million, 47.6% to be provided by the private sector and the rest by the public sector. The central government would contribute 29.6% and the autonomous institutions would provide 28.8% of the total investment. The share of the private sector according to this plan is the lowest compared with the previous plans. Agriculture and industry would receive more than one third of the private sector investment. In addition to 42.6% of its investment allocated to the housing, construction and transportation. On the one hand, housing and construction received more than one fifth of the anticipated investment, which was almost equivalent to the share of the productive sectors industry and agriculture and was slightly more than the share of telecommunication and transportation. The plan did not show how the private sector would finance its share; in contrast it showed the finance of the public sector.

The plan was not implemented because of the emergence of the economic crisis that brought the IMF into the circle of the economic decision-making and therefore the economic adjustment program was introduced replacing this plan. This program was introduced in late 1988 and will be discussed in the section of the macroeconomy of the 90s.

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<sup>23</sup> Ministry of Planning, The Five Year Plan for Economic and Social Development (1986-1990), p89.

## 6.1.2 THE BUDGET

This section deals with public finance, studying the main trends that the central government budget experienced during this period. It covers the main components of the public revenue from both domestic and foreign sources. Besides analyzing the performance of the revenue, it attempts to reveal the political and economic factors that had an impact on such performance. Furthermore, this section covers the main trends of the governmental expenditures both capital and current, showing the cardinal themes of the governmental policy in this respect with special emphasis on the military budget as well as on the public administration spending.

Over the years of this period, the public revenue showed a remarkable expansion: it rose from JD148.9 million in 1974 to JD 1083.5 million in 1989 augmenting by more than nine times, and its annual growth rate recorded 16.4%. Correspondingly, the expenditure increased at an annual growth rate of 15.6% and in 1989 it reached JD 1102.3 million, rising from JD 146.6 million in 1974. The expansion that was recorded in both expenditure and revenue took place mainly in the first eight years of the period.

Regional political developments during the 1970s resulted in an unexpected increase in budgetary support from the Arab countries. Arab aid, which had already been established according to the Khartoum summit resolution, underwent a further increase from 1974 as a result of the Rabat summit resolutions. Such an increase followed the Jordanian official recognition of the PLO as the only legitimate representative of the Palestinian people. In the late 70s, the budget benefited again from the rise in the Arab aid to the frontline countries as was stated in the Baghdad summit meeting subsequent to the peace process between Israel and Egypt. In the Baghdad meeting the Arab countries committed to transferring to the central government of Jordan an amount of \$ 1.2 billion per annum over a period of 10 years starting in 1978<sup>24</sup>. The main aim of this financial aid was to support Jordan's defence capability and to help it to enhance its development efforts<sup>25</sup>. The oil boom,

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<sup>24</sup> Feiler, G. (1994), *Jordan's Economy, 1970-1990: The Primacy of Exogenous Factors*, p49.

<sup>25</sup> Hammad, K. (1987), p25.

which resulted in a huge amount of petrodollars being amassed by the oil producing Arab states made this kind of aid conceivable up to the early 80s. Moreover, Jordan continued to receive aid from the US and various other countries, though the aid from the latter was not continuous<sup>26</sup>. Apart from the role of budget support in accelerating the growth rate of both external revenue and expenditure, the oil boom affected the budget in another way. It resulted in a huge increase in the Jordanian workers' remittance, which, together with financial aid, had a crucial role in the economic prosperity that Jordan experienced particularly in the first half of the period. Economic expansion, combined with the increase in the consumption patterns, resulted in an increase in public revenue and subsequently in expenditure. Moreover, and taking into account that domestic revenue bore down on the income that was generated from custom duties, the augmentation of the import abilities for both investment and consuming purposes led to an increase in the public revenue.

The economic recession, which was caused chiefly by the decline of foreign aid and of remittances, hit the budgetary revenue and expenditures. In the second phase, the entire revenue grew by 7.6%. However, domestic and external revenues suffered the most since their growth rates were merely around a quarter of that achieved in the first phase. On the other hand, the growth rate of the external loans declined by just less than half while the domestic loans grew annually by 26.0%, which was almost twice its rate in the first eight year. This differentiation in the rates of the public revenue components reveals that the government pursued a borrowing policy to offset the inadequacy of the other public revenues. The growth rate of expenditure receded by two thirds in comparison to that of the first phase. The rate of capital expenditure was 5.7%, which was even less than that of the current expenditure, recording 8.5%.

This period revealed that governmental policy at the public finance level was not well set during the first few years of the period. It seems that the government indulged in increasing its expenditure in these years benefiting especially from the aid that came from the Arab countries. During the second phase this policy suffered from continuous variation, precisely when the government had to face the recession and its consequences. However, the Budget documents contained three main and general governmental principles all over the period. These were as follows:

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<sup>26</sup> Hammad, K (1987), p26-27.

- 1- The budget aimed to strengthen "Jordan's steadfastness and defence capability"<sup>27</sup>.
- 2- The budget aimed to meet the governmental commitment towards supporting people in the occupied West Bank<sup>28</sup>.
- 3- The budget fulfilled governmental policy in supporting the social and economic development momentum of particularly providing a good standard of basic service and maintaining the price of the basic food items<sup>29</sup>.

Indeed the principles above were fulfilled to a large extent. The defence expenditure increased rapidly during the whole period, and even in the difficult years of the recession it kept a respectable growth rate pace, contrary to the other expenditure categories. Starting from 1974 onwards, the government gradually followed a subsidy policy for basic food elements in order to protect the consumers by controlling the price of a wide range of food products and vegetables. This trend was strengthened by the foundation of the Ministry of Supply and of the military staff and civil servants markets. Furthermore, the government expanded its health and education services as well as the expenditure that was allocated to infrastructure projects such as roads, bridges and building construction.

The budget also emphasised that, throughout the period, external loans revenue was channelled to finance development projects while the government relied on internal debts to offset the budget deficit<sup>30</sup>. Apart from the above-mentioned principles, government policy in the first few years of the period was widely based on enjoying the ability of increasing the expenditures in all fields.

In 1976, according to the framework of the first five-year development plan (1976-1980), a new strategy was adopted to reorganise public finance. According to this policy the government would curb current expenditure and simultaneously

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<sup>27</sup> Central Bank of Jordan (1982), The Nineteenth Annual Report p51. This aim and the others were stated in all annual reports of the Central Bank of Jordan with the exception of the 1989 report when the economic relapse dictated emergency measures.

<sup>28</sup> It is worth mentioning that the two first principles were important to maintain yearly since they were the main justification of receiving the Arab aid.

<sup>29</sup> Central Bank of Jordan, Different Annual Reports (1979-1988).

<sup>30</sup> Central Bank of Jordan, different annual reports (1979-1988).

increase the domestic revenue. This would ultimately enable the latter to cover current expenditures. Despite the fact that this policy was emphasised yearly, its achievement was small particularly in the first half of the period when the domestic revenue covered just 67.0% of the current expenditure. The weak point was the increase in the current expenditures, since domestic revenue showed a rapid increase due to the economic boom. The current expenditure increased as a result of an expansion in the size of the public sector and of the public administration expenditure. In the mid 80s while reviewing the budget trends, Saket and his colleagues called for an urgent search to be carried out to reduce the bureaucracy and the waste in the public sector in order to decrease spending<sup>31</sup>. The government continued its policy in subsidising some products such as fuel and basic food,<sup>32</sup> regardless of the high rate of inflation in the late 70s and early 80s.<sup>33</sup> It also increased the wages and salaries of its expanding army of employees in 1979<sup>34</sup>, 1981<sup>35</sup> and 1983<sup>36</sup>.

That policy became more relevant after 1982, as a governmental response to the challenges dictated by the contraction of the revenue. The continuous recession that prevailed in 1986 and 1987 and affected the entire economic performance necessitated the replacement of the above policy with a new policy based on increasing expenditure. This new strategy assumed that expanding governmental expenditure would stimulate economic activity.<sup>37</sup> By the end of this period Jordanian government policy was restructured under the supervision of the IMF to face the economic crisis, which opened a new chapter in the development of the Jordanian economy.

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<sup>31</sup> Saket, B. , Asfour, B., Assaf, G. (1985) *the Economy of Jordan Over the 70s and 1979-A Bird's Eye View*, p84.

<sup>32</sup> See the Central Bank, *Different Annual Reports*.

<sup>33</sup> Saket, B. , Asfour, B., Assaf, G. (1985) *The Economy of Jordan Over the 70s and 1979-A Bird's Eye View*, p82.

<sup>34</sup> Central Bank of Jordan (1979), *Annual Report*, p70.

<sup>35</sup> Central Bank of Jordan (1981), *Annual Report*, p41.

<sup>36</sup> Central Bank of Jordan (1983), *Annual Report*, p43.

<sup>37</sup> Central Bank of Jordan (1986), *The Twenty Third Annual Report* p37.

### **6.1.2.1 Revenue and Receipts**

As was mentioned earlier on, public revenue expanded rapidly during this period, although in general terms its composition and structure did not show a fundamental change. The structure of the public revenue as it had been in the former period indicated that domestic revenue was still inadequate to cover governmental expenditures, which had to rely on revenue from external sources. However, and in contrast to the previous period, domestic revenue was the biggest component providing the treasury with 50.6% of the entire receipts.

At the level of external sources, the share of the budget support coming mainly from the Arab countries, averaged around 29.0%, far less than 47.3% recorded in the previous period. However, the decline in budget support in relative terms was a result of the rapid increase in external loans and the improvement in receipts from domestic revenue and did not reflect a drop in its absolute value. External aid, which grew at an annual rate of 22.2%, was not steady throughout the period; its fluctuation reflected political developments as well as economic developments mainly in the oil producing countries. The oil boom in the first half of the period made it possible for the gulf countries to increase their financial aid to Jordan subsequent to the Rabat summit meeting.

A similar trend was witnessed after the Baghdad summit meeting of 1978, which was held subsequently to the peace process between Israel and Egypt. Hence, external aid reached JD 58.8 million in 1974, jumped to JD 100 million in 1975 and in 1979, 1980 and 1981 it recorded around JD 200 million yearly, which was 150.0% more than in 1978. Over the first half of the period the growth rate of financial aid recorded 34.0% annually and constituted 37.1% of the budgetary receipts.

The decline in the international oil price from 1982 onwards and the ongoing Iraqi-Iranian war had an adverse impact on financial aid. During the second half of the period (1982-1989), external aid grew at an annual rate of 10.0%, which was less than one third of growth during of the first half of the period. Moreover, its contribution was just 20.9% on average and in 1984, 1986, 1987 and 1988 it reached its lowest level at around 15.0% of the total public revenue. Between 1982 and 1988 the size of external aid did not meet the Jordanian annual share of Arab aid, which was committed in the Baghdad summit meeting. The governmental policy

that aimed to offset this fall in the size of financial aid was based on augmenting the revenue generated from local sources including the internal debt revenue. Additionally, the government expanded its borrowing policy from external sources.

The relative importance of the foreign loans increased rapidly and averaged 13.5%, which was almost twice that in the former period. External loans had the fastest annual growth rate at 32.9%, which was almost twice that of the domestic revenue. Borrowing from external sources was a method followed by the government to finance its expenditures, especially capital expenditure. The expectations of receiving a steady or increased amount of foreign aid according to the Arab commitments together with increased public spending and ambitious development projects resulted in accelerating the external loans. Furthermore, in the first half of the period the ability to borrow from the oil producing countries as well as from the Arab regional funds eased the borrowing policy of the Jordanian government<sup>38</sup>. The decrease in external financial aid in the last half of the period drove the government to finance its expenditures<sup>39</sup> -especially development expenditure- from external loans, which were provided mainly by international funds and industrial countries<sup>40</sup>. The total contribution of receipts from external sources, including both financial aid and loans was around 43.0%.

The performance of domestic revenue during this period was not exceptional to the whole accomplishment of the other economic indicators. It was affected by the ascending accomplishment of the economy in the first half of the period and by the economic slump in the latter half. The contribution of domestic revenue averaged 50.6% over the period, while it was just 44.5% in the earlier eight years of the period when foreign aid showed its best figures. Coinciding with the decrease in the foreign aid in the latter phase of the period the share of the domestic revenue jumped to 56.6%. However, this increase in the second phase reflected the decrease in the proportion of the external revenue rather than an increase in the absolute value of the domestic revenue. In fact, the growth rate of the domestic revenue between

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<sup>38</sup> By reviewing the different loans that were withdrawn during this period as was appeared in the Annual Reports of the Central Bank of Jordan (1974-1981).

<sup>39</sup> See King Hussian's statement that Jordan relied on the external loans in order to finance its arms import due to the fact that Arab countries did not meet their financial obligations towards Jordan. Satolff, R.B. (1985), *Troubles on The East Bank: Challenges to The Domestic Stability of Jordan*, p20

<sup>40</sup> During the second phase the western commercial banks, the industrial countries and the international funds became the main source of the Jordan loans as can be seen in the Annual Reports of the Central Bank of Jordan (1982-1989).

1982 and 1989 was just around one fourth of that recorded in the first phase. In other words, the figures indicated an obvious correlation between the performance of the revenue and the external transfers. The increase in foreign aid and remittances in the first phase were reflected in an increase in local receipts and vice versa in the second phase. The composition of domestic revenue could to some extent reveal this correlation.

Due to the fact the taxation system of Jordan had no broad-based tax such as a national value-added or sales tax<sup>41</sup>, the tax revenue bore upon the indirect taxes as is the case in other developing countries. Indirect tax revenue made the biggest contribution among the other components at 55.3% of the local receipts while the share of direct taxes stood at 16.8% and non-tax revenue was 27.9%. Even though the indirect tax share showed a decline in this period compared to the former period as result of the better rate of the direct tax and non-tax revenues, it was still the dominant and the most influential component. More specifically, import duties generated more than half of the indirect tax revenue, i.e. 29.6% of the entire local revenue, twice as much as direct tax revenue and slightly more than non-tax income.

Tracing the performance of indirect taxation in general, and import duties in particular over the two phases of the period reveals that the indirect tax income in 1981 was five times more than that which was recorded in 1974. It grew at an annual rate of 26.6%, while its share averaged 60.0%. In the same phase the import duties income showed a rapid increase at an annual rate of 32.0%, which was swifter than the rate of the whole indirect tax. Furthermore, its share was almost 35.0% of the total domestic revenue. We assume that the increased value of foreign aid and remittances accelerated the growth of the economy, expanded investment and augmented the ability to import (especially consumer products), which resulted in raising the income of the import duties and consequently the entire indirect tax income. This became apparent in the second phase, when remittances and foreign aid diminished and imports duties income relapsed. In statistical terms, import duties revenue grew by 1.6% annually, while its share in the domestic revenue contracted to 24.7%. This contraction was consequently reflected in the relative importance of the indirect tax income. Furthermore, the crucial role of import duty is

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<sup>41</sup> Saket, B. , Asfour, B., Assaf, G. (1985) *the Economy of Jordan Over the 70s and 1979-A Bird's Eye View*, p95. Kanvosky,E. (1989), *Jordan's Economy From Prosperity to Crisis*, p27.

more noticeable when taking into account that other components showed a slight difference between their share in the second phase and that of the initial phase, though, their growth rate in the latter phase largely contracted.

In addition to the direct influence of the recession, the governmental policy that increased the tariff rates on various finished products from 1982 onwards<sup>42</sup> and imposed a ban on importing some luxury products from 1988<sup>43</sup> reduced the income from duties. On the other hand this policy raised the income that generated from the consumption tax. The collapse in the price of the *Dinar* in 1988 and then its devaluation in 1989 resulted in a decline in imports in these years.

The performance of other domestic revenue components did not indicate a big structural change. As was mentioned above, the rapid expansion of the different components in the first eight years slowed down during the second phase. Consumption tax revenue was the exception, showing an increase in the recession phase. This was likely to be due to the increase in the tariff on imported finished goods, which diverted the local purchase towards local products.

The direct tax contribution showed only a slight improvement during this period; it remained insignificant compared to the other components. The direct tax share was lower than that witnessed in Syria or Egypt and was much higher than that in the Gulf States. As Owen noted, the direct tax income in Jordan suffered from the administrative disability of finding out the details of private earnings,<sup>44</sup> even though the law was well developed in this respect.

Non-tax revenue showed the fastest growth rate during this period. In the first three years (1974-1976), this revenue benefited from the flourishing profits that the government received due to the international boom in phosphate price. Moreover, the income of the post and telephone services increased rapidly, registering an annual growth rate of 30.2%, which was the highest among the rates of the sub-

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<sup>42</sup> Central Bank of Jordan (1982), The Nineteenth Annual Report, p34-37, Central Bank of Jordan (1983), The Twenty Annual Report, p47, Central Bank of Jordan (1984), The Twenty First Annual Report, p43, Central Bank of Jordan (1985), The Twenty Second Annual Report, p41, Central Bank of Jordan (1986), the Twenty-Three Annual Report, p 41, Central Bank of Jordan (1987), The Twenty-Four Annual Report, p41-42.

<sup>43</sup> Central Bank of Jordan (1988), The Twenty-Five Annual Report, p40-41, Central Bank of Jordan (1989), The Twenty-Six Annual Report, p3.

<sup>44</sup> Owen, Roger. (1985), p8.

components. However, the income generated from the profits of the Central Bank operations still constituted the majority of the non-tax revenue<sup>45</sup>.

As was said in the introduction of this section, in 1976 the government followed a policy aimed to augment the revenue from local sources in order to cover the current expenditure<sup>46</sup>. This policy was stressed in the budget laws year after year, and specifically in 1980 the government committed itself to actualizing this goal by 1985<sup>47</sup>. Notwithstanding the above, the government failed in fulfilling its policy and precisely in 1985, before it completely changed its policy, domestic revenue covered just around 70% of the current expenditure. However, in the last few years the domestic revenue covered around 80.0% of the current spending.

The period showed a big effort to reform the taxation system in order to enhance tax revenue and to modernize its legal framework. Therefore, new taxes were imposed, new laws replaced old ones and new legal regulations were introduced to improve the efficiency of the tax collection. Due to the fact that the tax revenue bore on the indirect tax component, the increased and the new taxes concentrated on customs, fees, excise and the like. However some reformation took place at the levels of direct taxes. For instance, a new income tax law was issued in 1985<sup>48</sup> stating a progressive rate according to income. One year later, a regulation was enacted to deduct the income tax from the wages and salaries of private sector employees<sup>49</sup>. The indirect taxes increased broadly during this period: the tax on the local production of cigarettes was increased in 1977<sup>50</sup> and another increase was imposed in 1978<sup>51</sup>. The fees on issuing new passports were increased to reach JD15.0 in 1978 and the validity of passports was reduced from 5 to 3 years<sup>52</sup>. Other fees and taxes were also increased, such as the annual fees on taxicabs, public

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<sup>45</sup> According to the annual reports of the Central Bank, the share of the CBJ in the composition of the profits was dominant particularly in the 70s and early 80s.

<sup>46</sup> It is important to mention that the fiscal policy of the early 60s aimed to cover the whole expenditure both capital and current by using the domestic revenue.

<sup>47</sup> Central Bank of Jordan (1980), The Seventeenth Annual Report, p44.

<sup>48</sup> Central Bank of Jordan (1985), The Twenty-two Annual Report, p41.

<sup>49</sup> Central Bank of Jordan (1986), The Twenty-three Annual Report, p41.

<sup>50</sup> Central Bank of Jordan (1977), The Fourteenth Annual Report, p85.

<sup>51</sup> Central Bank of Jordan (1978), The Fifteenth Annual Report, p82.

<sup>52</sup> Central Bank of Jordan (1978), The Fifteenth Annual Report, p82-83

works, insurance companies, telephone installation, optometrist license<sup>53</sup>. Fees on nationality and citizenship rose <sup>54</sup> and so did flights fees,<sup>55</sup> accompanied by the imposition of a departure tax<sup>56</sup>. Some of the excise and licenses, such as the T.V license and the excise on soap, cement, iron bars<sup>57</sup> and alcoholic drinks were also increased <sup>58</sup>. Land registration and real estate, which provided the treasury with a respectable amount of revenue were subject to an increase in 1985<sup>59</sup>.

As for the changes that were witnessed customs, there were three main factors that motivated them. The development and modernization of the measures and regulations of the import duties were one of the fundamental reasons to issue or amend the existing laws and tariff rates. In this respect, the custom duties law no. 16 was enacted in 1983 to unify the different measures and regulations that were imposed on imported products and to reconsider the tariff rate of others. For example, the duties on imported motor vehicles were estimated according to the date of make rather than to their weight<sup>60</sup>. On the other hand, augmenting revenue from the duties was another reason to change the regulations increasing the tariff rate on some imported products. This factor was crucial after 1982, when the government tried every avenue to offset the decrease in the external aid. Therefore, the duties increased on high quality bakery products<sup>61</sup>, fruits, nuts, silk textile<sup>62</sup>, alcoholic drinks, loud speaker equipment, textiles and cheese<sup>63</sup>. This policy of increasing tariff rates to enhance the local revenue aimed to curb imports in the last three years of the period in order to keep conservation of the foreign currency as high as possible. Hence, in the last two years of this period the policy was literally to ban importing a wide range of products<sup>64</sup>.

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<sup>53</sup> Central Bank of Jordan (1977), The Fourteenth Annual Report, p85-86.

<sup>54</sup> Central Bank of Jordan (1978), The Fifteenth Annual Report, p84.

<sup>55</sup> Central Bank of Jordan (1985), The Twenty-second Annual Report, p41.

<sup>56</sup> Central Bank of Jordan (1987), The Twenty-fourth Annual Report, p41.

<sup>57</sup> Central Bank of Jordan (1987), The Twenty-fourth Annual Report, p41-42.

<sup>58</sup> Central Bank of Jordan (1985), The Twenty-second Annual Report, p41

<sup>59</sup> Central Bank of Jordan (1985), The Twenty-second Annual Report, p41.

<sup>60</sup> Central Bank of Jordan (1983), The Twentieth Annual Report, p47.

<sup>61</sup> Central Bank of Jordan (1986), The Twenty-third Annual Report, p41.

<sup>62</sup> Central Bank of Jordan (1984), The Twenty-first Annual Report, p41.

<sup>63</sup> Central Bank of Jordan (1987), The Twenty-fourth Annual Report, p41-42.

<sup>64</sup> Central Bank of Jordan (1988), The Twenty-fifth Annual Report, p41.

The third factor was the protection policy that the government followed widely during the late 70s and early 80s encouraging the products of local industries. This policy took two forms: lifting tariffs on the raw and intermediate materials that were imported for industry and increasing that on the imported products that had a local substitute. Hence, the custom duties were increased on the following imports: dairy products, vegetable and animal oil, chemical products & preparations, detergents, pesticide, electronic appliances, some construction materials<sup>65</sup>, carpets, pack threads & ropes, chocolates, chemical condensation<sup>66</sup>, semi manufactured wood, zinc products, rubber, stove heaters, cookers and aluminum heaters<sup>67</sup>

### 6.1.2.2 *Expenditures*

Expenditure during this period expanded in all aspects and at a rate that was similar to that of the revenue. As was noted earlier, expenditure showed a rapid increase in the first half of the period growing by 24.1% yearly, benefiting from the flourishing of the receipts. In the latter half, the growth rate slowed down to 7.1% per annum as a consequence of the drop in the revenue.

In general terms, the categories of the public spending both capital and current showed that the finance administration received the biggest share of the entire budgetary expenditure at 31.1%. Defense and internal security came next at 28.7%, followed by economic development services at 21.1%, and social services at 4.2%. Culture service, international affairs and general administration shared around 3.0% of the entire expenditure. The categories that showed the fastest growth rate over the whole period were finance administration at 23.4%, communication and transports services at 21.4% and social services at 17.5%. However, the other categories also expanded at a high rate, that is more than 12.0%.

Three main pillars, i.e. capital, defense and public administration spending, characterized expenditures during this period. Capital expenditure grew at an

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<sup>65</sup> Central Bank of Jordan (1985), The Twenty-Second Annual Report, p41.

<sup>66</sup> Central Bank of Jordan (1986), The Twenty-third Annual Report, p41.

<sup>67</sup> Central Bank of Jordan (1987), The Twenty-fourth Annual Report, p41.

annual rate of 17.7% and was slightly faster than the current rate, which recorded 16.0%. However, the capital expenditure rate can be attributed mainly to the expansion which took place in the first eight years, when it grew by 30.0% compared to the 23.4% growth rate of current expenditure. This trend was reversed in the second phase, when the capital spending grew by 5.8%, a lower pace than that of the current one, which recorded 8.5%.

Over the whole period, capital expenditure received on average around 36.0% of the entire governmental expenditure revealing a considerable increase from the level of the former period level (30.0%). The distribution of capital expenditure among the different fields shows that slightly more than half of it was devoted to economic development services. Finance administration came next with a share of 34.7%, followed by the communication and transports services (6.9%). Around 6.0% of the rest of the capital budget was distributed among the other categories, such as social services or internal security. These categories showed a decline in the second half of the period with the exception of the internal security services and finance administration, whose growth rate continued to increase.

The official economic classification of the capital budget revealed the nature of this type of spending and the governmental conception of capital spending. Capital spending was mainly of a constructive character taking into account the striking ratio of the spending on the lands, buildings and construction<sup>68</sup> to the entire capital spending, which was around half. This character was more dominant taking into consideration that around 20-30% of the entire capital spending was channeled to cover the settlement of loans and obligation. The third main component was loans and investment, which varied between 15% to 20% and covered the different economic activities that the government was involved in either solely or jointly with the private sector. Hence, the capital budget was characterized by being a public work or construction budget that covered development projects of irrigation in the Jordan valley or the opening of new roads or improving the existing ones, in addition to constructing governmental buildings, social services buildings and others.

The military and internal security budget was one of the main categories of governmental expenditure since the creation of the Jordanian state. In the former

periods defense and security took a substantial proportion of the total public spending. Financing such a high allocation had been always possible in the 50s and 60s through British aid and American aid afterwards. In the previous period financial aid from the Arab countries had enabled the government not just to maintain a high defense budget but even to increase it. This trend remained during this period as a result of the increase in the value of the aid transferred from the rich Arab countries. This aid which was committed mainly in order to help Jordan covering its defense expenses was reflected in the budget policy that emphasized that maintaining the defense and security ability was its top priority. In terms of figures, this policy was largely implemented by devoting 28.7% of the total expenditure to defense and security. The proportion of defense and security expenditure in this period was lower when compared to the previous period. However, this decline in proportion reflected an increase in the expenditures allocated to other categories rather than a decrease in the absolute value of what was devoted to defense and security.

Furthermore, Kanvosky noted that the figures of financial aid that were displayed in the budget account did not correspond to those of unrequited transfers to the government that were included in the balance of payments, but that they were inferior, as our figures indicated. Kanvosky claimed that this differentiation between the figures of the two accounts was presumably due to the fact that the military expenditure that covered arms purchase was unpublished<sup>69</sup>. Kanvosky later supported his suggestion by comparing the official figures of military spending in the early 70s and 80s to those which were published by the US Arms Control Disarmament Agency (ACDA). The figures of the latter were about three times those of the officials. The military spending according to the ACDA figures, was divided into two sub-categories: arms import and military expenditure<sup>70</sup>. The latter figure was close to the military expenditure of the budget account though still more substantial. The differentiation between the magnitude of the military spending according to ACDA and that of the governmental budget did not equalize the discrepancy between the transfers to the government in the balance of payment and the foreign aid in the budget accounts. This fact led Kanvosky to suggest that there

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<sup>68</sup> This phenomenon and consequences in boom in the construction sector between 1979-1982 was noted in Saket, B., Asfour, B., Assaf, G. (1985) *The Economy of Jordan Over the 70s and 1979-A Bird's Eye View*, p82.

<sup>69</sup> Kanvosky, E. (1985), *Jordan Decade of Prosperity: will it persist?*, p382.

<sup>70</sup> Kanvosky, E. (1989), *Jordan's Economy From Prosperity to Crisis*, p 44.

was an Arab aid financing the arms purchase which was neither published in the balance of payment nor in the budget<sup>71</sup>. Even though this interpretation might have a strong foundation, it is likely that the government relied on the military external loans to finance the inadequacy of the foreign aid to cover the whole value of the arms imports. In this respect, in 1983 king Hussain stated in 1983 that Jordan had to rely on the Commercial Banks<sup>72</sup> to maintain the necessary finance for its arms imports since the Arab countries did not meet their obligations<sup>73</sup>.

In conclusion, although budget accounts did show military expenditure to be substantial, it is more crucial to acknowledge that a certain proportion was made off-budget. The fact that there was an unpublished figure of the military budget covering the purchase of arms is important because it was confined to a limited and certain group of people within the regime. Presumably these figures were in the palace, in the army head quarters, in the intelligence services and the cabinet, as well as some figures within the business community. This group was in charge of deciding the types of military equipment to be imported, the country of manufacture, the prices and the ways of payment. Therefore, this group was entitled to control a huge amount of transactions that might have had an impact on the composition of the upper class in Jordan. This could be discussed later.

### 6.1.3 ECONOMIC PERFORMANCE

Jordanian economic performance during this period showed positive growth, particularly in the first half. The GDP at current prices reached JD 2372.1 million in 1989, which was almost seven times its volume in 1974; the overall growth was 515%. Additionally, the GNP at current prices grew in its entirety by 452.0% compared with the 1974 level. In real terms, the growth rate of GDP at 1990 market prices averaged 4.22% yearly. Also its volume amounted in 1989, the last year of this period, to almost twice what it had been in 1974. Along with the GDP, the real

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<sup>71</sup> Kanvosky, E. (1989), *Jordan's Economy From Prosperity to Crisis*, p46.

<sup>72</sup> See al-Nabalsi, M. (1994) *The Debt and The Adjustment Program*, p169-170.

<sup>73</sup> Satolff, R.B. (1985), *Troubles on the East Bank: challenges to the Domestic Stability of Jordan*, p20.

GNP demonstrated a positive growth rate averaging 3.85% per annum and reaching JD2642.6 million in 1989, almost three times the 1974 figure<sup>74</sup>. This growth rate of GDP was reflected in the growth rate of real GDP per capita, which averaged 0.83% annually during the period. In 1989 it amounted to JD 639.6, 19.0% more than the 1974 level.

However, the figures show that real GDP and real GNP recorded their best annual growth rates in 1976 at 12.6% and 13.3% respectively. Similarly, in 1980 the growth rate for each was 12.6%. The highest real GDP per capita was witnessed in 1981 when it recorded JD 846.0 and increased by 58.0% more than it had been in 1974.

In spite of the fact that the different economic indicators above showed that the economy generally grew during the period, this growth was neither constant nor continuous. Moreover, the figures indicate that the period of 1974 to 1989 could be divided into two phases with regard to the performance and growth rates of the real GDP and GNP<sup>75</sup>. The first, covering the first eight years from 1974 to 1981 can be considered as the golden years of this period or even the golden age of the Jordanian economy in the last half of the century, when the economy was expanding and increasing rapidly. Between 1974 and 1981 the real GDP and the real GNP showed a rapid increase in their annual growth rate when they averaged 8.3% and 8.5% respectively. Correspondingly, the growth rate of GDP per capita in 1981 reached twice as much as it had been in 1974, with an average annual growth rate of 7.32%.

In contrast, the annual growth rate of real GDP during the latter eight years of this period (1982-1989), was 0.64%. Moreover, the annual growth rate of real GNP averaged a negative rate of -0.82% per annum. The value of real GDP and real GNP in the last two years declined by more than 15% and 20% of their respective values in 1987. This decrease led real GDP and GNP in 1989 to equalise at their 1981 levels. Subsequently, GDP per capita dropped by 3.67% yearly on average, reaching in 1989 17.81% less than in 1982, and equating to the 1977 level.

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<sup>74</sup> The big difference between the growth rate figures at constant prices and the ones at 1990 fixed prices indicates that the inflation rate during this period was relatively high.

<sup>75</sup> Most of the studies covered the economy of Jordan during the 80s and 90s distinguish between the two phases. However these studies did not agree on one year to be the turning point.

The gap between the growth rates of the first eight-year period and the second can be explained by the fact that the Jordanian economy, to a large extent, depended on external revenue. The increase in the size of transfers to the central government and the remittances channelled largely through the private sector would positively affect the growth rate of the economy, which was the case in the first few years. Otherwise the economy would have suffered from contraction, as had been the experience of the last eight years. In this regard Chatelus claimed that any rise or fall in foreign revenue would have a greater effect on the Jordanian economy than a sharp increase in the output of the productive sectors such as agriculture and industry. This primordial role of external revenue is due to the fact that the added value by the productive sectors was far less than the volume of foreign revenue during the late 70s and early 80s<sup>76</sup>. In addition, foreign aid and remittances, either channelled to the central government or to the private sector, circulated in different economic activities and were largely used to finance investments in the various economic sectors including the productive ones. This can be seen in the section of the development plans.

Furthermore, by applying an econometric model to foreign aid in order to determine its effect on economic development in Jordan, Khatib noted that there was a positive correlation between foreign aid and the economic growth rate. Any increase in the volume of foreign aid would raise the economic growth rate. Moreover, Khatib simulated the impact of a reduction in the foreign aid on the growth rates of some economic indicators. In this regard, he discovered that the growth rate of real GNP would have been 2.2 per cent below its actual level if foreign aid had been reduced by half of its actual level<sup>77</sup>.

The Central Bank of Jordan observed the performance of the economy during the period. It stressed that the achievements of the first years were largely attributable to the climate of stability as well as the favourable circumstances that attended the economic boom in the Arab region. This boom affected the Jordanian economy, and enabled it to expand and grow remarkably, by increasing the demand

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Some argued that it has to coincide with the decline of oil prices, others, however, dated the period with the years in which the Jordanian economy was directly affected.

<sup>76</sup> al-Nsuur, M. (2000) Foreign Aid and Economic Growth in Jordan, p84-86.

<sup>77</sup> Khatib, F. (1991), Foreign Aid and Economic Development in Jordan: An empirical Investigation, p68.

for Jordanian goods and services and led correspondingly to an increase in exports and remittances as well as the role of Arab aid<sup>78</sup>.

Regarding the economic recession experienced between 1982 and 1989, the Central Bank of Jordan claimed that the Jordanian economy was vulnerable to economic developments in particular in the Arab region and in the world economy at large. This was because the Jordanian economy was just developing and so relatively small<sup>79</sup>. The Central Bank of Jordan specified the factors hitting the economy as the contraction of the export market and the drop in remittances and Arab aid<sup>80</sup>. The Jordanian Government was aware very early of the recession and took some measures to adapt to the new circumstances, despite the fact that these measures were subject to continuous change from the government itself. Nevertheless, the economy continued to slow down and entered a serious crisis from 1987 onwards. The failure of the adopted policies also indicated that the 70s had established to a large extent the dependency of the Jordanian economy on external resources.

Awad-alla claimed that the limited resources of Jordan and its small economy was the decisive factor determining that the Jordanian economy had to be linked and connected generally to the world economies and specifically to the Arab ones. This fact drove the economic and financial structure of the country to be highly sensitive to and affected either positively or negatively by the changes in the world economy at large and in particular to the regional economy. Thus, the Jordanian economy benefited from the economic boom in the oil producing countries in the 70s and suffered from the recession witnessed there in the 80s<sup>81</sup>.

On the other hand, Touqan and al-Anani presented a different perspective to explain the reverse performance that the economy witnessed during the 80s. They claimed that the state exercised an intervention policy during the 50s and the 60s to provide the infrastructure and the institutions, which were necessary for developing the economy. This policy and its consequences led to a distortion in the Jordanian economic structure, particularly expanding the role of the state or the public sector,

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<sup>78</sup> Central Bank of Jordan (1983), p1.

<sup>79</sup> Central Bank of Jordan (1983), p1, Central Bank of Jordan (1984), p1. Central Bank of Jordan (1986), p1.

<sup>80</sup> Central Bank of Jordan (1983), p1-2.

weakening the role of the private sector and failing to increase the saving rates or to channel these savings into developing activities. According to this interpretation, Touqan and al-Anani suggested that the Jordanian economy was supposed to experience a dramatic crisis during the 70s, which in fact did not take place due to the financial support and the remittances flowing into Jordan after the oil boom. Therefore the external revenue was not a fundamental factor in the crisis of the 80s, but rather postponed the crisis for a few years to the mid 80s instead of the 70s<sup>82</sup>.

Despite the fact that the roots of the 80s crisis might be in the 50s or 60s, the external revenue was always a substantial factor in the Jordanian economy since the establishment of the state. Furthermore this external revenue, whether British, American or Arab, allowed the state to take a greater role in the economic activities. Finally the oil boom affected the structure of the Jordanian economy and established new social and economic patterns that had not existed before 1974. The Jordanian economy failed to mobilise and channel the remittances towards investment purposes especially since the government did not act to produce such outcome. On the contrary, the majority of the remittances were used for consuming purposes, which resulted in rapidly increasing the imports and accelerating the inflation rate, especially in the real estate sector. Furthermore, the government reacted in a similar way regarding the management of the transfers that were received in the 70s. It increased its expenditure, expanding the size and the spending of public administration and military spending. The governmental response, which lacked a steady economic philosophy and was based on the availability of cash, indirectly encouraged red tape, and waste in the public sector. Therefore, one could argue that the management of the external payments deepened the weakness of the Jordanian economy and its sensitivity to economic trends at the regional level. Furthermore, the measures that the government tried to adopt in the recession period were based on keeping its expenditure as high as possible, relying on the external borrowing, which burst into the debt crisis in 1988 and 1989.

Analysing the components of GDP expenditures will be useful to deepen the understanding of economic performance in this period and the causes of the 80s recession. The figures show that aggregate final consumption expenditure, both

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<sup>81</sup> Awad-alla, B. (1996), p 21.

<sup>82</sup> Touqan, O. al-Anani, J (1996),p 5

private and government, constituted a substantial proportion of GDP during the period and averaged 111.0% of GDP.<sup>83</sup> The proportion of investment, both fixed capital formation and change in stock, averaged 30.3%, while the relative importance of the net external transactions averaged -41.7%. However, the gross fixed capital formation showed that the highest growth rate was 9.7% followed by private consumption and government consumption at 6.1% and 5.5% respectively. Despite the fact that the fixed capital formation showed the highest growth rate, it was still less than the aggregate governmental consumption.

The economic boom experienced during the first eight years of the period and the recession during the last eight years were reflected in the growth rates of the different components of GDP expenditure, particularly the gross fixed capital formation. Investment, in real terms, increased rapidly between 1974 and 1981 at an average growth rate of 39.9%. Moreover, in 1981 it reached almost six times its volume in 1974 and its relative importance in real GDP rose from 25.5% in 1974 to 43.2% in 1981. On the other hand, the investment growth rate declined to 6.5% a year during 1982-1989. Subsequently, the ratio of investment to real GDP averaged 26.3% and in 1989 it was just around half of its figure in 1981 and even less than the 1974 level. The sharp decline in investment since 1982 paralleled the decline of external revenue indicating that the main source of fixed capital formation was external revenue rather than domestic.

Marashadeh noted that gross domestic saving suffered from a chronic shortage and therefore domestic investment did not rely on it<sup>84</sup>. Furthermore, domestic saving had shown negative figures since 1974 and during the period, with the exception of 1988 and 1989 when it recorded JD 45.3 and JD 131.6 million respectively and was unable to cover the investment. Therefore, Jordan had to fill the gap between investment and saving by depending on external revenue such as foreign aid and remittances, as claimed by Kassasebh<sup>85</sup>, Marashadeh<sup>86</sup> and McDermott<sup>87</sup>. Marashadeh added that the Government created a large budget

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<sup>83</sup> See table 1 and 2 of Appendix 15.

<sup>84</sup> Marashadeh (1994), p14-15.

<sup>85</sup> Kassasebh, H. (1994), 470.

<sup>86</sup> Marashadeh (1994), p15.

<sup>87</sup> McDermott, C. (1996), 14-15.

deficit by overspending relative to total domestic revenue in order to meet the investment required.

The decline in the transfers to the central government in the 80s affected investment and reduced its share in GDP<sup>88</sup> as seen above, and, as noted by Kassasebh<sup>89</sup>, despite governmental policies to keep the investment level as high as possible<sup>90</sup>. In spite of the fact that investment dropped under recessional conditions, it was still relatively high considering the drop in the external revenue and the modest domestic saving. The Jordanian government started borrowing heavily from both domestic and foreign commercial banks to fill the gap between its capital expenditures on one side and the total of inadequate domestic saving and decreased external payments on the other side. This was in order to maintain the development process on the one hand and to sustain a large military expenditure on the other<sup>91</sup>. According to Callatay and Mansur, this policy led to the debt crisis in 1988 and its consequences<sup>92</sup>.

The decline of the investment was one of the main issues that the government tried to treat through introducing some monetary measures, despite the fact that some of these measures were changed more than one time. In 1984 the Central Bank requested the commercial banks to invest at least 4.0% of the *Dinar*-denominated deposits in treasury bills and in public and development bonds<sup>93</sup>. This demanded ratio was increased to 9.0% in 1986, but one year after it was lowered to 5.0%<sup>94</sup>. Likewise, in order to stimulate the economic situation the Central Bank decided that the banks had to invest not less than 15.0% of their capital and reserve in the shareholding companies<sup>95</sup>, this ratio was reduced to 9.0% in 1987<sup>96</sup>. In the same matter, the Central Bank decided to raise the ceiling of the interest rate

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<sup>88</sup> McDermott claimed that during the first few years of the recession in Jordan the governmental fixed formation dropped in the main time the private sector fixed capital formation kept steady. McDermott, C. (1996), P.15.

<sup>89</sup> Kassasebh, H. (1994), 470-471.

<sup>90</sup> The Central Bank of Jordan (different issues), see also Chapter 7

<sup>91</sup> Kassasebh, H. (1994), 471-472, Callatay, E. Mansur, A. (1996), P 21-22.

<sup>92</sup> Callatay, E. Mansur, A. (1996), P 21-22.

<sup>93</sup> Central Bank of Jordan (1984), the Twenty-First Annual Report, p2.

<sup>94</sup> Central Bank of Jordan (1987), the Twenty-Fourth Annual Report, p2.

<sup>95</sup> Central Bank of Jordan (1984), the Twenty-First Annual Report, p2.

<sup>96</sup> Central Bank of Jordan (1987), the Twenty-Fourth Annual Report, p2.

imposed by the financial companies on the direct credit facilities in order to encourage the residents to provide more credit that would be channelled to investment purposes<sup>97</sup>. Additionally, it was decided to cut the maximum proportion of funds that the commercial banks were allowed to keep abroad from 25.5% to 15.0%<sup>98</sup>.

With regard to the other components of GDP expenditure the figures show that the final consumption was affected by the prosperity of the economy in the first half of the period. The annual growth rate of the private consumption and the government consumption averaged 12.7% and 12.5% respectively In the first eight years and their relative importance jointly reached 115.5% of the GDP (82.8% for private and 32.7% for government). The economic boom established new consumption trends at the governmental level along with the private sectors. Day noted that this period witnessed the development of consumer society and the emergence of the "middle class", which was due to the enormous increase in remittances<sup>99</sup>. Furthermore, Share claimed according to the results of two surveys conducted in the early 80s, that a large part of the remittances was directed to consumer purposes rather than investment<sup>100</sup>.

In contrast to the first phase, the annual growth rate of government consumption and private consumption averaged -1.4% and -0.6% respectively between 1982 and 1989. However, the relative importance of consumption in GDP did not drop as much as the investment did. In spite of the restrictive fiscal and monetary measures adopted to curb the share of consumption in GDP, private consumption formed more than 80.0% of the GDP expenditures. This was just 2.0% less than its level in the first eight years, while the investment share dropped by around 20.0%<sup>101</sup>.

Marashadeh claimed that the 70s and the 80s showed high consumption and Jordan's per capita consumption was higher than the average for third world countries and far exceeded the average for neighbouring countries such as Egypt,

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<sup>97</sup> Central Bank of Jordan (1985), The Twenty-Second Annual Report, p1-2.

<sup>98</sup> Central Bank of Jordan (1985), The Twenty-Second Annual Report, p1-2.

<sup>99</sup> Day, A. (1986), p103.

<sup>100</sup> Share. (1987), p39.

<sup>101</sup> Central Bank of Jordan, (1983), p 5.

Tunisia, Morocco and Syria. Furthermore, such a high consumption level affected the whole economy by generating an imbalance between aggregate demand and supply, which in turn created inflationary pressures. Moreover it increased imports<sup>102</sup>

As far as the industrial origin of GDP at factor cost is concerned, all economic sectors grew positively during the period. The average annual growth rates of the different sectors ranged between 19.0% for mining and quarrying and 1.1% for the other service sectors. In spite of the fact that the different sector showed increase, at different levels or rates, the figures show that the performance of these sectors reflected clearly the boom and the following recession that the economy experienced during this period. Further more, studying the average rates for the whole period could be misleading in determining the sectoral achievements because these average rates were due to remarkable growth and increase in all of the economic areas in the first half of the period. Subsequently this increase offset the decline of the second half and affected the average rates.

The average annual growth rates of the economic sectors during the years 1974 and 1981 ranged between 25.3% for mining and quarrying and 1.9% for the finance, real estate and business service sector. With the exception of the latter sector the rates of the others exceeded 8% annually. Apart from the mining sector, some other sectors showed an outstanding annual growth rate, above the annual rate of GDP such as electricity and water (19.3%) transport and communications (13.1), manufacturing (12.6%), wholesale & retail trade (11.5%), and construction (11.3%).

In contrast, during the second half of the period the average annual growth rates of the output of these sectors slowed down rapidly and ranged between 12.7% and -7.8% for the mining and quarrying sector and the construction sector respectively. In addition to the negative rate of construction, few sectors recorded a negative annual growth rate, for instance -7.8% for the other service sector, -6.0% for wholesale & retail trade and -1.3% for manufacturing. Moreover, the annual growth rates of agriculture and transports & communications between 1982 and 1989 were just around a quarter of their rates during the first eight years (1974-1981). However, the growth rate of the finance, real estate and business services

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<sup>102</sup> Marashadeh, p16.

sector was the exception, since its annual growth rate during 1982-1989 averaged 3.7% versus 1.9% between 1974 and 1981.

As seen above, the boom and the recession the Jordanian economy experienced affected the growth rate of the output at the sectoral level. Building on that, the fluctuation of the external revenue had an impact on the sectoral performances particularly due to the deficiency of domestic alternatives since local saving was always far below the requirements to maintain the development and expansion of the economy.

The relative share of the economic sectors in the real GDP at factor cost indicated that changes took place in the structure of the economy during this period. Despite governmental policies to enhance the contribution of the commodity producing sectors, the service sectors were still dominating the economy by contributing two thirds of the GDP. One third of the GDP was the relative importance of commodity producing sectors, which consisted of the agriculture forestry and fishing sector, the industry sector, the electricity & water sector and the construction sector. The years between 1979 and 1984 witnessed an increase in the share of the commodity producing sectors, when it reached more than 35% of the GDP. However, this increase was neither steady nor consistent but was due to the temporary outstanding growth rate of construction caused mainly by the augmentation of remittances.

According to the figures, the structure of the economy had been changed to some extent during this period. Some of the sectors showed an increase in their relative importance in the GDP, such as the share of transports and communications that averaged 13.4% compared with 9.6% in 1974. Furthermore, the contribution of industry averaged 15.2% compared with 10.9% in 1974. It was noted that the relative share of the agriculture sector averaged 7.8% while it was 16.6 in 1974. Nevertheless, the producers of the governmental services sector had the highest average relative share in the GDP at 19.3%, followed by finance, real estate & business services at 18.0% and industry at 15.2%. In spite of the fact that the electricity and water sector had the lowest average relative importance at 1.6%, its share increased rapidly during the last five years of the period and in 1989 it was 2.5% compared with 0.9% in 1974.

#### 6.1.4 BALANCE OF PAYMENTS 1974-89

This section deals with the performance of the balance of payments, covering the main trends it underwent during this period. It highlights the economic and political factors, both at the local and at the regional level, that affected and influenced the balance of payment or one of its components. It covers mainly the current account by analysing the trade balance, services balance and transfers. Special emphasis is given to the exports and imports of goods due to the fact that the international transaction sector was not discussed before.

Like in the case of the other economic indicators, the analysis of the balance of payment will be divided into two sections. The first section will focus on the phase of the high oil price (1974-1981) and its effects on the balance of payments, the second, on the balance of payments after the fall of the oil prices. In 1988 the current account deficit and the overall balance deficit were JD 105.5 and JD 72.2 million respectively. This was part of the economic crisis which brought in the IMF. As noted by the IMF, the crisis of the balance of payments seriously undermined the prospects for economic growth. These imbalances were a result of a lack of adjustment of the economy after the declining oil prices, which led to reduced workers remittances, grants and loans from neighbouring oil exporters<sup>103</sup>.

As can be seen by our figures and as noted by the Central Bank, between the years of 1974 and 1981 the balance of payments went through a favourable period. In the majority of these years the balance of services and the transfers could offset most of the deficit<sup>104</sup>. The credit in the current account grew JD 2.9 million at the beginning of the period to JD111.6 in 1980. During the years in which the current account was in deficit, the surplus on the capital account showed that there was a surplus on the basic balance of payments. In fact, the basic balance increased from JD 13.8 million in 1974 to JD 56.6 million in 1981 (after a peak of JD 144.9 million in 1980).

In 1982 the situation changed dramatically: between 1982 and 1988 every year the current account was in deficit due to the reduction in the service account

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<sup>103</sup> Maciejewski, E and Mansur, A (eds) (1996) *Strategy for Adjustment and Growth*, p5.

and transfers, even though the situation of the trade balance improved. The IMF noted that as a result of the fall in remittances and foreign aid, which in turn was brought about by the relapse in oil prices, the government responded in two ways. Firstly, it borrowed from external commercial banks and domestic banks, which increased the large budget deficit. Secondly, it maintained domestic price stability through the control of administered prices. The result was an increase in the debt burden<sup>105</sup>. In 1989 the current account saw a positive figure; this was partly due to the governmental policy of devaluing the *Dinar*, which helped reduce imports and boost exports, as well as to other measures to increase exports<sup>106</sup>. The improved position in the current account was also a result of a substantial rise in unrequited transfers. These transfers came from the Gulf countries as emergency measures to support the central government in its management of the economic crisis, especially by controlling the exchange rate of the *Dinar*<sup>107</sup>.

The basic balance was in deficit in all the years of the period. As will be argued later, the deficit was due more to a reduction in remittances and aid as a result of the recession in oil dependant countries. The Central Bank noted that for 1989<sup>108</sup> the basic balance was in deficit but this was the result of the rescheduling of most of the external debt repayments<sup>109</sup>. Thus financing (of JD 434.7 million) was available to push the balance of payments from a deficit of JD 107.2 million to a positive figure of JD 327.5 million.

#### **6.1.4.1 Trade Balance**

The trade balance during this period can also be divided into two sections according to its performance. During the phase between 1974 and 1983 the trade deficit increased from JD105.9 million to a peak of JD 891.4 million. From 1984 this trend was reversed and the trade deficit reduced in size from JD 891.4 million to a deficit of JD 585.3 million.

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<sup>104</sup> Central Bank of Jordan (1993), *The Thirtieth Annual Report*, p59.

<sup>105</sup> Maciejewski, E and Mansur, A (eds) (1996) *Strategy for Adjustment and Growth* (1996), p7.

<sup>106</sup> EIU, (1989), *Country Report Vol (3)*, p14; Central Bank of Jordan (1989), *The Twenty-sixth Annual Report*, p45.

<sup>107</sup> Al-Malki, A (1996), *The Central Bank of Jordan and the Monetary Policy*, p 276-277.

<sup>108</sup> A similar trend was seen in 1990 – where the basic balance was in deficit but as a result of financing the overall budget was in credit.

Between 1974 and 1983, exports grew by 321.6% whilst imports grew by 607.7% and it is important to note that exports at the beginning of the period started with a lower base. The main factor that stimulated the exports resulting in a general increase was the high demand from oil producing countries for Jordanian agricultural products, which could compete with the market of these countries mainly because of the geographical location of Jordan<sup>110</sup>. The increase in the range and quantity of the industrial products resulted in an increase in the exports<sup>111</sup>. Additionally, the increase in the international price of phosphate as well as in the demand for it, led to a rise in its exports, and consequently in the entire exports<sup>112</sup>. On the other hand, the studies outlined some of the main reasons why there was such an increase in the imports during the first phase.

- The limited productive capacity due to Jordan's lack of resources. This meant that imports had to satisfy a growing demand<sup>113</sup>.
- Different needs for the country as consumption patterns changed according to the increased income growth<sup>114</sup>.
- An increased capacity to import due to increased workers' remittances, aid and capital borrowing<sup>115</sup>.
- The economic development efforts that exerted at both governmental and private level boosted the importation of capital goods and raw and intermediate materials<sup>116</sup>.

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<sup>109</sup> Central Bank of Jordan (1990), *The Twenty-Seventh Annual Report*, p57.

<sup>110</sup> Feiler, G. (1994) *Jordan's Economy 1970-1990: the Primacy of Exogenous Factors*, p49.

<sup>111</sup> Kanovsky, E. (1985), *Jordan Decade of Prosperity: Will It Persist?*, p383

<sup>112</sup> Kanovsky, E. (1985), *Jordan Decade of Prosperity: Will It Persist?*, p383, Central Bank of Jordan (1982), *The Nineteenth Annual Report*, p70..

<sup>113</sup> Share (1991), p105,106

<sup>114</sup> Kanovsky, E. (1985), *Jordan Decade of Prosperity: Will It Persist?*, p383, Central Bank of Jordan (1982), *The Nineteenth Annual Report*, p70.. Kanovsky, E. (1976) , p84. Share (1991), p105,106

<sup>115</sup> Share (1991), p105,106.

<sup>116</sup> Kanovsky, E. (1985), *Jordan Decade of Prosperity: will it persist?*, p383, Central Bank of Jordan (1982), *The Nineteenth Annual Report*, p70. Kanovsky, E. (1976) , p84, Central Bank of Jordan (1981), *The Nineteenth Annual Report*, p71.

- Jordan's liberal trade policy which encouraged imports<sup>117</sup>.

Between 1984 and 1989 the trade deficit reduced in size. This was partly due to a decrease in imports from 1984 until 1986. The EIU noted that this could be ascribed to a number of reasons, such as the fall in raw material prices and crude oil prices and the consequent fall in Jordan's oil imports<sup>118</sup>, and a fall in the capital goods as a result of the recession in Jordan. Another factor noted by the Central Bank of Jordan was that the downward trend in inflation in the industrialised countries (which are the major suppliers for Jordan's imports) meant reduced prices<sup>119</sup>. Additionally, the increase in customs duties during the 80s and the ban on importing luxury products resulted in a substantial reduction in imports<sup>120</sup>. The exports did not play any role in reducing the trade deficit between 1984 and 1987 because the exports themselves declined. This decline was due mainly to the decrease in demand from neighbouring Arab countries (especially oil countries) as a consequence of lower oil prices. It was also a result of the drop in the price of phosphates due to sluggish world demand. However, the increase in the exports by the end of the period (1988-1989) was an essential factor in reducing the trade deficit. The huge rise in exports (37%) from 1988 and 1989 was a result of the devaluation of the *Dinar*. It was also a result of measures to promote exports, such as advances to exporters at favourable interest rates and policies to support the industrial and agricultural sectors<sup>121</sup>. The IMF added that from 1988 Jordan embarked on a reform of its trade and tariff system, which gained momentum in 1990<sup>122</sup>.

## Exports

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<sup>117</sup> Share (1991), p105,106.

<sup>118</sup> EIU (1987) Country Report, No.(3), p15.

<sup>119</sup> Central Bank of Jordan (1985), The Twenty-Second Annual Report, p49.

<sup>120</sup> See the section of the budget.

<sup>121</sup> Central Bank of Jordan (1989), The Twenty-Sixth Annual Report, p45.

<sup>122</sup> Maciejewski, E and Mansur, A (eds) (1996) Strategy for Adjustment and Growth (1996), p

A fundamental change in the export composition took place during this period, as both Kanovsky<sup>123</sup> and Share<sup>124</sup> noted: our figures indicate that the importance of manufactured exports increased rapidly, so that they became the major exports category. In the previous periods they constituted between 10.0% and 18.0% of the entire exports, while they reached around 44.0% by the end of this period. Exports according to the items classification showed a new range of manufactured products, such as detergents & soap, pharmaceutical, textiles, varnishes, batteries, steel pipes, cement blocks and pipes<sup>125</sup>. This trend was a direct result of the development that the industrial sector underwent. Kanovsky added that the boom condition in the Gulf countries expanded the Jordanian export opportunities<sup>126</sup>. The break out of the Iraqi-Iranian war in 1980 was another important reason for the continuous flourishing in the manufactured exports, as Baram noted<sup>127</sup> and our figures confirmed.

The share of the agricultural exports, which was around 44.0% of the entire export in the former periods, declined to around 20.0% in the early 80s and it reached less than 10.0% by 1988 and 1989<sup>128</sup>. Even though this decline was a result of the increase in industrial exports, one could argue that this phenomenon reflected the transformation in the economic structure from being chiefly based on agriculture towards a multi-sectoral base.

The other main export was phosphate, which constituted one third in the previous periods and declined to around 30.0% in the early 80s after a peak in 1974-1976 due to the boom in its price internationally<sup>129</sup>. By the end of this period phosphate exports made up around one quarter of the whole exports. The potash

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<sup>123</sup> Kanovsky, E. (1985), *Jordan Decade of Prosperity: Will It Persist?*, p383.

<sup>124</sup> Share (1991), p108-109.

<sup>125</sup> Central Bank of Jordan (1981), *The Eighteenth Annual Report*, p77-78. Central Bank of Jordan (1987), *The Twenty-fourth Annual Report*, p80.

<sup>126</sup> Kanovsky, E. (1985), *Jordan Decade of Prosperity: Will It Persist?*, p384.

<sup>127</sup> Baram, Amatzia. (1994), *No New Fertile Crescent: Iraqi-Jordanian Relations 1968-1992*, p127.

<sup>128</sup> Central Bank of Jordan (1989), *The Twenty-Sixth Annual Report*, p56.

<sup>129</sup> Central Bank of Jordan (1989), *The Twenty-Sixth Annual Report*, p47.

production that started in the early 80s constituted a remarkable share of exports at 20.0% in 1988 and 1989<sup>130</sup> increasing from just less than 5.0% in 1983<sup>131</sup>.

The Central Bank of Jordan<sup>132</sup> showed a similar view to Share<sup>133</sup>, when they mentioned that consumer goods were the main component of the exports, followed by interim goods (which include raw materials) and thirdly capital good. Capital good had a high growth rate at the end of the period mainly due to the increase in exports of machinery & equipment and building materials.

The main destination of the exports was the Arab countries, which absorbed more than half of the entire exports. Up to 1983, the Gulf countries and especially Saudi Arabia were the main buyers. The Economic boom in these countries boosted the Jordanian exports. However, the sales to these countries from 1984 onwards were stagnant due to the reduction of the oil price as Kanvosky noted<sup>134</sup>. In the late 80s, the exports to Gulf markets were negatively affected by the fact that these countries started to produce a similar range of industries as Jordan did. The Jordanian exports could not compete with these industries owing to the fact that they were highly subsidised<sup>135</sup>. Furthermore, the competitive advantage of the Jordanian industrial exports that were based on cheap labour was not relevant any more not just in the Gulf markets but in the Jordanian market for some products.

The factor above combined with the continuation of the Iraqi-Iranian war boosted the Jordanian exports to Iraq. The Iraqi imports from Jordan moved from insignificant importance in the 70s to a rapid increase in the 80s reaching in 1988 14.0% of the entire Jordanian exports, which ranked Iraq as the biggest single importer<sup>136</sup>. Furthermore, according to Barmar three quarters of the industrial firms were functioning primarily to export to Iraq<sup>137</sup>. The Eastern European countries (the

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<sup>130</sup> Central Bank of Jordan (1989), The Twenty-Sixth Annual Report, p47. Central Bank of Jordan (1988), The Twenty-fifth Annual Report, p49.

<sup>131</sup> Central Bank of Jordan (1983), The Twentieth Annual Report, p47.

<sup>132</sup> Central Bank of Jordan (1989), The Twenty-Sixth Annual Report, p47.

<sup>133</sup> Share, (1991), p111.

<sup>134</sup> Kanvosky, E. (1989), Jordan's Economy From Prosperity to Crisis, p34.

<sup>135</sup> Wilson, Rodney (1985) The Role of Commercial Banking in the Jordanian Economy, p6.

<sup>136</sup> Share, (1991), p111. Barmar, Amatzia. (1994), No New Fertile Crescent: Iraqi-Jordanian Relations 1968-1992, p127.

<sup>137</sup> Barmar, Amatzia. (1994), No New Fertile Crescent: Iraqi-Jordanian Relations 1968-1992, p127.

socialist block) came after the Arab countries according to their share of the exports followed by the countries of the ECC<sup>138</sup>. By individual countries and after Iraq, India was the major importer due to its buying of phosphate, followed by Saudi Arabia, which was the main market for the agricultural exports such as fruits and vegetables<sup>139</sup>. As share noted and our figures indicated, it is important to highlight that exports to Japan rose from a neglected figure in 1973 to around 5.0% by the end of this period<sup>140</sup>.

## Imports

As was mentioned above, imports increased rapidly during the economic boom years as a direct result of the rise of remittances and transfers. However, it declined in the recession phase.

Over the whole period, consumer goods was the major component constituting 36.6% of the entire imports. The crude materials came next by 32.8% followed by the capital goods by 28.3%. The relative importance according to the economic classification indicated a structural change in the composition of the imports when compared to the previous period. The relative importance of consumer imports declined by 22.5% compared to that of the former period. On the contrary, the relative importance of crude materials and capital goods rose remarkably by 54.4% and 27.7% respectively. Such a change indicates the increase in income and the expansion of investment especially in the industrial sector.

Looking at the two phase, the share of the crude materials in 1982 –1989 was the biggest to 38.9% of the entire imports, while in the first phase it was just 26.7%. This increase in the latter half was attributed to the required importation for the industrial firms that were mainly established in the 70s and early 80s. The capital goods share decreased from 34.7% in the first half to 21.8% in the second and its rate relapsed from 50.9% per annum in the first phase to –1.7% in the last eight years. I.e. is an evident reflection of the economic boom that was followed by the recession that characterized sluggish investment activities.

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<sup>138</sup> Central Bank of Jordan (1985), The Twenty-Second Annual Report, p41.

<sup>139</sup> Share, (1991), p111.

<sup>140</sup> Share, (1991), p111.

The main sources of imports at the end of the period (1989) came from the EEC (29%) followed by ACM (20.4%), USA (13.9%) and the other Arab countries (7.1%)<sup>141</sup>. Although Share<sup>142</sup> noted that in relative terms (compared to 1967) Western Europe and EEC declined in their share, the US maintained their share, the share of the eastern bloc was almost halved and Japan doubled its share from 3.7% to 6.3% between 1967 and 1985.

#### **6.1.4.2 Service balance**

Over the 60s and during the previous periods, the service balance had played a fundamental role in crediting the current account in particular and the overall balance in general. To a large extent, the service balance, the Jordanian workers' remittances specifically, offset the chronic trade deficit. During this period, the service balance partly offset the trade balance deficit, however, in the first few years it could cover the whole trade deficit and resulted in a credit in the balance of services and trade. This trend did not continue after 1978 owing to the outstanding growth rate of the trade deficit. Again the performance of the service balance can be divided in two phases. The first course covers the years 1974-1983, when the service balance grew rapidly from JD 22.1 million in 1974 to JD 455.1 million in 1983. This expansion was mostly attributable to the increase in remittances, which rocketed from JD 24.1 million in 1974 to JD 475 million, i.e. they increased nearly 20 fold. The importance of the remittances can be illustrated by the quote below from the IMF<sup>143</sup>:

- "From the early 1970s until recently, Jordan's strategy was to develop itself as a provider of skilled manpower and trade-related services for the Arab countries in the region. Accordingly the authorities had chosen a strategy aimed at educating Jordan's youth to prepare them for employment in and around the region. At the same time, with the sizeable amount of workers' remittances and aid received from abroad, Jordan was able to maintain income and consumption at levels that exceeded those that could be expected from the production capacity in the domestic economy."

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<sup>141</sup> Central Bank of Jordan (1989), The Twenty-Sixth Annual Report, p48.

<sup>142</sup> Share, (1991), p116.

The official figures above reported just the remittances that were transferred through the banks, but it was believed that the actual figures of the remittances were higher<sup>144</sup>. Kanvosky referred to an unofficial figure assuming that the remittances were 50-100% higher than what was reported by the banks. Furthermore, he claimed that the official figures skipped the value of imports in kind that the Jordanian workers brought back into the country. He concluded that the remittances would be at least 60.0%<sup>145</sup> more than what the government reported<sup>146</sup>. Adding the unreported remittances is highly important to reveal the overall picture of the exports and imports of services, but it is still difficult to estimate this figure on an annual basis. Such an estimation would be even more complicated, taking into account that a proportion of the remittances that Jordan received through the banks was again transferred to the West Bank as Mazur noted. Moreover, the published transfers of the foreign labour in Jordan to their countries were just the ones that went through the banks, so that the actual ones must be higher. Therefore and due to the complications of such a calculation we continue to deal with the published figures, though being aware of the fact that these figures were lower than the actual ones.

It is important to note that the balance of services started to show workers remittances payment only from 1977. This meant that Jordan began importing labour, which indicates that there were domestic shortages of manpower. As Seccombe noted, this trend was partly due to the increase in construction of urban residential properties as a consequence of the return of workers remittances and of the increased aid and budgetary support after the Arab Summit meetings in 1974 and 1978<sup>147</sup>. An indicator of the increased demand for labour is the rise in wage-rate inflation between 1973 and 1976. Seccombe continued by noting that these increases were particularly high in the financial services, utilities and the construction sectors<sup>148</sup>. The figures indicated that remittances payment grew quickly between 1977 and 1984, when it reached its peak amounting to JD 97.5 million. However as Kanovsky noted and our figures reveal up to 1983 and 1984 the

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<sup>143</sup> IMF (1996), p5.

<sup>144</sup> Day,A. (1986), p99. Share. .(1987), p36.

<sup>145</sup> There were various estimations of the remittances that were transferred outside the banks channels. For instance, Day reported that the unpublished remittances could be double the official figures according to the estimation made by leading Amman bankers. Day,A. (1986), p99.

<sup>146</sup> Kanvosky,E. (1989), *Jordan's Economy From Prosperity to Crisis*, p38-39.

<sup>147</sup> Seccombe (1987), p121.

remittances payment had a limited impact on the accounts of import and export services since its ratio to the remittance receipts did not exceeded 20.0%<sup>149</sup>.

In spite of the fact that it was greatly out-weighted, the net travel income showed a credit in 1975 after it having been in debt since 1967. It increased from JD -0.1 million in 1975 to its peak in 1983 amounting to JD 50.3 million. This increase reflected a flourish in the tourist sector as Kanovsky noted<sup>150</sup>. Indeed the figures of the central Bank confirmed this claim showing that the number of foreigners (non-Arabs) who visited Jordan rose from 48.1 thousands in 1973 to 204.9 thousand in 1974, and since then this number ranged between 200 and 300 thousand yearly<sup>151</sup>. Hence, Jordan could manage to activate the tourist sector after a period of stagnation as a result of losing the West Bank tourist potentialities. Moreover, the tourist income benefited from the increase in Arab visitors from the Gulf countries as Kanovsky mentioned<sup>152</sup>. Presumably, the breakout of the civil war of Lebanon in 1975 diverted a respectable proportion of the Gulf tourism to Jordan. Travel payment also increased rapidly during this phase rising from JD 17.3 million in 1974 to JD 180,8 million in 1981. As mentioned by the Central Bank and Kanovsky these expenditures reflected the increased number of Jordanian studying and visiting abroad and of those travelling for health reasons<sup>153</sup>.

From 1983 and 1984 respectively the service balance and workers remittances started to decline until 1988. Between 1983 and 1989 the service balance decreased by 30% and between 1984 and 1989 the remittances declined by 32.5%. In 1989 they both increased as result of the devaluation of the currency. The decrease of the remittances and consequentially the service balance negatively affected the current account. The decline of both the transfers and remittances receipts and the economic recession were reflected in the gradual decline in travel and remittances payment between 1984 and 1989.

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<sup>148</sup> Seccombe (1987), p121.

<sup>149</sup> Kanvosky,E. (1989), *Jordan's Economy From Prosperity to Crisis*, p38-39.

<sup>150</sup> Kanovsky, E. (1985), *Jordan Decade of Prosperity: Will It Persist?*, p385.

<sup>151</sup> Central Bank of Jordan, *The Annual Reports (1973-1983)*.

<sup>152</sup> Kanovsky, E. (1985), *Jordan Decade of Prosperity: Will It Persist?*, p385.

<sup>153</sup> Kanvosky,E. (1989), *Jordan's Economy From Prosperity to Crisis*, p40. Central Bank of Jordan, several Annual Report.

### **6.1.4.3 Transfers**

Transfers also showed a similar trend, a result of the fall in oil prices. Unrequited transfers increased from JD 86.7 million in 1974 to (JD 430.8) in 1981 <sup>154</sup>, i.e. nearly five fold. There were particularly high increases between the years of 1974 and 1975 (61%) due to the agreement of the Rabat summit in 1974, when Arab aid to Jordan was increased. There was another an increase in 1979 (195%) and 1980 as a direct result of implementing the Baghdad summit resolutions. It is important to highlight that Arab aid was decided in Baghdad as a result of the temporary solidarity between the Arab countries due to the development of the Egyptian-Israeli peace process. This political solidarity did not survive the political development which took place just in the following two years. Hence, the Arab aid to Jordan, which was divided into shares between the rich Arab countries suffered from the new political set up in the region at large, and particularly from the position of Jordan with respect to the different alliances. Therefore, shortly after the Baghdad summit Algeria and Libya did not pay their share of the Arab aid to Jordan. However, these shares were partly covered by the Gulf countries for a while. The continuation of the Iraqi-Iranian war and the decline of the oil price, though had a role in changing the political and economic priorities of the Gulf countries. Political developments and the nature of the aid drove some of the Gulf countries to stop offsetting the unpaid shares of Algeria and Libya before reducing their own shares to below the amount which was committed. This was reflected severely on the transfers accounts from 1982 to 1987, when it decreased from JD 430.8 million to JD 199.3 million respectively. The transfers of 1987 were almost at the same level as in 1976-1978 and far below the amount that the Arab countries committed themselves to. The increase that was indicated in 1988 and 1989 was attributable to the devaluation of the Jordanian currency as well as to the emergency transfers made by some of the Gulf countries and by Iraq in order to help to stabilize the monetary position of Jordan.

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<sup>154</sup> Except for 1978.

## **CHAPTER SEVEN**

### **7. THE BOURGEOISIE (1974-1989)**

This chapter aims to provide an analysis of the bourgeoisie over the period of 1974-1989. This chapter is giving an account of the private sector as an introduction for the analysis of the bourgeoisie. The trends and the patterns of the bourgeoisie's investments are to be reviewed. Bourgeoisie will be analyzed according to the economic power of its members and the fractions occurrence within its domain. The final section is devoted to analyzing the bourgeoisie members (BMs) according to the vertical variables.

#### **7.1 THE STATE OF THE PRIVATE SECTOR**

This section provides an overview of the patterns of the private sector's activities during this period. This study uses the available data concerning the private sector enterprises as the main source in this section, due to the lack of both data about the contribution of the private sector to the economy at large and detailed studies about its structure and characteristics. I am fully aware that enterprise data cannot reflect all of the characteristics of the private sector; however, it can give an overall picture of its structure and activities, which will be valuable when the bourgeoisie is considered in the following chapter. This section, therefore, covers the main trends of the private sector enterprises in terms of capital and number. It also shows the main trends of the sectoral and sub-sectoral structure of these enterprises, before concluding with an overview of the geographical distribution of the enterprises in the country.

##### **7.1.1 THE PRIVATE SECTOR ENTERPRISE TYPES**

This section looks at the private sector during this period by analyzing 106,143 enterprises with a total capital of JD 2,415,620,673, which makes the number of enterprises and their capital respectively 7.8 and 14.6 times bigger in

comparison with the previous period. The distribution of these enterprises among their different types shows a similar picture to that of the previous period; IE enterprises were the most frequent type making up 75.3%, followed distantly by GP at 19.8% and with trivial percentages for LP (2.9%), LL (1.9%), SP (0.16%) and Arab State Cooperative Companies (0.02%).<sup>1</sup> In terms of capital, the data showed that LL had the biggest share of the total capital, followed closely by PS at 25.4 and, at some distance, by the Arab states' enterprises at 16.9%, GP at 15.5%, IE at 11.7% and finally, with the smallest share, LP at 4.4%.<sup>2</sup>

Certainly the PS's outstanding proportion in terms of capital in the previous period was balanced out in this period by the high proportions of the other types, especially those of LL and the Arab states' enterprises. However, insights about the enterprises can be deduced from their types. There was a large discrepancy between the enterprise types where the average is concerned. IE average capital was still the smallest, standing at JD 3,534.3; next, but five times bigger, came that of GP, at 18,002.1. Both the IE and GP averages came short of the combined general average of the enterprises, i.e. JD 22,758.2. Apart from the average of LP, which recorded JD 34,524.8, IE and GP, LL, SP and the Arab state enterprises recorded an average that exceeded a quarter of a million, i.e. JD 310,451.6, JD 3,670,486.4 and JD 25,537,773.8 respectively. The respective proportion of the IE of the total capital was a direct result of the large number of enterprises of this type, which was definitely the most popular among the private sector participants during this period, as it was in the period before.

Based on the IE's proportion of enterprise numbers & capital and on its average capital during this period, it is still correct to argue that the great majority of these IEs, which were individually owned, were small-size self-employed enterprises. The same assumption can be partially applied to the GP enterprises. In contrast, the figures of LP and LL indicate that businesses of these types were usually big, and that there were certain management arrangements between the owners that guaranteed a separation between management and ownership. The

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<sup>1</sup> Almost the same percentages were recorded during the previous period, although the Arab States Cooperative Companies was not present. The rationale for including this type of enterprises in the private sector is, on the one hand, the fact that they were open for the private sector enterprises to have equities in them. On the other hand, they were run on the basis of the private sector enterprises.

<sup>2</sup> See table 1/ appendix 15.

use of the enterprise type as a parameter should draw a line between big and small enterprises, since the data indicates a large variation in the capital of the enterprises in each type, resulting in a high Standard Deviation. For example, there are a number of GP and IE enterprises which had a capital beyond the mean capital in these types.<sup>3</sup> A reversed trend can be found in the LL and LP types, where some enterprises exhibited a very small capital.<sup>4</sup>

Based on the above, and in order to make more sense of the capital as an indicator, one can look at the enterprises in terms of capital intervals. This shows that only 1.2% of the total enterprises had a capital of more than JD 200,000, whilst they shared the great majority of enterprise capital at 78.4%.<sup>5</sup> The great majority of the enterprises (93.7%) were those whose capital was 19,001, which is still below the general mean capital of the total enterprises and within the domain of the IE and GP capital average;<sup>6</sup> however, they made up only 12.1% of the entire capital. The intervals show that there was a number of IE and GP enterprises whose capital exceeded the average of their types.

This approach distinguishes between the enterprises of outstanding capital compared to their type's mean capital, and those whose capital is close to the mean capital of their type. 13.1% of the GP enterprises recorded a capital higher than the GP average, sharing between them 78.4% of the total GP capital. 82.8% of the IE capital was shared by enterprises whose capital was above the IE capital average, despite the fact that they made up only 19.1% of the total number. 0.2 and 1.6% respectively of the IE and GP numbers were enterprises whose capital was more than JD 200,000. Undoubtedly, such enterprises did not share the characteristics of the majority of the GP and IE enterprises. Certainly, factors related to the field or sector of these enterprises can explain their outstanding capital compared to the average in that type,<sup>7</sup> though this does not change the above-mentioned proposition

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<sup>3</sup> See table 1/ appendix 15.

<sup>4</sup> See table 2 and 3/ Appendix 15.

<sup>5</sup> See table 1 and 2/ Appendix 15.

<sup>6</sup> In fact, more than 2/3 of the enterprise number had a smaller capital than that of the IE capital average, constituting less than 10.0% of the total enterprises' capital.

<sup>7</sup> 31.4% and 30.2% of the IE whose capital was above JD 10,000 were in manufacturing and construction respectively, having 27.2% and 39.2% of these IEs' total capital. Apart from the IEs, there were 885 enterprises whose capital was within the average IE capital. 14 enterprises were of the LL, 68 of the LP and 802 of the GP type. 78 of the enterprises whose capital was below the average capital of the GP were LL and 219 were LP. 26.1% and 50.2% of the IEs

that they are not of another strand of enterprises. The reverse phenomenon is to be found in the LP and LL enterprises, 92.2% and 57.5% of which exhibited a capital which was below their recorded average, though they made up only 16.8% and 1.2% respectively of the capital of each type. Hence, the enterprise type, which is of fundamental relevance concerning the size of the business and its activities, does not necessarily reflect the characteristics of each individual enterprise. Based on the above observations, one can conclude that the inclination, among the private sector participants, towards having simple structured enterprises and a lack of separation between management and ownership, which was a dominant feature of the previous period, is less prevalent in this period, despite its existence as a trend.

Concerning the growth rate during this period, the private sector enterprises' number grew at 12.9% per annum, while their capital growth averaged 14.9%. In terms of capital, the Arab state enterprises recorded the fastest annual growth rate at 23.9%, which can be explained by the fact that the number of this type was small and usually the newly established enterprises were of larger capital. The second fastest annual rate was recorded by the IE (18.4%), followed closely by the LL at 17.6%, the PS at 14.9%, the GP at 14.3% and finally the LP at 11.1%. The Arab state enterprises also recorded the fastest rate in terms of number (29.0%), followed by the LL at 17.3%, the LL at 15.9%, the GP at 13.2%, the IE at 12.7% and the PS at 6.4%. The annual rates for both capital and number fluctuated from one year to the next. For instance, in the years 1975, 1976, 1977 and 1978, the number of enterprises grew by 19.7%, 22.3%, 15.4% and 16.7% respectively, while the rate was around 10.0% in 1984 and 1986 and less than 10.0% in 1988, reaching a trough of 5.0% in 1989. In capital terms, the variation was even more noticeable, since it was as high as 48.8%, 41.1% and 21.4% respectively in the years 1976, 1975 and 1979, dropping to around 5.0% between 1984 and 1988 and reaching its lowest in 1989, at 2.1%.<sup>8</sup> This comes as no surprise, considering that in those years the Jordanian currency started to drop against the dollar and other international currencies.

The economy of Jordan was generally a tale of boom and decline of foreign aid and remittances. An overview of the macro-economy of this period links these

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whose capital was above 100,000 were in manufacturing and construction, having 24.6% and 43.9% of the capital respectively.

<sup>8</sup> See table 6 and 7/Appendix 15.

two conditions to the fluctuation of international oil prices. As was argued in the previous chapter, this period can be divided into two phases as regards Jordanian economic performance and the state's economic policies, one of which reflects the boom in oil prices and its consequences in foreign aid and remittances and covers the years between 1974 and 1982, whilst the other goes from 1983 to 1989, reflecting the decline in oil prices and hence the dramatic drop in direct and indirect transfers. The private sector enjoyed the benefit of the first period and suffered the consequences of the second. This is reflected in the variation of the growth rates in the first phase compared to that during the second. Whilst the enterprises' capital grew by 22.1% per annum during the first phase, it recorded only 5.7% in the second phase. As would be expected, the PS enterprises were most hit by the decrease in volume of the remittances and of the direct oil producing countries' private sector investments, coupled with the cuts in state spending on economic projects. Their growth rate during the second phase was 1.1%, compared to 18.1% in the first phase. The LL and GP capital rate was a modest 8.6% and 7.3% respectively, compared to 24.7% and 12.6% in the first phase. Despite the fact that, in the second phase, the IEs' rate almost halved in comparison to that of the first phase, they were still least affected by the country's recession. The fact that enterprises of such a type do not require capital intensive can be the main reason for their being the least affected, in addition to the fact that some of the expatriates who had to return to Jordan from the Arab oil producing countries as a consequence of the decline in oil prices were driven to or chose to invest some of their savings into self employed businesses, especially since the unemployment rate was on the increase in those years.

### **7.1.2 THE SECTORAL DISTRIBUTION**

This subsection analyzes the main trends of the sectoral structure of the private sector enterprises, though it does not claim that the patterns and characters of the economic sectors are confined to what the enterprises show. Numberwise, the sectoral distribution of the private sector enterprises shows that commerce was the dominant sector at 56.7%; services and manufacturing had around one third of

the commerce percentage, i.e. 18.7% and 17.8% respectively. Construction and transportation had 3.5% and 2.0% respectively, while the remaining sectors had a proportion of less than 1.0% each.<sup>9</sup> The dominance of commerce numberwise can be attributed to its inclusion of a wide range of small size businesses serving local communities, such as mini markets and grocery shops, especially since supermarkets and departmental stores had not been introduced to Jordan. Despite the prevalence of commerce, its relative importance dropped dramatically compared to the previous period, when it was above 80.0%. All other sectors improved their proportion in this period: the services' proportion grew by more than three and half times, while manufacturing was twice as much as in the previous period.<sup>10</sup>

A rather different picture emerges when the sectors are compared in terms of capital. Manufacturing had the biggest share of capital at 33.0%, followed by commerce enterprises at only 19.1%, construction at 12.9%, finance & insurance at 10.5%, services at 8.7%, and agriculture at 6.4%.<sup>11</sup> The sectoral distribution in terms of capital shows that there was a gap between the share of each sector numberwise and its share capitalwise, as is the case in commerce, services, construction, finance, mining, electricity and manufacturing. The variation in the economic sectors' requirements for capital intensive projects can clearly explain this gap. As was mentioned above, the wide range of activities that commerce includes results in inflating its proportion numberwise, but does not affect the capital rates. The average capital of an enterprise can be a more insightful indicator in this issue. The capital of finance enterprises averaged around JD ¼ million, while it was ¼ million in mining, 60,000 in construction, 50,000 in transportation and 32,000 in manufacturing; however, it was only JD 5,700 in commerce.

Another important factor that stems from the peculiarity of the Jordanian economy is the development of the economic sectors. Manufacturing, as was argued in chapter 2, was not rooted in the Jordanian social formation: its emergence dates back only to the 1950s and 1960s. Its development during this period was, more than anything else, a response to the availability of capital, the increase in consumption rates and the opportunities to export to neighboring countries. Hence,

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<sup>9</sup> See table 7/appendix 15.

<sup>10</sup> In the previous period the share of services and manufacturing stood at 5.0% and 8.0% respectively.

<sup>11</sup> See table 8 and 10/appendix 15

manufacturing leaned towards small and medium size, rather than mini and micro size, industries. The inflow of petrodollars and the rise in consumption rates enlarged the services sector to provide services that were not known before in Jordan.<sup>12</sup> In terms of capital, agriculture recorded the fastest average annual growth rate at 152.6%.<sup>13</sup> The lack of enterprises in this sector during the previous period and the increase of investments, especially in livestock breeding, led to the high rate in this sector.<sup>14</sup> Apart from the outstanding rate in agriculture, all other sectors recorded a positive growth rate. Sectors such as finance, real estate, services, construction, and manufacturing were the fastest to grow at annual rates of 31.4%, 23.3%, 21.3% and 19.0% respectively.<sup>15</sup> Construction and real estate growth rates were direct results of a respectable proportion of the remittances going in to the purchase of land and/or construction of residential houses. The civil war in Lebanon shifting some of the banking and insurance activities to Amman, coupled with the availability of capital from either domestic investors or those from the gulf countries (indigenous and/or Jordanian expatriates), led to a boom in this sector. In regard to services, in addition to the impact of general economic growth on the rate of this sector, areas that were new in Jordan were exploited, such as the educational services. Private schools opened at a greater pace during this period compared to the 1950s and 1960s, private community colleges providing further education were established widely during the second half of the 1970s, whilst private universities were founded in the second half of 1980s. Private hospitals, which provided more time efficient health services compared to the governmental ones, were founded to serve the segments of the Jordanian society which are financially able, bearing in mind that not all of the residents in Jordan were covered by state health insurance.<sup>16</sup> Commerce, mining and electricity, which grew at respectable rates, were still less than the above-mentioned sectors. The variation in the growth rate of the sectors, due either to its response to the overall economic changes during this period or to its

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<sup>12</sup> The change in the relative importance of the economic sector capital wise underwent a change compared to the previous period, for instance, commerce had the biggest share of the enterprises capital. See chapter 5.

<sup>13</sup> See tables 11/ Appendix 15.

<sup>14</sup> It was mentioned in chapter 5 that the great majority of agricultural activities were taking place outside the legal enterprise form of business, and were still conducted at the level of the countryside household. See chapter 4.

<sup>15</sup> See tables 13, 15, 17, 18, 19 and 20/ Appendix 16.

internal development, led to a change in its relative importance. Manufacturing enterprises occupied the biggest share of all sectors' enterprise capital in this period at 37.5%. Finance comes next at 18.2%, commerce at 14.7% and construction at 8.5%. Compared to the previous period, manufacturing and finance improved their relative importance, whilst commerce dropped by more than 10.0 points. In fact the drop in commerce and gradual increase in manufacturing, finance and construction can be seen year by year. Apart from the fact that these sectors were dominant based on their shares in the capital of enterprises, the share of other sectors underwent changes. For instance, agricultural enterprise improved its share in the last few years of this period to have an overall average of 4.5% compared with 0.5% in the period before. The mining and electricity proportions were less than those of the previous period.<sup>17</sup> The fact that phosphate and potash production in mining and electricity generation were under the monopoly of The Jordanian Phosphate Mines Co., the Arab Potash Co. and The Jordanian Electricity Co. made investments outside these companies impossible. It is important to highlight that the growth rates of all sectors varied in the first phase (1974-1982) of this period compared to the second (1983-1989). For instance, the growth rate of mining in the second phase was 0.5% compared to 11.6% in the first. Average annual rate in finance in the 2d phase was around 0.5/10<sup>th</sup> of the first, while it was 1/9<sup>th</sup> in real estate, 1/7<sup>th</sup> in transportation, 1/6<sup>th</sup> in manufacturing and less than half in construction. The impact of the recession was felt in all sectors. However, commerce and services were less affected despite the dramatic drop in their rates in the second phase. One could argue that the impact would have been more severe on the enterprises in all sectors, if it had not been for partial dependency of the Iraqi market on some specific sectors in Jordan during the Iranian-Iraqi war (1980-1988).

The number of enterprises in the different sectors showed a positive annual growth rate, which ranged from 8.2% in finance to 23.0% and 21.9% in real estate and manufacturing respectively. The high rates in sectors like agriculture, mining, electricity, real estate and finance are less significant, since these sectors had only a limited number of enterprises to start with. In the case of mining and electricity it was in the fields of quarrying and steam production. Certainly, in commerce,

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<sup>16</sup> For instance the private sector employees were not under the state's health care system. The professional unions such as lawyers, engineers, etc, had their own voluntary health insurance schemes regardless of whether the member of a given union was a state employee.

<sup>17</sup> See tables 12 and 14/Appendix 16.

manufacturing, services and transportation, the rates were indicative of a large number of new enterprises. The structure of the sectors, numberwise, changed over the years of this period at the expense of commerce and in favor of the other sectors, such as manufacturing, transportation and services.<sup>18</sup>

### **7.1.2.1 The Sub-sectors**

The focus of this subsection is to give not a detailed account of the sub-sector composition in each of the economic sectors<sup>19</sup>, but rather a brief review that shows the center of gravity in each economic sector and the main trends that their composition reveals. Despite the fact that each of the economic sectors has its distinct features when its sub-sectors are concerned, they can be divided into two groups. The first group covers sectors such as agriculture, mining, electricity and finance, the great majority of whose capital is concentrated in one specific sub-sector despite the fact that the number of enterprises in that sub-sector was limited. For example, phosphate and potash, which made up 2.9% of the mining enterprises, had 86.2% of their capital. Fishing, whose enterprises made up 1.6% of agriculture, had 55.6% of its capital. The same applies to electricity production, with 9.8% of the enterprises and 99.25 of the capital, and banking, with 7.7% and 34.4% respectively.

The second group includes the sectors in which the distribution of capital and number among their sub-sectors is more balanced. For example, road transportation has the great majority of enterprises in transportation (80.6%) and also the biggest share of the sector's capital (66.9%).<sup>20</sup> The same could be applied in the retail trade and export and import enterprises, whose proportion of enterprise number stood at 81.2% and 13.8% respectively, while the share capitalwise was 31.6% and 55.8%. Similar trends can be seen in manufacturing, where the sub-sectors of food manufacturing, metal products, wood cork, construction materials, clothing & footwear, having a proportion of 18.7%, 16.7%, 16.7%, 14.6% and 13.3% respectively, also made up the majority of the manufacturing capital at 24.5%, 8.4%, 2.3%, 15.1 and 3.9%. Overall, the manufacturing sub-sectors' proportions numberwise correspond to a certain degree to their proportion capitalwise. The only

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<sup>18</sup> See tables 13, 15, 16, 17 and 19/ Appendix 16.

<sup>19</sup> For such a purpose, see tables /appendix 16.

<sup>20</sup> The proportion of sea transportation, air transportation and transportation were, respectively, 5.0%, 0.3% and 13.0% numberwise, and 14.6%, and 15.2% capitalwise.

exception is the chemical products, whose proportion of capital (21.9%) outnumbers its share in terms of number, standing at only 2.4%. Undoubtedly, the pharmaceutical enterprises that were established during this period with large capital had rapidly increased the share of this sub-sector. Concerning the services, there were some sub-sectors whose proportions numberwise and capitalwise were within the same range, such as art, music & cinema (4.9% numberwise and 2.1% capitalwise), business services (8.3% & 11.4%) and even maintenance services (35.4% & 12.7%). On the contrary, the hotels' proportion of the sector's capital was 32.0%, followed by education services at 16.8% and health services 9.0%, though their proportions of the enterprise number stood at 2.0%, 1.4% and 0.6% respectively.<sup>21</sup> It was during this period that the 4 and 5 stars hotels were constructed, while there was a quantitative and qualitative enhancement in both health and education services. A few factors may have explanatory power as regards the variations between the sub-sector structure in each of the two sets of sectors generally and the structure of the sub-sectors in each sector in particular. Firstly, enterprises in any given sub-sector differ according to their size, which in its turn is determined by several elements such as productive capacity, lines of production, number of stages of production, ...etc. The presence of large-size enterprises in a given sub-sector can result in a limited number of enterprises in that sub-sector, and/or in a concentration of capital in that sub-sector when it is compared to another whose enterprises are of small size. Such a factor becomes highly influential when one takes into account the capacity of the Jordanian market, which is characterized as being small.

The second factor is that investments in some sub-sectors require large-scale enterprises.<sup>22</sup> According to the first factor, the size of an enterprise is conditioned by subjective factors related to the entrepreneurs; here, the nature of the sub-sectors dictate objectively the size of enterprises and their capital. This is the case in sub-sectors such as electricity production, phosphate, metal mining, pharmaceutical, banking, insurance, petroleum production and to some extent the wholesale trade

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<sup>21</sup> Whilst the share of restaurants and cafés was 31.3% numberwise, its share of the services entire capital stood at 5.2%. Reviewing the enterprises of this sub-sector shows a large number of small-size coffee houses, which were an important outlay entertainment and social places for the local communities.

<sup>22</sup> For example, petroleum production and pharmaceuticals compared to food, wood, or paper manufacturing, road transportation compared to air and sea transports.

and financial institutions, where investments require large capital for either capital goods or liquidity for the functioning of firms.

Third, the state economic policy in either granting some enterprises a complete or partial monopoly over production in a certain sub-sector or encouraging sub-sectors or certain enterprises within a specific sub-sector becomes a decisive factor in determining the number and capital concentration of these sub-sectors compared to the others. The lack of private investment in air transport, for example, was due to the state monopoly of this sub-sector through Alia Co., the national carrier.<sup>23</sup> Apart from the capital requirements, the fact that phosphate production was under a monopoly explains why this sub-sector contained only one enterprise, the Jordanian Phosphate Mines (JPM).<sup>24</sup> The same applies to the Jordanian Refinery Co. (JRC). The direct governmental investment in some private sector enterprises resulted in them having large amounts of capital when compared to other enterprises of the same or similar nature.

Fourth, taking into account the relatively late development in various economic sectors and/or the overall objective conditions of Jordan, some sub-sectors were exploited until a later stage. The fact that a private sector entrepreneur did not exploit some business fields until during this period determined the number of enterprises and the capital invested in such sub-sectors. For example, the insignificant investment in sea transport was due to the small size and underdeveloped state of the Aqaba port, which did not flourish until the reopening of the Suez canal in 1975. The same could apply to the pharmaceutical, plastic, and publishing sub-sectors.<sup>25</sup>

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<sup>23</sup> The earliest attempt to establish a private air-line in Jordan was in 1973, ceasing in 1975. In that year, two enterprises were established: the Arab Wings Airline, which was completely owned by the Royal Jordanian Airline, and the Holy Lands Airline, which never operated. The Archive of Ministry of Trade and Industry.

<sup>24</sup> A shareholding enterprise that was a joint venture between the private and public sectors was established in 1953 and had since a monopoly over the phosphate production and marketing.

<sup>25</sup> For instance, prior to 1975 the Jordanian market was heavily dependent on the publishing houses in the neighboring countries especially in Lebanon. The civil war in Lebanon did not only trigger the industry in Jordan, but some the publishing houses opened branches in Amman for its operations.

### 7.1.3 THE GEOGRAPHICAL DISTRIBUTION

The geographical distribution of the enterprises highlights that the majority of the enterprises (70.7%) were concentrated in Amman, possessing around 87.1% of the capital. In terms of number, Irbid comes second at a proportion of 14.3%, followed by *Zerqa* and *Balqa* at 10.2% and 3.3% respectively.<sup>26</sup> The rest of the enterprises were scattered among the other governorates with a fraction of 1.0% each.<sup>27</sup> Compared to the previous period, the shares of the other governorates improved at the expenses of Amman, whose proportion stood at 90.9%, i.e. 20 points above its share during this period. Despite the overall improvement of the share of the other governorates, the pecking order was almost the same as had been in the previous period. The enterprises' capital distribution did not undergo a dramatic change as that of the number did; for instance, the proportion of Amman in the enterprises' capital was only 2.0 points lower. The dominance of Amman when capital distribution is concerned was reflected in small proportions for the other governorates: Irbid came second with a proportion of 4.9%, followed by *Zerqa* at 3.3% and *Balqa* at 2.9%.<sup>28</sup> The proportions of the other governorates were of no significance. The percentages of *Zerqa* and *Balqa* can be ascribed mainly to the fact that both had PS enterprises, whose capital boosted their relative importance capitalwise, such as the Petroleum refinery in *Zarqa* and the Cement Factory Co. and the Arab Pharmaceutical co. in *Balqa*. A correlation could be traced between the enterprise's type and its being more or less widespread. The most widely distributed enterprises were those of IE or GP types, while those of PS or LL type were highly concentrated in Amman. Amman had the biggest share of the enterprises in each economic sector. The proportion, however, was lowest in transportation and commerce, at 54.9% and 69.15 respectively. Sectors such as commerce, transportation, manufacturing and services were more equally distributed numberwise than other sectors. The fact that it is vital that some of these sectors' sub-sectors be spread over the different communities resulted in less concentration in Amman. For example, 35.0% and almost 50.0% respectively of retail trade and

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<sup>26</sup> See table 18/ appendix15.

<sup>27</sup> See table 18 &19/ appendix15.

<sup>28</sup> In the pervious period *Balqa* had the second biggest share of capital followed by Irbid and *Zerqa*. See chapter 4.

road transportation enterprises were outside Amman.<sup>29</sup> Almost a third of the enterprises in food, construction materials and metal products manufacturing sub-sectors and in restaurants, maintenance and tool renting services sub-sectors were located outside Amman. The other sectors were less distributed according to the governorate by virtue of their fields. All the banking and insurance enterprises' central offices were based in Amman. This is also the case for the phosphate and potash enterprises, and for The Jordanian Electricity Co., despite the fact that the latter's activities cover the great majority of the country, while the actual plants and activities of the other two are nowhere near Amman. In spite of the fact that the distribution of the enterprises in some sectors was less concentrated in Amman, the capital distribution shows that Amman was still dominant in attracting the great majority of the big enterprises with a larger capital to be based in its vicinity. Undoubtedly, Amman was the center of the economic activities even in an imbalanced fashion. Apart from having all of the Arab state cooperative enterprises, it had above 85.0% of the capital of the PS and LL, which were the largest among the enterprises. Amman benefited from being the capital, thus having better infrastructures compared to the other regions, and the center of the state administration, thus attracting a great deal of businesses. During this period the population of Amman increased rapidly, first by the internal immigration from the countryside and in the late 1980s by virtue of the fact that it was the main destination for the Jordanian expatriates who returned home on the wake of the decline of oil prices. Therefore, Amman attracted more and more businesses within its domain in order to serve its continuously growing population.

The distribution of the enterprises according to the provinces shows that the Central province,<sup>30</sup> containing the three major cities of Amman, Zarqa and Balqa, possessed 93.7% of the enterprises and 96.8% of the total capital, followed by the Northern Province at 6.0% and 5.6% and finally the southern Province at 0.3% and 3.1%.

The geographical distribution of the sub-sectors was influenced by the nature of the latter and by the number of enterprises in each of them. Enterprises of food and beverages, printing, packaging, glass and glass products, leather products and

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<sup>29</sup> See table 32/ Appendix 15.

<sup>30</sup> The province classification is a socio-political one rather than a geographical one. See chapter 3.

rubber are widely spread among the different governorates. The rest of the sub-sectors' enterprises were concentrated mainly in Amman.<sup>31</sup> The limited number of enterprises in these sub-sectors and the better infrastructures of Amman were the decisive factors in their concentration in the capital city.

A detailed account of the enterprises' geographical distribution is beyond the scope of this subsection.<sup>32</sup> The data, however, shows that, in addition to the concentration of manufacturing enterprises in Amman, Irbid<sup>33</sup> and Zerqa<sup>34</sup> started to be favorable locations in which to locate manufacturing enterprises.<sup>35</sup> The preference of manufacturing activities for Zerqa continued during the second half of the 1970s and 1980s, benefiting from the cheap prices of land.

In a similar fashion, these sub-sectors differ from each other in their geographical base. The sub-sectors with few enterprises (Banks, insurance, ...etc.)

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<sup>31</sup> In fact, enterprises producing petroleum and coal products, non-electronic, other metal manufacturing and tobacco were exclusively based in Amman. Tobacco manufacturing comprised 3 enterprises, of which two were large-scale ones of the PS type, while the third was of medium size and was not involved in producing cigarettes but in producing tobacco. The characteristics of the tobacco sub-sector applied to a large extent to the other sub-sectors that were mentioned above. The first enterprise is the Jordanian Cigarettes Company, which remained the only cigarette producer up to the early 1990s. The second biggest enterprise was the National Company of Tobacco and Cigarettes, whose date of establishment goes back to the 1950s. However, it had undergone different sorts of difficulties: internal ones rooted in the shareholders and external ones that related to the competition from the Jordanian Cigarettes Company, leading it to convert from being PS to LL in 1975 before it was liquidized.

<sup>32</sup> It is important to mention that some governorates had relatively a decent proportion of specific sub-sectors. For instance, the Zerqa district enclosed 22.2% of beverages, 16.7% of iron manufacturing, 14.3% of transportation equipments, 12.5% of paper and paper products and 5.6% of the leather products. The distribution of the sub-sectors capitalwise is largely influenced by the location of the PS enterprises, since 2/3 of the manufacturing capital is represented by their capital. Hence, Balqa contained 76.9% of the construction materials. Apart from the small and medium size enterprises that produced some construction materials, and mainly bricks, the SP Jordan Cement Factory's capital boosted the Balqa proportion with respect to the total capital of this sub-sector. See table / appendix 6.

<sup>33</sup> Irbid, in the north of the country, contained 20.5% of furniture and fixture enterprises, 16.7% of packaging, 14.3% of glass and glass products, 12.5% of electronic machinery, 10.8% of plastic and rubber, 9.9% of metal products (except machinery), 7.3% of construction materials. At the capital level, it contained 30.9% of electronic machinery, 28.8% of glass and glass products, 13.8% of furniture and fixture 12.2% of packing and 6.7% of food manufacturing.

<sup>34</sup> Despite the fact that the actual petroleum refinery, which is the main component of the petroleum sub-sector, was based in Zarqa, it was considered, according to the official figures, to be in Amman, given that its headquarters had been in Amman ever since its establishment. This research follows the Ministry of Trade and Industry's geographical distribution. In the case of Zerqa, it held 68.4% of the beverages capital, 52.1% of paper and paper products, 43.3% of chemical products and 17.0% of textiles.

<sup>35</sup> The main enterprise with large capital in this sub-sector and located in al-Balqa was the Arab Pharmaceutical Factory that was established in 1964, it was the first one of its kind, and its capital during this period stood at JD 250000.

are concentrated in one governorate or two and usually in Amman, while the other sub-sectors are more spread among the cities and regions of the country.<sup>36</sup> In the case of banks, branching acted as a substitute for concentration of the firms in Amman.

## 7.2 LOCATING THE BMS

This section aims to locate the BM during the 1974-1989 period within the domain of the private sector, according to the mechanism that was put forward in chapter 3. It also aims to analyze the trends and patterns of the bourgeoisie by looking first at their enterprises and secondly at the members themselves. Before proceeding in such an analysis, it is important to show how the mechanism was put in function.

In order to put the mechanism that was elaborated in chapter 3 in operation, this study looks at all of the enterprises that were established over this period (January 1974 to 31st December 1989), in addition to the enterprises that had been established prior to January 1974 and were still operating during this period.<sup>37</sup> These enterprises and their equity holders make up the domains of the private sector enterprises and private sector participants, from which the BM are to be extracted.

According to this mechanism, the first stage is to separate the SP enterprises from the other types. As was mentioned in the methodology, the BM who are in each of the SP enterprises are the largest shareholders, possessing the first 60.0% of the shares. The BM in the SP were extracted according to this criterion. Because of the establishment, in 1978, of the Amman Stock Market, where the shares of the PS were traded frequently and therefore their value was subject to continuous change, the mechanism was slightly adapted to take into account the market value

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<sup>36</sup> See table 29, 30, 39, 40, 47 and 48/ Appendix 17.

<sup>37</sup> In this context, all enterprises that were established before this period and ceased to exist before January 1974 are not part of this period's private sector and consequently would not be part of the bourgeoisie. The enterprises that were established before or during this period and ceased to exist during this period were still considered as part of the private sector and of the bourgeoisie if they were qualified. Such a proposition is based on the fact that these enterprises and their owners were active at that time, and their closure is of significance for the analysis of the private sector and of the bourgeoisie. However, any enterprise that was established during this period and never operated was excluded from the domain of the bourgeoisie even if it was qualified.

of shares that the equity holders had.<sup>38</sup> The fact that the market value of some PS shares was greater than that of their book value resulted in extracting the biggest equity holders, who constituted up to 85.0% of the capital in the case of a few enterprises.

Concerning the extraction of the BM in the rest of the enterprise types, the first step was to define the amount of capital  $x$  that the methodology suggested to be the figure that can distinguish between enterprises: owners of enterprises whose capital was  $x$  or more were automatically considered as members of the bourgeoisie. Based on the mean capital of the enterprises in each type and taking samples of enterprises in each type,<sup>39</sup> this study assumes that the figure should be JD 35,000 that is around the average capital of the LP enterprises (JD 34524.8). Therefore, the owners of enterprises whose capital was JD 35,000 were automatically qualified to be part of the BM. The rationale behind choosing a figure close to the mean capital of the LP rather than to that of other enterprise types was the inadequacy of the latter to constitute a representative figure. Using the mean capital of IE or GP (JD 3534.3, 18002.1 respectively), which is small compared to the mean of other types, would have resulted in a large number of private sector participants being considered as BM. An examination of these members revealed that some of them would be inaccurately considered as bourgeoisie. Opposite results were obtained when the chosen figure was close to the mean capital of LL (JD 310451.5). The fact that the mean capitals of the LL or Arab state cooperative were large in comparative terms, leads to missing out some enterprises whose owners were clearly part of the bourgeoisie. In this context, JD 35,000 could be an appropriate figure to function as a dividing line, since it did not exclude, nor did it include, too many enterprises in its qualification of the bourgeoisie.<sup>40</sup> Hence, the owners of any enterprise whose capital was JD 35,000 or more were considered as part of the bourgeoisie.

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<sup>38</sup> The market value of the share of each enterprise was taken on the monthly average, and the yearly average was calculated before an overall average for the entire period was put in place.

<sup>39</sup> Using this figure as the dividing line for the enterprises that were owned by BMs and those which were not took into consideration the mean capital in each economic sector, making sure that each of the sub-sectors is represented. For more details concerning other possible approaches and the benefits of this one, see chapter 3 and 5.

<sup>40</sup> This study is far from claiming that the figure 35,000 is not going to miss out any of the bourgeois members or that it is not going to qualify some owners that are not bourgeois. However, the accuracy achieved by using this figure is far higher than that achieved by using others. Moreover, the possibility of missing out some elements of the bourgeoisie is reduced to a minimum by using other ways of extracting bourgeois members in the later stages of the

Along the lines of this mechanism, the private sector participants who had equities in more than one enterprise or/and possessed 0.1% or more of the total equities of the private sector and had not qualified to be BMs so far, are considered to be part of the bourgeoisie.

The domain of the bourgeoisie that results when applying the mentioned above mechanism during this period consists of 47,221 members, whose total equities is JD 1,254,448,056. The ratio of the BMs to the total population during this period is less than 1.2%, while their ratio to the entire equity-holders in enterprises was around 10.0%.<sup>41</sup> However, the BMs' equities made up 51.9% of the total capital of all enterprises that the country contained during this period, including the equities of non-bourgeoisie equity-holders. The ratio of the BMs' equities to the total equities of the private sector participants, excluding those of the state and state agencies, was 77.9%. These figures indicate that, despite the small number of the group that makes up the bourgeoisie domain in respect to the population and to the private sector participants, they possessed the great majority of the private sector equities and the majority of the private sector equities including the state ones. Since equities and capital are used by this study as measures reflecting control over the means of production, this limited number of members are shown to control the majority of the means of production, leaving less than a quarter of these in the hands of the remaining participants owning means of production, i.e. the non-wage earners.

### **7.2.1 THE NON-BOURGEOIS EQUITY HOLDERS IN THE BE**

The focus here will be given to the equity-holders in the BE that were not qualified according to the implemented criteria as BMs, though sharing with the bourgeoisie the ownership of the BE. Certainly, there are a large number of equity holders who share or had shared for a certain period the ownership of the BE with the BMs. Covering all of the non-bourgeoisie equity-holders is perhaps unattainable and certainly beyond the scope of this study. For example, among the non-bourgeoisie equity-holders were those shareholders in PS whose number of shares was too small to be qualified to be BMs or were shareholders for only a short period

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mechanism. Based on the above, and for the purpose of distinguishing the businesses that do not fit within the general characteristics of their types, it is useful to look at the enterprises in terms of capital intervals. (See table 11/ Appendix 16).

of time by virtue of being market speculators. Such equity-holders amount up to hundreds of thousands during the boom of Amman Stock Market during the first half of the 1980s.<sup>42</sup> However, some of these equity-holders are vital to look at, due to the significance of the equities that they held on one hand and due to their importance in their own right such as the Jordanian state or its autonomous agencies.

The non-bourgeoisie equity-holders that are covered in this sub-section are the corporate equity-holder: the Jordanian state, governmental agencies, Arab governments,<sup>43</sup> local governments and the employee saving funds.<sup>44</sup> The number of investments that these categories have during this period is 505, while their total equities are JD 373,466,965 which makes up 18.2% of the total capital of BEs.<sup>45</sup> The biggest share of the equities of these non-bourgeoisie equity-holders was the Jordanian central government at 43.0% followed by Arab governments at 36.4%, autonomous governmental institutions at 19.2%, while the proportion of the local governments and employee saving funds were only 0.1% and 1.3% respectively. In this sense, the government and its autonomous institutions had the majority of these holders' equities at 62.2%.<sup>46</sup>

The distribution of the equities into economic sectors shows that almost half (47.6%) were in manufacturing, 22.6% in mining, 11.6% in finance, 7.2% in transportation and 5.5% & 4.4% in agriculture and services respectively. In fact the non-bourgeoisie corporate equity-holders possess more than two thirds of the mining BEs capital, slightly less than one third of the capital of the electricity (30.8%), transportation (29.3%) and manufacturing (23.7%) enterprises. In other sectors, their equities are still making up a notable proportion of the BEs at 19.0% in agriculture, 12.4% in finance and 10.0% in services. The sectors in which there

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<sup>41</sup> See table 1 & 4/ Appendix 16.

<sup>42</sup> Based on the data of the PS enterprises data in The Annual Public shareholding Companies, various issues (1980-1989).

<sup>43</sup> There were no foreign governments' investments. The focus here is not the involvement of foreign governments in the economic activities of the country such as contributions and grants from western governments towards development projects that the Jordanian government conducted.

<sup>44</sup> See chapter 5 for rationale behind excluding these categories from being considered as bourgeoisie.

<sup>45</sup> See table 22/appendix 16.

<sup>46</sup> Compared to the previous period, there was a decline in the share of the central government versa to the other categories shares. The decline was due to the increase of the other categories shares rather than the decline in the absolute terms of the governmental investments.

were no or insignificant investments were commerce, construction and real estate. Central government investments during this period were mainly in two economic sectors manufacturing (46.8% of its equities) and mining (34.7%). 7.6%, 5.7% and 2.8% of its equities were respectively in services, transportation and finance, while its investments in the remaining sectors were insignificant.<sup>47</sup> This high proportion of state investment in manufacturing and mining is to some extent a legacy of the previous periods when the state had chosen to be involved in particular projects that were beyond the means of the domestic private sector to establish. However, such projects were of importance to the actualization of the economic independence of the country as economic policy makers envisaged.<sup>48</sup> This was the case in projects such as petroleum refinery, the cement manufacturing, pharmaceutical industries and phosphate mining. Phosphate in particular, the only natural resource in the country, was considered as a strategic commodity<sup>49</sup>, so that the state granted a monopoly over its production to the Jordanian Phosphate Mines Co., where the state was the major equity-holder. Undoubtedly, the unprecedented transfers to the central government during the first half of the period did not only enhance the state's expenditures, but also made it possible to invest within the domain of the private sector enterprises.

The Autonomous Governmental Institutions, which had 19.2% of the non-bourgeoisie corporate equity-holders and 3.5% of the BE capital, followed almost the same sectoral pattern of the government's investments. 56.3% of its investments were in manufacturing, 13.1% in mining, 10.0% in transportation, 6.8% in finance and 4.9% and 4.6% respectively in services and agriculture.<sup>50</sup> It seems that the connection between the government's investments and those of its autonomous institutions is not limited to the same economic sectors. Apart from 3 enterprises,<sup>51</sup> wherever the government has an investment, there was also one or more investments belonging to its governmental institution(s). This trend questions the

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<sup>47</sup> See table 23/ appendix 16.

<sup>48</sup> See for example the aims of the 7 year development plan (1964-1970) and the 3 year development plan (1973-1975).

<sup>49</sup> The importance of the Phosphate Mines Co. increased rapidly after 1967, as a consequence of the increase of the international price of phosphate, which made the transfers from phosphate exports to be substantial pre-1974 era.

<sup>50</sup> Likewise the government, its investments in the remaining sectors either was inexistent or insignificant. See table 23/Appendix 16.

degree of autonomy that some of these institutions have. The General Institution of Social Security almost religiously followed the government's investments in every enterprise. The strong influence of the government over this institution might come from the fact that the latter has evolved to be a more autonomous institution from the womb of the Civil Servants Pension Fund only in the 1980s. Additionally the government has a continuous and strong presence on the board of this institution. The Institution of Managing and Investing the Orphans Assets was another one that followed the governmental investments' steps.<sup>52</sup>

The Arab governments' investments in this period were mainly through the Arab state cooperative enterprises, where 83.6% of total equities has been replaced. In this sense, the Sectoral distribution of these investments was largely determined by the sectors of the Arab state enterprises. The largest proportion of these investments were in manufacturing at 43.9% followed by 23.8% in finance, 14.4% in mining, 10.2% in agriculture and 7.7% in transportation.<sup>53</sup> The leading countries in the size of their investments were Syria with 19.9% of the total Arab government's investments followed by Egypt at 13.2% and Kuwait at 12.4%. The size of the investments and their distribution among sectors and enterprises seems to show that the Arab governments, especially the oil producing ones, shun away from investing within the domain of the private sector enterprises. Most investments were channeled through the Arab state cooperative projects. Only the Kuwaiti and Qatari governments had substantial investments in private sector enterprises outside the Arab state cooperative enterprises.<sup>54</sup> The investments of Kuwait and Qatar, which were more diversified, do not reflect any strategy in the behaviour of the two countries. It seems that the two countries' investments came through connections between some Jordanian enterprises' founders or managers and some figures and officials in the governments of these two countries.

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<sup>51</sup> These enterprises are The Jordanian for Candies and Chocolate Co., The Jordanian for Industries and Mach and The Jordanian Tourist Transportations companies.

<sup>52</sup> This department that is tightly connected to the Department of Qaadii al-Qudaah, i.e. the sharia' juridical administration body, which is in its turn a governmental department.

<sup>53</sup> There were no investments in the remaining sectors. See table 23/ Appendix 16.

<sup>54</sup> Qatar had investments in 3 banks (Arab, Industrial development, Arab Investment and Biit al-Tamwiil banks), al-Qads for Insurance, the Jordanian Media Corporation. Kuwait's investments covered The Jordanian Phosphate Mines, Arab and the Housing Banks and The Jordanian Insurance Co.

The employee funds' investments, which made up 1.3% of the total non-bourgeoisie equities, were stretched over 165 enterprises. All employee funds, which were funds of PS enterprises, had investments in their own companies and followed the patterns of their enterprises' investments. Since, none of the funds' investments were in enterprises in which their companies had no investments, one could argue that these funds acted as investing arms to their companies and a tight relationship existed between the funds' managements and their companies' managements.<sup>55</sup>

Local governments' investments compared to the remaining categories were small. In fact 97.2% of their investments were in electricity and 1.4% in each of manufacturing and mining. Apart from the investments of the Municipality of Amman, which were more diversified, the other local governments that had investments during this period made them in the Irbid District Electricity Co. that supplied electricity to their areas.

### **7.3 INDIVIDUAL/CORPORATE BMS**

The bourgeois domain can be divided into two main categories: the individual members, who are female and male, Jordanian and non-Jordanian individuals who held equities in the private sector and were qualified as BMs. The corporate bodies on the other hand consist of all the Jordanian companies and non-Jordanian companies, in addition to the NGOs and unions that were qualified as BMs. The section's focus is to analyze these two groups. The individual investments made up the great majority of the BMs' investments at 95.1%, and the corporate bodies, which constituted just 4.9%. In terms of equities, however, the corporate BMs had a share of around 23.7%, versa 76.3% of the individual members. The total number of the corporate BMs was 1058 compared to 26015 individuals. The distribution of power I points, which measures the assets in the hands of the BMs and reflect their capacity to act, 95.5% of power I points were in the hands of individual BMs compared to 4.5% in the hands of the corporate bodies. Equities per corporate body stood at JD 273474, which was almost 7.5 times of that per individual BMs that were recorded at JD 36849. The discrepancy between the equity per member in the two categories shows the stronger position that the corporate bodies have in comparison

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<sup>55</sup> Despite the fact that this point is interesting, investigating the relationship between the two managements is beyond the scope of this study.

to that of individuals. Power I points per member among individuals was 1.17 compared to 1.35 amongst corporate.<sup>56</sup>

### 7.3.1 INDIVIDUAL BOURGEOISIE MEMBERS

The analysis of individual BMs will first focus on individuals in terms of gender. In the previous period, it was concluded that the bourgeoisie was male dominated. Despite the fact that the proportions of females in this period improved, it is still appropriate to describe the bourgeoisie domain as made up mainly of male members. The proportion of investments held by female BMs during this period was 16.7%, compared to 83.2%, held by males. In equity terms, the proportion of the females stood at 11.9%, the males at 87.6%.<sup>57</sup> The total number of females in the bourgeoisie domain was 4979, which is almost 20.0% of all individual BMs.<sup>58</sup> The discrepancy between the female BMs and their male counterpart can be seen also in the fact that the equities per female stood at JD 22,949 which is slightly more than half of the equities per male.<sup>59</sup> The distribution of total power I points according to gender shows that female members had only 10.0% of the points, while the power I per female stood at 0.6 point, compared to 1.3 points for males.

Due to the overwhelming male dominance in the bourgeois domain, the patterns of the females' investments will be the focus here, since analyzing the male BMs would be equivalent to giving an account of all the BMs. It seems that, up to the end of this period, the female BMs' investments and strategies were still closely tied up to that of their male counterparts. There is no evidence that the female BMs had developed investment strategies that were autonomous from the male ones. On the one hand, there were no formal or informal organizations that were concerned with the investment bonds of the female BMs.<sup>60</sup> Throughout the data, no trend can

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<sup>56</sup> Undoubtedly, the importance of the corporate BMs during this period increased rapidly compared to that of the previous period, where their share numberwise had been slightly less, however, their share of equities was only 11.8%. This is to be attributed to two factors, which to be covered below; the first is the tendency of the individual BMs to invest indirectly through their other enterprises, as opposed to the 88.2% of the individual members.

<sup>57</sup> 15.1% of the BMs were females possessing only 7.9% of the equities during the previous period.

<sup>58</sup> Each BM had at least one investment.

<sup>59</sup> See table 7/ Appendix 16.

<sup>60</sup> This was found by reviewing all females and business associations, and also through the interview with Subhiia al-M'aanii. There are charitable organizations that included some of the female BMs; however, these organizations never developed into being business oriented.

be detected of female BMs clustering in certain economic activities. Moreover, it was noted that the majority of the females' equities were in NF controlled businesses where male BMs were partners with a certain proportion of the business equities, or possessing the majority of the shares. Based on the data of the previous period and that of this period, one can argue that the great majority of female BMs up to the end of this period came into the domain of the bourgeoisie through their NFs. The females' possession of equities in enterprises were usually with NF relatives as partners who were either their fathers or husbands or, to a lesser extent, their siblings. In fact, 54.2% of the female equities were found in NF control enterprises. Another 6.8% of their equities were in individual control and NF support businesses, of which the majority was under the control of male partners.<sup>61</sup>

Reviewing the neutral control enterprises, which absorbed a substantial proportion of the female equities at 32.9%, shows that the majority of the females who held equities had NF relatives within the same enterprises. The pattern is that there were NF members who invested in these enterprises, including female ones. Detailing all the females who had equities in the neutral control enterprises is not conceivable in the terms of this study. Looking at the female equity-holders with the biggest number of equities in the neutral control enterprises shows that the great majority of these were accompanied by equities held by NF male relatives.<sup>62</sup> Even when the females with the most equities or/and the most frequent investments are in question, the data shows that their investments followed investments of the NF

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<sup>61</sup> In fact there were 18 enterprises that were under the control of female partners, however, the share of the equities of these females who were in control of these enterprises to all of the female equities in the enterprises of individual control and NF support is only 15.1%. 9 of these enterprises were of LL, where appointed management is required, and none of the females were managers, although they possess more than 50.0% of the equities in each enterprise. It is also apparent that these females who possess more than 50.0% of the equities were wives of partners in the same enterprises. In fact some records detailed the names of the female partners by their first name followed by 'zuujat' wife of the husband, which is unusual in the Jordanian regulations where the wife keeps its name after marriage. These undoubtedly mean that the great majority of individual control and NF support enterprises where the female equities are to be found were under male partners' control.

<sup>62</sup> Widaad whose equities in The Jordanian for Wooden Manufacturing is one of the biggest females' single stake in any enterprise is the wife of 'Adaal Qab'iin who is a main shareholder in the same company, other members of the family are big shareholders. The same applies to the equities Aamal, Riim and Hnd Abu-Nahal in The Investing Company for the Jordanian Expatriates, where their fathers, is main shareholder as well as their bothers. Intestinally the shares of the brothers in the latter company is almost double their shares. Vuuliiit's equities in The Modern Company for Manufacturing Vegetable Oil is along the side of her husband-Albair Suurujii. Najaat's equities in The Ice and Soda com. Was amongst the stake held by her father Ibrahiim al-Ziin and her brothers whose equities individually was more than hers. There are still plenty of examples.

relatives.<sup>63</sup> Based on what was said above, one can conclude that the path for female BMs into the domain of the bourgeoisie was through the NFs under the orientation or/and along the direction of their NF male relatives. Up to the end of this period the majority of the female BMs' investments were still tied up closely with their NF male relatives, regardless of the improvements in the size of their stacks. The overall dominance of the males at the macro level of the bourgeoisie or at the micro level of the enterprises even where females' substantial equities are to be found does imply that there were no female BMs who were part of the bourgeoisie domain and in full control of their assets, independently of their NF male relatives. There were 189 female BMs who were equity-holders in 176 enterprises in which no males were present. The equities of these females were trivial in proportion to that of the entire female equities and almost equal to nothing compared to that of the BMs in general. The great majority of these enterprises were of IE type and of individual control and NF control forms of ownership. The two main sectors absorbing the great majority of these female enterprises and their equities were, in this order, commerce and manufacturing. The overwhelming proportion of these females came to the bourgeoisie domain through their NFs, as their broad investments indicate.<sup>64</sup> This does not mean that these businesses were not under prime control of these females.<sup>65</sup> Concerning the general distribution of the female BMs' equities among the economic sectors, whilst it was slightly above the overall proportion in manufacturing, commerce and services, making up 15.6%, 13.0% and 13.2% of the Individual BMs equities, it was above their proportion of investments held by

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<sup>63</sup> Taahanii and Rubhih al-Qaara' whose equities were the biggest among the Female BMs were equity-holder in the manufacturing enterprise, Faaiiz al-Qaara' com. In which their father Faaiiz al-Qaara' and brothers were partners. Najuuah al-Maadji is another big equity-holder whose equities appeared in enterprises along her father Muhammad al-Maadji and her brothers before the gravity of her equities shift to be a partner with her husband Sabiih al-Magrii. Despite the fact that Najuuah al-Maadji possessed 10 % of equities in Amman/Cairo Bank and Amman Investment Bank, she is never been on the board of any of these two banks, instead her husband who is equity-holder with less equities than her was member on both boards. Najuuah al-Maadji's NF one of the leading bourgeoisie families as well as her husband. Nauuaal is another example whose investments in terms of equities and number were leading, however, all came along her husband Fuaad Qaatan investments. The same applies on Suhiir and Norma 'Asfuur, the Badiir's sisters, ... etc.

<sup>64</sup> Princess Wajdaan 'Ali, a second cousin of King Hussein, businesses activities have started in food manufacturing on her own. Sabhiiah al-M'aanii who had started her business activities alongside her husband, took the role of managing the businesses in consequence to the sudden death of her husband in 1981. Against the will of their business partner, she reports that she dictated this decision by virtue of her shares and that of her husband she inherited.

<sup>65</sup> For instance, the joint venture of the Muhammad al-Taahar sisters, which was initiated by their father and turned to be a successful business story, revolves around establishing the private Amman Schools.

individual BMs in manufacturing (17.9%), services (17.8%) and finance (19.3%). The proportion of investment number and equities held by females in each of the economic sectors, however, was not that different to their general proportion. Four sectors absorbed the great majority of investments held by female BMs: 30.5% of the females were in manufacturing, followed by 19.7% in construction, 17.5% in finance and 16.4% in services, leaving around 15.0% spread among the remaining sectors.<sup>66</sup> The females' equities were also concentrated in specific sectors. 39.3% of them were in manufacturing, 20.5% in commerce, 13.6% in finance and 11.6% in construction. The above distribution of the females' equities does not indicate a preference for one sector over another, but rather the strategies of the NFs of which the female partners were part. As for the rest of the individual BMs, however, at a greater scale there was an elite of female BMs whose equities and power I points was almost ¾ of those belonging to females. For instance, there were 512 female BMs whose proportion of the total female equities was almost 75.0%. Around 1500 females, including the above-mentioned 512, had more than 70.0% of the power I points, which means that there were around 3500 female BMs sharing less than 30.0% of the female equities and power I points. In fact, only 233 female BMs, by virtue of their power I points, had a capacity to act between 4 and 60 times that of each of the remaining female BMs.

### 7.3.2 THE CORPORATE BODIES

As was mentioned above, the corporate bodies consist of Jordanian Arab and foreign companies, NGOs and unions. The Jordanian companies were the most frequent corporate BMs during this period, at 84.4% and 71.4% of the number and the equities of the corporate bodies. The Arab companies came second at 7.9% of the number and 20.9% of equities, followed by foreign companies at 4.7% and 6.4% respectively. The NGOs and unions were of less significance making up respectively 1.5% and 1.8% numberwise and 0.4% and 0.8% equitywise.<sup>67</sup> The make up of the corporate bodies' equity structure during this period dramatically changed since the share of the Jordanian companies declined by more than 20 points in favor of the Arab and foreign companies whose share improved from 5.5% in the previous period reaching 27.3% in this period. The increase was seen in the

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<sup>66</sup> See table 8 & 9/appendix 16.

<sup>67</sup> See table 11/appendix 16.

contribution of both Arab and foreign companies. The unions, on the other hand had no investments during the previous period.

The majority of the corporate BMs' investments were in enterprises of PS and LL types: 62.6% and 29.2% of the investments number and 55.8% and 32.7% of the investments equities. The presence of the stock market and the separation between management and ownership in these types (usually due to their large capital) are factors explaining why they got the majority of the corporate bodies investments. In fact the share of foreign companies' equities in PS and LL stood at 95.5%, while the share of the Arab companies' equities was 85.4% in PS and LL in addition to 13.8% in Arab state cooperation enterprises.

Among the NGOs, two had the majority of the total NGOs number of investments and equities. Queen 'Aaliyah Fund for social Development had equities in 4 enterprises making up around 33.3% of the total NGOs equities.<sup>68</sup> The Economic and Social Institution for retired military personnel is the second NGO that had investments in 7 enterprises making up 39.2% of the total NGOs equities.

The investments of Institutions and union category were dominated by professional unions<sup>69</sup>. In fact, the 24 investments of the Engineers Association amounted to 91.6 % of the total union equities which made it clear that this union in particular was the most active investor in this category. Despite the fact that, the majority of the Engineers Association's investments were in manufacturing enterprises, its investments stretched to cover 3 banks, 2 insurance companies and 4 transportation enterprises. In fact, the majority of its equities were in The National Islamic Bank.

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<sup>68</sup> This fund was established in 1978 and chaired by Princess Basamah, King Hessian's sister. It is considered one of the most active NGOs providing help and assistance to women in deprived areas in the Jordanian countryside. Its investments were mainly in The National Islamic Bank and The Arabian Seas for Insurance.

It was established in 1981 by some ex-army officers as an economic organization services its members of the retired army career. Its economic activities developed rapidly in the late 1980s and early 1990s to cover some retail shops and transportation enterprises. During this period, its investments were in manufacturing enterprises and one fishing companies. 12.5% of The Protein Food Products were owned by this organization.

<sup>69</sup> Such as engineers, doctors, pharmacists, ..etc. the trade unions for instance has no investments any private sector enterprises. The fact that the professional unions have an

As regards the distribution of the corporate bodies among the different economic sectors, manufacturing, finance & insurance, services and commerce possessed the largest number of corporate bodies at 31.1%, 25.7%, 15.1%, and 10.3% respectively. Transportation & storage, real estate, agriculture and construction together absorbed less than 17.0% of the corporate bodies at 6.2%, 3.9%, 3.2% and 2.9% respectively.<sup>70</sup>

The picture in terms of the corporate bodies' equities distribution was in some ways very different. Manufacturing was once again the leading sector, possessing 42.4% of the total corporate equities, followed by finance at 18.9%, services at 9.2%, transportation at 8.4 % and of commerce and mining at 6.9%. The remaining sectors such as electricity, agriculture, real estate and construction had less than 10.0% of the corporate bodies' equities.<sup>71</sup> Certainly the structure of the corporate bodies' equities during this period underwent a dramatic change compared to the previous period. An almost three fold increase in the proportion of manufacturing did not only cause the latter to be the leading sector in terms of size of the corporate bodies investments, but also reduced the share of finance by one fourth and the commerce by three quarters.<sup>72</sup> Undoubtedly, while commerce benefited from the competitive advantage of being the leading sector during the previous period, it certainly suffered from the development of other sector during this period including with respect to its share of the corporate bodies' equities.

Looking in depth at the Jordanian companies that held investments in other companies, the data shows that the great majority of these companies were of PS type at 38.2% followed by LL at 26.2% and GP at 22.7%. In terms of the equities that were invested by these companies, PS had the biggest 49.9% followed by LP at 20.0%, GP at 13.0%, Arab State cooperation at 10.3% and GP at 5.9%. In this sense, Jordanian enterprises that had investments in other companies were mainly

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economic ability to invest in the first place is their laws that dictate that every professional has to join its profession professional union to practice their economic activities.

<sup>70</sup> The distribution of the corporate bodies into the economic sectors during this period was very similar to that of the previous period, however, the share of the services during this period increased to (bypass) overtake that of commerce and transportation.

<sup>71</sup> See table 12/ Appendix 16.

<sup>72</sup> During the previous period finance had the biggest share of the corporate bodies' equities at 24.2%, followed by commerce at 23.3% and manufacturing at 16.6%. See chapter 5.

of PS and LL type.<sup>73</sup> This can be explained bearing in mind that these enterprises were the biggest in terms of capital and assets.

The sectoral background of these investing companies shows undoubtedly that the finance companies were the leading sector at 34.2 of the number and 33.1% of the equities. In fact the finance companies were mainly banks. During this period, banks expended their investment policies to be directed at investors in a wide range of projects. Being a direct investor was not a new approach for the banks<sup>74</sup>, however, its rate was unprecedented. The high liquidity during the years of the oil boom made these investment policies possible on one hand. On the other hand the encouraging signs of the expansion of the Jordanian economy especially in manufacturing, finance and services was an incentive to expand its investment policies. Apart from these factors, some banks invested heavily in other enterprises, as in the case of the Islamic Bank that had large investments in manufacturing enterprises. This was also the case with the Petra Bank whose investments were stretched over a large number of enterprises in various sectors. Petra Bank, in fact, established its own projects and businesses, which private sector participants were invited to invest in.

#### **7.4 BOURGEOISIE ENTERPRISES AND BOURGEOISIE MEMBERS: GENERAL TRENDS**

This section covers the main trends of the BE and BM. The concept of BE, as was indicated in chapter 3, refers to all enterprises in which the investments of the bourgeoisie members are found.<sup>75</sup> Hence, the data of these enterprises do not only correspond to the data of the bourgeoisie members, but also to their partners who were not qualified as bourgeois. Indications about the number of these enterprises, their capital, types and economic sectors can lead to some conclusions about the economic bases of the bourgeois investments and about the general patterns of these investments, in spite of the fact that not every BE is necessarily

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<sup>73</sup> See table 15/ Appendix 16.

<sup>74</sup> For instance the Arab Bank had investments into the Phosphate Mines Co. and the Jordanian Oil Refinery. Amman-Cairo Bank was the main investor in Amman United Transportation CO. also all the banks had equities in the Industrial Development Bank.

fully owned by bourgeoisie members. This section was divided into three subsections, which cover types of enterprise, economic sectors and forms of ownership respectively. In order not to base conclusions entirely on the BEs' data, each subsection is designed to give an analysis of such data followed by one concerned with data about the BMs. The importance of deducing trends and conclusions based on data about the BMs does not only come from the fact that the latter are the main concern of this study, but also from the capability of such data to confirm or contrast the conclusions that resulted from analyzing the data of the BE.

#### **7.4.1 BE AND BM ACCORDING TO THE ENTERPRISE TYPES**

The BE made up only 10.0% of the total private sector enterprises, however its capital ratio to the total capital of the private sector enterprises stood at 85.0%.<sup>76</sup> 1/10<sup>th</sup> of the private sector enterprises, which was partly or fully owned by the bourgeoisie, constituted the great majority of the entire private sector capital, while the great majority of enterprises that were in the hands of petty bourgeoisie had tiny portions of the enterprises capital. In other words, the great majority of the means of production that lay within the domain of the private sector manifested in enterprises was under the control of the bourgeoisie by virtue of their ownership in the BE.

This control over the majority of the means of production runs through all the enterprise types. The proportion of the BEs capital to the total capital in each of the types was as high as 99.2% in PS, 92.1% in LL, 90.4% in Arab state cooperation enterprises, 83.5% in LP and 73.3% in GP. The only exception was in the IE, where the capital of the BE to the total capital stood at 46.7%.<sup>77</sup> The bourgeoisie had access to control over the majority of the capital of each of the enterprise types, leaving small proportions of that capital in the hands of the petty bourgeoisie or other non-private-sector elements. As the figures of the enterprise types show, the proportions of the BE was highest in PS and LL, while it was moderate in LP and GP, reaching its lowest in IE at 5.8%. The figures indicate that the enterprises of the IE type, and to a lesser extent of the GP and LP types, were the ones in which the petty bourgeoisie carried out their businesses. Such a conclusion can be seen in the distribution of the BE along the enterprise types, where the BE of IE, GP and LL

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<sup>75</sup> See the subsection on the BE in Chapter 3.

<sup>76</sup> See table 18, appendix 16.

types made up almost 1/4<sup>th</sup> of the total BE capital, whilst the proportion of BE, PS and LL types climbed to reach 57.5%.<sup>78</sup> The structure of the BE numberwise shows that 40.5% of them were of GP type, followed by IE at 40.4%, LL at 10.9%, LP at 6.8% and PS at 1.4%.<sup>79</sup>

The proportion of the BMs' equities to the total capital of the private sector enterprises stood at 51.1%, while it was 61.1% of the total capital of the BEs.<sup>80</sup> Although these proportions show that the majority of the means of production were under BM control, they can be misleading. The fact that the BMs were equity-holders in the BEs means that they had access to wielding a certain level of control over the entire means of production, or at least that they were in the decision-making core circles of these enterprises. The proportion of their equities to the total BE capital reflects the proportion of capital or means of production that was legally owned by them. Comparing the equities that were held by the BM to the capital of the BE or the private sector enterprises distinguishes them from those who are not BMs and those who are not private sector elements, though they own equities in private Sector enterprises. The equity holders who are not BMs are not problematic because either they are petty bourgeoisie or they occupy a contradictory location within class typology. The concern is with the equity-holders that possessed equities - and sometimes a substantial amount of these - in BEs in particular and in private sector enterprises generally, although they cannot be considered to be even part of the private sector. This category includes the Jordanian state or the Jordanian state agencies' stack as well as other governments in some private sector business. By no means is it possible to consider a comparison between the equities of the latter category and those of the BMs. Therefore, the proportion of the BMs' equities to the total equities of the private sector participants (excluding that of the non-private-sector elements) jumps to reach 77.6%.

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<sup>77</sup> See table 18/ Appendix 16.

<sup>78</sup> The proportion of the BEs of PS type to the entire BE capital stood at 29.6%, followed by LL at 28.2%, Arab state cooperation at 18.0%, GP at 13.4%, IE at 6.4% and LP at 4.3%. See table 1/ Appendix 17.

<sup>79</sup> A change in the structure of the BE took place during this period. During the previous period The BE distribution among different types was 47.3% in IE, 40.8% in GP, 6.2% in LP, 4.5% in LL and 1.5% in PS. Capitalwise, the PS type constituted the largest share at 35.6% of the BEs' capital, followed by the GP at 29.0%, LL at 19.2%, IE at 8.7% and LP at 7.6%.

<sup>80</sup> see table 21/ Appendix 16.

The structure of the BMs according to the enterprise types shows, in contrast to the previous period, that the majority of the BMs came from the PS at 41.3%, followed by GP at 22.7%, LL at 19.2%, IE at 9.9% and LP at 6.9%.<sup>81</sup> In equities terms, the biggest share of the BMs' equities were in LL at 36.6%, followed by PS at 23.5%, GP at 20.9%, IE at 10.5%, LP at 6.9%<sup>82</sup> and finally the Arab state enterprises at 1.6%.<sup>83</sup> Despite the fact that the figures show that the BMs did not exclude any type of enterprise to place their investments, a transformation in the relative importance of the types compared to the previous period can be detected. The fact that a great deal of PS enterprises containing Jordanian expatriates' investments were established during the oil boom period, and the establishment of the Amman stock market made investments in PS more attractive and more accessible. The decline of the IE relative importance as a form for bourgeoisie investments could have been a result of the stretching of the BMs' investment to different fields and sectors where requirements for big investments made the IE type less compatible.

#### 7.4.2 THE BE AND BM ACCORDING TO THE ECONOMIC SECTORS

Concerning the BE ratio to the total enterprises in each sector, the data shows that it recoded its lowest in services and commerce at 7.6% and 8.4% respectively, while its highest was in finance at 73.0%. The fact that commerce and services contained a large number of self-employed enterprises, which were usually small capital and petty bourgeoisie ones, led to the BEs' small proportion. In other words, the proportions of BE in these sectors were determined by the number of the private sector enterprises at large, not by the bourgeoisie shunning away from businesses in such sectors. In fact, 43.9% and 13.0% of the BEs were in commerce. In contrast, the limited number of enterprises in finance, which contains banks and insurance, and generally capital-intensive, companies, resulted in the BE high proportion in this sector.

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<sup>81</sup> In the previous period, the proportion of BMs among the enterprise types were GP at 40.5%, followed by PS at 19.5%, IE at 16.9%, LL at 12.4% and LP at 19.8%.

<sup>82</sup> see table 21/ Appendix 16.

<sup>83</sup> The bourgeoisie's equities distribution among the enterprise types in the pervious period was 39.3% in GP, 26.9% in LL, 12.3% in IE, 11.1% in PS and 10.5% in LP.

With regard to other sectors, the percentage of BEs varied according to the internal factors that condition the number and activities of enterprises in each of these economic sectors. For instance, the BEs' proportions in agriculture, mining and electricity were relatively high, since the main projects in the latter two sectors required capital intensive investment or were under monopoly, as in the case of potash, phosphate and electricity distribution.<sup>84</sup> In agriculture, projects in the form of enterprises did not come until the late 1960s; the majority of these were on a large scale, i.e. non-petty bourgeoisies ones. The BEs' proportion in the remaining sectors, i.e. manufacturing, transportation and real estate, were less than 25.0% each.<sup>85</sup>

In terms of capital, the BE capital to the total capital of the enterprises in each economic sector was above 80.0%, indicating that the majority of the capital or means of production in each sector were in enterprises on which the BMs had control. However, in commerce and transportation the BEs' proportions were only 61.0% and 73.7% respectively. The fact that retail trade was one of the main sub-sectors in which the petty bourgeoisie was greatly involved - especially in the small retail enterprises - explains the low proportion of the BE in commerce. The same applies to some enterprises within road transportation.<sup>86</sup> On the contrary, in mining, electricity and finance the BEs' proportion were above 99.0% of the total capital of the private sector enterprises. The above-mentioned factors, such as intensive capital requirements, monopoly over some sub-sectors and the state heavy involvement explain the tiny proportion of non-bourgeoisie enterprises and hence the high proportions of BEs.<sup>87</sup>

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<sup>84</sup> The proportions were 34.2%, 40.0% and 34.0% respectively.

<sup>85</sup> See table 22-27/ Appendix 16.

<sup>86</sup> This sub-sector contains some large enterprises, each of which has a large number of vehicles. Small enterprises, though, existed, especially where passengers road transportations are concerned. Many of these enterprises consisted of one vehicle (bus or car) that transported passengers between different areas within the country or between different parts of one specific city according to what the enterprise licence dictated. Usually, these types of enterprise were self-employed in the sense that the driver was owner of the vehicle. Not all information about these enterprises was available, since vehicles that were individually owned and self-employed workers did not require registration on the MIT. They had to be licensed by the Ministry of Interiors, who however refused to provide information about the licences and their holders. This information is based on a number of interviews with some drivers and license holders.

<sup>87</sup> See table 24-28/ Appendix 16.

When the data of the BMs is considered, different trends can be observed, one of which is that the ratio of the BMs' equities to the capital of the private sector enterprises in each economic sector is moderate compared to that of the BEs' capital to the entire private sector enterprises. The proportions of the BMs' equities to the enterprises' capital in each sector varied from one sector to another; it was as low as 19.5% in mining, 23.3% in electricity, 25.5% in agriculture and 40.5% in finance. The proportion was higher in other sectors, such as commerce (57.3%), manufacturing (49.5%), services (65.8%), real estate (78.4%) and construction (84.5%). These figures do not only reflect the ownership of non-bourgeoisie elements in the private sector, but also the equities of non-private sector equity-holders in the private sector enterprises. This can be noticed by looking at the proportions of the BMs' equities to the capital of their own enterprises, i.e. the BEs. The proportions of the BMs' equities to the BE capital in agriculture, mining, electricity and finance varied between 19.0% and 40.0%. The fact that the Jordanian government and/or its agencies and other Arab states had large amounts of equities in some enterprises in these sectors resulted in undermining the proportion that the BMs had. In the remaining sectors, the limited presence of non-bourgeoisie equity holders led the BMs to be dominant in their equities.<sup>88</sup> What is at stake here is the role of the non-private sector equity-holders undermining the control of the BMs in some specific sectors. When the BMs' equities, however, are compared to the total equities exclusively held by private sector holders, a pattern emerges similar to that noticed in the proportions of the BE capital, where the majority of the private sector equities in each economic sector were in the hands of the BMs, leaving small proportions in the hands of non-bourgeoisie private sector classes or social groups such as the petty bourgeoisie. The variation in the proportion from one sector to another is determined by the conditions of each sector and to which degree each one is open to self-employed or petty bourgeoisie businesses during this period. The sub-sectors such as retail trade, passengers road transportations, café and maintenance services are typical examples in which petty bourgeoisie enterprises are widely found during this period.

The sectoral structure of the BE shows that the majority of BEs were commerce enterprises (43.9%), followed by manufacturing at 23.3%, services at

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<sup>88</sup> The lowest proportion of the BMs' equities to the BEs' capital among these sectors was in manufacturing at 55.7%, while it was 68.8% in transportation, 81.0% in services, 88.9% in real estate, 93.8% in commerce, and 98.8% in construction.

13.0%, construction at 10.4% and transportation at 4.9%. The enterprises of sectors such as mining, electricity, agriculture, finance and real estate made up together less than 4.0% of the BE.<sup>89</sup> The same factors that explained the small number of enterprises in these sectors compared to the other sectors, such as monopolies that were granted to some enterprises, state direct investments, large capital requirements and others, can also explain the low proportion of these sectors' enterprises to the total number of BEs.<sup>90</sup> The BE economic sectors' structure in terms of capital reveals a different picture to that of the enterprises' numberwise. Manufacturing had the biggest share of the BEs' capital at 36.7%, followed at some distance by finance at 17.0%; commerce, in spite of its large number, came third at 10.4%, construction at 9.8% and services at 8.0%. The remaining sectors had together a share of less than 17%.

The structure of the BMs according to the sector shows that 1/3 of the BMs during this period were those who came from manufacturing businesses, followed by commerce at 21.1%, finance at 15.9%, services at 11.4%, construction at 7.3% and transportation at 5.1%. An almost identical order is found when the structure of the BMs' equities is in question. 33.0% of the BMs' equities is to be found in manufacturing, followed by commerce at 16.0%, construction at 15.8%, finance at 11.3%, services at 10.6% and 5.0% in transportation. The small proportions of mining, agriculture, electricity and real estate, which amounted together to less than 6.0% number- and equitywise, can be attributed to the heavy involvement of the state as well as to the late interest of the bourgeoisie in investing in some sub-sectors.

To conclude, the majority of the private sector assets or means of production lay within the domain of the BEs in every economic sector. Despite the fact that the BMs had control over the majority of the means of production almost in every sector, their control in some economic sectors was undermined dramatically by virtue of the heavy involvement of the state in the private sector enterprises. In every private sector enterprise in which non-private sector equity-holders are found, the BMs are also equity-holders, meaning that the BMs still have access to the control of the means of production in such enterprises. Where the equities of the private sector

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<sup>89</sup> Finance and insurance at 1.5%, agriculture at 0.9%, real estate at 1.1.52%, electricity at 0.1% and mining at 0.2%.

<sup>90</sup> See the section on private sector enterprises.

equity-holders are concerned, the figures undoubtedly show the overwhelming BMs' control of the majority of the means of production in each of the economic sectors. The proportions of the petty bourgeoisie equities compared to those of the BMs are very small in some sectors and almost inexistent in others. Compared to the pervious period, the structure of the BE and the BMs according to the economic sectors shows a radical change. In capital terms, the dominance that commerce had to the total BE capital was lost in this period in favor of manufacturing and finance, which improved their proportions dramatically. The proportions of the services, transportation and agriculture BEs also improved during this period. What was said about commerce being the cornerstone of the activities of the bourgeoisie during the pervious period is not applicable in this period. It is true that commerce is still a vital sector in the bourgeoisie activities, but along side others such as manufacturing, finance, construction and services. This could be seen more clearly when taking into account that during this period only 21.1% of the BMs came from commerce, compared to 45.8% in the previous period. On the other hand, 32.5% of BMs were from manufacturing, compared to only 22.8% in the previous period. The proportions of the BMs from sectors such as finance,<sup>91</sup> services<sup>92</sup> and construction<sup>93</sup> have improved rapidly. The change that took place in the BMs' number was also at the level of their equities. The dominance that the commerce BMs had by virtue of controlling 40.9% of the BMs' total equities during the previous period was lost, recording only 16.0% and leaving the first place to the manufacturing BMs as far as equities are concerned.

In chapter 5, it was asserted that is not adequate to analyze the bourgeoisie in terms of economic sectors, since there was a division within each economic sector between those who were one-sector base and those who were multi-sector BMs.<sup>94</sup> Reviewing the BMs in terms of this trend shows that such a phenomenon had deepened. For instance half of the equities of the BMs' were divided between the one-sector fractions and multi-sector fractions, as well as the number of investments. However, the equities per BM averaged JD 32,645 in case of the one

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<sup>91</sup> It is 15.9%, compared to 8.0% in the previous period.

<sup>92</sup> It is 11.4%, compared to 5.9% in the previous period.

<sup>93</sup> It is 7.3%, compared to 5.7% in the previous period.

<sup>94</sup> See chapter 5.

sector fraction, while it was JD 84869 in the multi sector fraction.<sup>95</sup> When the economic power parameters were applied, these parameters points were in favor of the multi-sector BMs. The leading BMs according to their equities and assets were those who were multi-sector BMs or capital finance. In short, there are fractions along the line of the economic sectors, however, these are not based on the economic sector, but rather on the basis of on one hand, the finance capital and on the hand, the one-sector fraction. Throughout the coming section, the bourgeoisie is to be analyzed in terms of these two fractions.

### 7.4.3 THE BE OWNERSHIP TRENDS

This section deals with the various forms of ownership in which the BMs investments were to be found, regardless if these forms were initially constructed as they are or settled in these forms after they had undergone certain development. This section aims to analyze the general patterns of ownership forms that the BMs used to carry out their businesses, which in its turn contributes to an overall understanding of the BMs' investments strategies and therefore the structure of the bourgeoisie. On the other hand, it examines the role of the tribal dimension as a vertical factor in the structure of the bourgeoisie and its investment strategies. This section is designed to look at the various ownership forms in the BEs followed by a break down of the BMs into the different forms of ownership.

The ownership character of the BE enterprises shows that individually controlled BE constituted the majority at 46.6% (42.9% individual control and 3.7% individual control & NF), followed closely by neutral control at 40.8%, and nuclear family control enterprises at 11.7%. Categories like extended family control, corporate control enterprises and non-bourgeoisie corporate bodies control made up insignificant proportions at 0.2%, 0.6% and 0.2% respectively.<sup>96</sup> In capital terms, the ownership categories took a different order. For example, the neutral control enterprises constitute the biggest proportion of the BE capital at 56.3%. NF control enterprise had the second biggest proportion at 15.5% followed by individual control and non-bourgeoisie corporate bodies control at 13.7% and 12.7% respectively.

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<sup>95</sup> See table 20-26/ Appendix 16.

<sup>96</sup> See table (22). Appendix 16.

Reflecting their insignificant proportion in terms of number, extended family control and corporate body control of enterprises made up 0.2% and 1.8% respectively of the BE capital.<sup>97</sup> The high proportion of neutral control and non-bourgeoisie corporate bodies capitalwise can be explained by the fact that the great majority of the later form was of either PS or Arab state cooperation types which are large capital bodies. The fact that the majority of the PS enterprises are of a neutral control form resulted in the boosting of the later form's proportion of the BEs' capital.

The BMs' number distribution does not correspond to that of the BEs. The great majority of the BMs (62.7%) were equity-holders in neutral control businesses, followed by 16.6% in nuclear family enterprises, while individual control made up 15.1% (individual control (12.1%) and individual control & family support (3.8%)). The BMs who were in extended family, bourgeois and non-bourgeois corporate bodies control made up insignificant proportions of 0.4%, 1.1% and 3.2% respectively.<sup>98</sup> The distribution of the BMs' equities took the order of that of the BEs, 44.7% of the bourgeois equities were invested in neutral control enterprises followed by 25.4% in nuclear family and 19.1% in individual control and individual control & family support. The proportions of the bourgeoisie equities in extended family, bourgeoisie and non-bourgeoisie corporate bodies control together made 7.8%.

The distribution of the BEs and the BMs in terms of number and equities shows that the relevance of businesses of the individual control form declined in this period compared to the period before.<sup>99</sup> The neutral control business improved its proportions of the BEs and BMs' number and equities during this period and was the main winner from the decline of the individual control businesses. The growth of the neutral control and the decline of individual control as means for the BMs to conduct their businesses can be attributed to the capital availability that resulted in an increase of direct transfers and remittances. The establishment of The Amman Stock Market was another boost to the high growth rate in the PS enterprises that are usually of neutral control and the flexibility of trading equities. The decline of individually controlled businesses was dictated by certain developments in the Jordanian economy. This form of business continued to be part of the main

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<sup>97</sup> See table (23), appendix 16.

<sup>98</sup> See table 24, Appendix 16.

<sup>99</sup> See chapter 5.

component of the private sector especially among the petty bourgeoisie elements, however, this period shows that it was less attractive to the BMs.

Apart from the individual and neutral control businesses, the nuclear family control, that slightly improved its proportions of the BMs and BEs number and equities, continued to be one of the main forms that the bourgeoisie used to carry out their investments. With the increase of the role of the neutral control, the nuclear family ties found another venue to express their importance in the domain of neutral control businesses. For instance, analyzing the relations among the equity-holders in the PS enterprises shows there are clusters of partners based on the nuclear family ties.<sup>100</sup>

Factors related to the historical development of the private sector at large and the bourgeoisie, in addition to the fact that the bourgeoisie stemmed from the merchants were factors advanced to explain the widespread of the NF and individual control forms in the previous period. These factors can still be taken into account in looking at the efficient use of nuclear family ties, since they laid a ground on which the bourgeoisie can be active. Undoubtedly, the persistence of this form of ownership and slight growth of its proportion of the BMs' equities and number as well as the use of the nuclear family ties within the scope of the neutral enterprises shows that this device was rewarding when the interest of the bourgeoisie is concerned. Use of the nuclear family ties in face of the increased importance of the neutral control form, affected the proportion of the individual control forms especially when the source of the capital from outside the domestic market was at its greatest peak coinciding with the oil boom and the increasing importance of the Iraqi market, and emphasized the importance of NF ties. In this perspective it is correct to argue that the shift to the neutral control forms did not lead to an abandonment of nuclear family control. In the circumstances where the requirements of a certain project were beyond the means of the nuclear family or where the small size of the Jordanian market could not tolerate a large number of businesses in the same field, this could oblige the bourgeoisie members to cross the nuclear family boundaries into neutral control enterprises. However, they did so without liquidizing their other enterprises, these of nuclear family control and were certainly clustered within the domain of the neutral control businesses.

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<sup>100</sup> See table /appendix 17.

Accordingly one can argue that the use of NF ties within the framework of the cooperation/contradiction relations that arose objectively by virtue of the legal ownership of equities are serving the interest of the BMs who are using them. Addressing the different possible scenarios of the possible function of the two relations is beyond the scope of this study, however, it is possible to argue that NF ties play a reasonable role in delivering the interest of the members whose NF relatives are in investments together. In this sense, contradiction between the two forms of relations was not widespread leading to an abandonment of this sort of relations in favor of that arose objectively. This assumption should be coupled with the fact that all the sorts of relations that connect members within one NF can be transmitted to determine the relations between them within the businesses terrain. One of the application is the fact that any change that is led by the children of a specific family concerning the investments' strategies or the management of NF enterprises takes longer to be put in place when the father is the head of the family investments or enterprise.<sup>101</sup> Contradiction between generations within the same NF concerning its businesses strategies is common. In some cases, NF enterprises witnessed a white coup concerning their management.

In contrast to nuclear family control, which was the most important form after neutral control, extended family control that was insignificant during the previous period declined in proportion during this period to be of even less significance. As was asserted in chapter 5, there is an uneven impact of the family ties on the bourgeoisie approaches carrying out their investments. On one hand the strong position of the nuclear family ties lies in contrast to the near absence of the influence of the kinship ties in its extended or tribal form on the bourgeoisie. The tribal dimension as one of the main vertical dimensions that is considered to be a cornerstone in analyzing political, economic and social structures in Jordan and which has a role in social and political spheres is of nil impact on the bourgeoisie in the course of producing and re-producing itself as the controller of the means of production and the appropriator of surplus value. The factors that mentioned in chapter 5 concerning the emergence of the bourgeoisie in the context of Jordan and the incompatibility of the tribal dimension in the ownership of the means of production are valid factors for the absence of its role. The absence of tribal kinship

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<sup>101</sup> For instance, the took over of the children of Muhammad Ali Badiir that happened on the will of the father. Re-structuring took place in the al-Hakmah, pharmaceutical enterprise, management led to sidelined Samiir Daruuzaa the founder in favor of the took over of his children.

ties on the bourgeoisie structure should lead to a dramatic reconsideration of the tribe's role in all aspects of the Jordanian social formation at large and especially the economic one. Another important issue is not the role of in the tribe in the bourgeoisie activities, but the role of the bourgeoisie in using the tribe as a ready built social construction for its own interest.

Looking at the distribution of enterprises according to their ownership forms between the economic sectors shows that construction, manufacturing, commerce and services absorbed the great majority of individual control BEs capital at 35.5%, 24.3%, 19.1% and 9.4%,<sup>102</sup> while the shares of the same sectors in individual control with NF support of BEs' capital were respectively 28.6%, 26.3%, 19.2% and 16.3%.<sup>103</sup> In this sense, the proportion of individual control with or without family support is dependent on the sector. The same pattern reoccurs where BMs equities are concerned, 35.4% of individual control equities were in construction, followed by manufacturing at 24.3%, commerce at 19.2% and services at 9.5%.<sup>104</sup> In the same order, the ratio of individual control and family support were respectively 29.2%, 26.2%, 18.9% and 16.0%.<sup>105</sup> The forms of ownership of the enterprises' distribution was influenced by the economic sector. The economic sectors themselves were largely dominated by the neutral control form. For instance 93.2% of finance, 74.7% of electricity, 63.2% of transportation, 56.8% of real estate, 56.7% of manufacturing and 51.1% of services enterprises were of neutral control enterprises. The neutral forms proportions were below 50.0% only in construction and commerce. The great majority of the enterprises of these two sectors were of individual and nuclear family control. Based on the above one can argue that individual and NF control forms of ownership were concentrated in specific economic sectors. Neutral control

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<sup>102</sup> The remaining sectors less than 12.0% of the Individual control capital. In fact 49.3% of the individual control BEs number was in commerce, 20.6% in manufacturing, 15.2% in services and 9.5% in construction. The remaining sectors had only 5.3% of the individual control.

<sup>103</sup> The remaining sectors shared less than 10.0% of the Individual control and NF support capital. numberwise 29.2% of individual control with family support BEs number was in construction 23.6% in manufacturing, 22.9% in commerce and 10.0% in services, while the other sectors had together less than 15.0%. . See table 11 and 13/ appendix 17.

<sup>104</sup> 46.4% of BMs who were in individual control were in commerce, 20.8% in manufacturing, 15.2% in services and 10.5% in construction, while less than 8.0% of BMs in this form of ownership were in the remaining sectors.

<sup>105</sup> 27.8% of BMs who were in individual control and NF support were in manufacturing, 26.1% in construction, 24.8% in commerce, 9.2% in services, while less than 13% of BMs in this form of ownership were in the remaining sectors.

ownership is the most dominant form almost in every sector where the BEs' capital and BMs equities are concerned.

Looking at the prevalent forms of ownership among the BE shows that these forms were not consistently spread over the economic sectors. For instance, individual control, individual control & family support and nuclear family control enterprises were most found in commerce, since respectively 75.7%, 60.7% and 66.1% of their numbers and 41.1%, 64.5%, and 40.9% of their capital were found in this sector. Manufacturing was the other sector that absorbed a substantial proportion of these enterprise forms. 10.0% and 13.5% of the number and capital of individual control, 17.4% and 11.6% of individual control & family support and 17.2% and 35.2% of nuclear family control enterprises were found in manufacturing.<sup>106</sup> In the case of neutral control enterprises, 55.6% of their number were in commerce, followed by 16.3% in manufacturing, 10.0% in transportation, 6.8% in construction and 6.2% in services.<sup>107</sup> Capitalwise, 35.8% of the neutral control enterprises' capital was in manufacturing, followed by 19.6% in finance and insurance, 13.9% in commerce, 11.6% in mining and 8.0% in electricity.

## 7.5 THE ECONOMIC POWERS

This section deals with the differentiation between the BMs according to the assets that each fraction assumes. As was argued in chapter 3 and applied in chapter 5, there are two main parameters taking into account several factors that differentiate the BMs' capacities which are included in power I, while power II takes into account the NF power points in calculating the capacity of each BM. The focus of this section is on outlining the differentiation in the assets of the BMs, and therefore the differentiation of their capacity to act. It also aims to define the core group of the BMs according to their economic power.

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<sup>106</sup> See table 26-32/ appendix 16.

<sup>107</sup> See table 24-27/ appendix 16.

### 7.5.1 THE ECONOMIC POWER (POWER I)

The economic power I is calculated as the sum of the points of five economic parameters: power A, power B, power C, power D and power E. Each parameter measures the assets that the BMs have according to a specific criterion. Advancing these different parameters was not based on the assumption that they could differentiate between the economic capacity that each BM assumes, but rather on the empirical evidence that cleavages among the BMs took place according to the equities and number of investments. As was the case in the previous period, the bases of each of these parameters are strong factors in distinguishing the BMs in terms of their assets.

For instance, there is strong evidence that the BMs differentiate widely according to the size of the equities that each BM has, which is the basis of power A.<sup>108</sup> Only 674 BMs possessed almost 50.0% of the total BMs' equities, with an average equity per BM more than JD 900000, while 25487 members shared the other half of the equities at an average of JD 24616. A simple comparison shows that the average of the first group is more than 36 fold the average of the second group. Applying power A shows that 26344 BMs possessed between 0.0 and less than 0.2 power A points, while only 183 BMs possessed from 0.2 up to 4.0 points. The power A points are more concentrated in the hands of few BMs than was the case in the previous period. Likewise, applying power B<sup>109</sup> results in a discrepancy between the power B points in the hand of each BM. The great majority of the BMs (90.8%) shared among themselves 52.7% of the power B points, leaving only 47.3% for 23945 BMs. The average power B points of the former group stood at 2.7, compared to 0.25 points for the latter group. Assuming that the most influential group of BMs are those who scored 3.0 points or more results in 726 BMs whose power B points per BM stood at 4.0, compared with 0.4 points for each of the remaining BMs.

When applying power C<sup>110</sup>, where the number of investments are the relevant factor, it is important to mention that 16242 BMs (61.0%) were those who had investments in only one enterprise, while 23.3% had investments in two enterprises,

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<sup>108</sup> Power A =  $3 * [(BM \text{ share} / \text{Total BMs' Equities})\%]$ .

<sup>109</sup> Power B =  $\text{Sum} (1.5 * [BM \text{ equities} / \text{equities of the enterprise}])$ .

<sup>110</sup> Power C of a certain BM =  $0.1 + (0.4 * (n - 1))$ , where n is the number of enterprises.

leaving around 15.0% whose investments were in 3 or more enterprises. Applying power C shows that the BMs who had investments in 3 or more enterprises (15.0% of the total BMs number) shared 56.9% of the power C points, while the great majority of the BMs shared less than half the power C points. Based on the number of investments, one could argue that 1226 BMs who had investments in 5 enterprises or more are the core group of the BMs according to power C. In fact, the power C points per BM in this group stood at 3.7, while the remaining BMs had an average of 0.3 points.

Before looking at the applications of power D<sup>111</sup>, which is based on the number of economic sectors that each of the BM investments covers, it is worth mentioning that the great majority of BMs (72.8%) were based in one sector. 19.4% of the BMs had investments in two sectors, leaving less than 8.0% of the BMs whose investments were in 3 sectors or more.

The majority of the power D points are distributed around the BMs whose investments were in 3 sectors or less, by virtue of the fact that the great majority of the BMs were concentrated there.<sup>112</sup> One can argue, however, that the core group of BMs according to this parameter are those whose investments are in 4 sectors or more. These are 781 members (2.9%) who shared almost ¼ of power D points. In comparison, however, the power D score per BM was 1.0 points for each of these 781, while it was only 0.2 points for the BMs whose investments were in 3 sectors or less.

The data shows that there was a huge discrepancy in the distribution of the assets and capacities of the BMs when power E<sup>113</sup> is applied. In fact, 99.9% of all BMs shared only half of the power E points, while the other half was in the hands of only 14 BMs. In fact, each of these 14 BMs scored 5.2 points on average, compared to only 0.3 points for the remaining BMs. It is worth mentioning that the

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<sup>111</sup> Power D of a given BM =  $(n) \cdot (n) / 10$ . n is the number of the economic sectors and ranges between 1 and 10.

<sup>112</sup> The fact that every member got a score even if that member had investment in one sector only assigned the great majority of the points to those whose investments were in one or two sectors.

<sup>113</sup> Power E =  $\text{Sum} (0.3 \cdot ([\text{BM equities} / \text{equities of a sector}] / 100))$ .

concentration of power E in the hands of few BMs in this period was greater than that of the previous period, which had itself witnessed a high concentration.<sup>114</sup>

We now turn to power I<sup>115</sup>, which combines all of the above mentioned parameters and gives an overall parameter that can be used to address the distinction in capacity between the BMs. The Power I scale index shows a great deal of differentiation between the BMs according to the points that each of them scored on the scale. Whilst the majority of the BMs are concentrated around a score that ranges between 0.1 and 0.9 points, the scale shows that there are BMs whose Power points stretched between 10.0 and 31.0 points. When these points are conceived as a measure to reflect the assets that each BM had, and therefore their capacity to act, the difference between those who lie at the bottom of the scale and those who occupy the upper part of the scale is clearly considerable.

For instance, there were 18137 BMs (68.4%) whose score on this scale was less than 0.9 points and who shared among them only 23.0% of the total power I points, resulting in an average of 0.4 power I points per BM. This was 1/3 of the overall power I per BM, which registered 1.2 points. In contrast to the majority of BMs, less than 1/3 of the BMs shared among themselves more than ¾ of the power I points. Among the latter group, the power I points per BM stood at 2.9, i.e. seven folds what each BM had in the former group. In fact, the power I index shows that 234 BMs, i.e. less than 1.0% of the entire BMs, shared around 10.0% of the power I points, and each BM averaged 11.1 power I points. In other words, each of these 234 members held assets and therefore had a capacity to act 12 times superior to that in the hands of the remaining BMs.

Based on what the index reveals and reviewing the BMs, this study assumed that the core of the BMs according to power I are those members whose score was 5.0 points or more. Accordingly, 913 BMs constituted the core, and shared among themselves less than a quarter of the power I points. Whilst the power I per BM in the core group was 7.3 points, 0.97 points were recorded on average for each of the remaining BMs. Power I, which was formulated to reflect the discrepancy in the assets of the BMs and their capacity to act, shows that each member of the core

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<sup>114</sup> See chapter 5.

<sup>115</sup> Power of BM = BM [Power A+ Power B+ Power C+ Power D+ Power E].

group had a power and ability to act and influence 7 times greater than that of the non-core members.

The core group BMs can be divided into two types: the individuals and the corporate bodies. The individuals made up the great majority of the core members' number and power I points, at 92.2% and 89.7% respectively. Their share of the equities, however, was far below this proportion at only 56.9%, leaving 43.1% for the corporate members. The influence of the corporate bodies in the domain of the core group cannot be deduced from their high proportion of equities. In fact, their proportion was boosted by the large investment of the Arab Mining Company, which stood at JD 17,000,000, and also by the large investments that the Jordanian Petra Bank made in manufacturing, retail and transportation as its main investment strategy before it was liquidized in 1989.

The largest part of the core group was made up of multi-sector investors, sharing the great majority of power I points, equities and number of investments at 96.5%, 91.4% and 97.8% respectively. The power I per BM was 7.4 points among the multi-sector members, compared to 6.6 points for the one-sector BMs.<sup>116</sup> Concerning the sole-sector core members' investments, the data reveals that the majority of these investments were in commerce, at 79.6%. When the equities, however, are concerned, 59.1% were in mining<sup>117</sup> and 28.2% in transportation. There was no presence of sole-sector BMs in agriculture, electricity, finance and real estate. The overall distribution of the core BMs' investments among the economic sectors shows that commerce, manufacturing, finance and services had the main proportions of the investments number at 25.0%, 24.3% 16.9% and 15.6 respectively. Equitywise, manufacturing absorbed the biggest share of core equities at 31.9%, followed by commerce at 15.4%, finance at 13.1%, services at 12.1%, construction at 8.1% and mining at 6.0%. These figures show undoubtedly that manufacturing, finance, commerce, services and, to a lesser extent, construction and mining, were the main economic base for the core members. This does not mean that other sectors were abandoned by the core members; on the contrary,

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<sup>116</sup> Notice that almost half of the power I core group members, equities and power points were in the hands of one-sector BMs. It seems that there was a shift among the influential members of the bourgeoisie towards multi-sector investments. See chapter 5.

<sup>117</sup> The high proportion in mining is due to the investments of the Arab Mining Company in Jordan.

they had investments in all sectors, bearing in mind that the majority of them were multi-sector BMs.

Gender composition shows that only 20 female BMs made it to the core group, so that the great majority of the core members were males at 97.6%, sharing 97.6% of the power points. In addition to the trivial contribution of the females in the structure of the core group, the power I per BM of the females was lower than that of the males. In fact, the highest score by a female BM was only 10.0 points, compared to the 30.0 points of the highest score for male BMs.

The data shows that the individual core members were mainly among those who had NF relatives within the domain of the bourgeoisie. They made up 63.5% of the individual core members and shared among themselves 86.3% and 66.8% of the individuals' equities and power I points. The power I points per BM among those with NF relatives was 1 point above that of those without. Apart from the role of the NF ties, which was emphasized on more than one occasion throughout this chapter, it seems that there was a kind of correlation - however loose it may be - between having NF relatives within the domain of the bourgeoisie and possessing economic power.<sup>118</sup> In this sense, a shift was experienced during this period, since the BMs without NF relatives lost the slight dominance that they enjoyed in the previous period within the power I core group.<sup>119</sup>

### 7.5.2 NUCLEAR FAMILY POWER

It was argued throughout this chapter that the NF is important as a ready social entity used effectively by the BMs to carry out their investments, and can be considered as a structure serving their interest. The importance of the NF as a device in the hands of the BMs increased during this period compared to the previous one, as the application of the power parameters and the analysis of the bourgeoisie indicates. As was argued in chapter 3 and applied in chapter 5, it is

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<sup>118</sup> Among the 112 BMs who scored 10.0 points or more on power I, only 14 had no NF relatives in the bourgeoisie domain.

<sup>119</sup> See chapter 5.

important to take into account the resulted impact of the NF on the economic power of each of the BMs who has NF relatives within the domain of the bourgeoisie. In this sense, the NF power is a parameter that calculates the collective power I of the BMs who belong to the same NF.<sup>120</sup>

The application of the NF power shows that the distribution of NF power points among 3134 NFs varies dramatically. For instance, 60.6% of the NFs' number, whose NF power scored less than 4.0 points, share only 22.0% of the NF power points. On the other hand, there were only 152 families whose score ranged between 16.0 and 100.0 points. These high scores were usually due to the fact that their BMs had high scores in power I.<sup>121</sup> Reviewing the different NFs, their score and members led one to assume that any NF whose score was 10.0 points or more was to be considered as part of the NF power core group.<sup>122</sup>

Considering that the NF power core group is made up of the families that scored 10 points or more results in 367 NFs constituting 11.1% of the total families' number and sharing 42.2% of the NF power points. A large deal of differentiation can be seen between the core NF and the others. For instance, the NF power per NF among the core group stood at 18.7 points, which is almost 6 folds that of the remaining families, scoring an average of 3.2 points.

Despite the fact that the core group is made up of the most influential NFs within the domain of the bourgeoisie, still there are a few NFs whose score was noticeably high. There were 20 NFs whose score was as high as above 40.0 points, which is more than double that of the NF power per core NF.

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<sup>120</sup> NF Power:  $\text{Sum Power BM1} + \text{Power BM2} + \dots + \text{Power BMn}$ . N is the number of the members of a given NF.

<sup>121</sup> Certainly, few families high score was due its large members of BMs.

<sup>122</sup> Due to the variation in the score, it was difficult to draw the line that can divide between those NFs whose score can qualify them as core members and those not. 10.0 points was chosen as good dividing line was based on the fact that power I core members are those who scored 5.0 points or more and the assumption that any NF has to consist of two members at least.

### 7.5.3 POWER II

Power II<sup>123</sup> is another power parameter that takes into account the variables of Power I, but also the NF as a device that was widely used by the BMs in carrying out their business. In this sense, Power II is more accurate in reflecting the economic power of the BMs. As was the case for Power I, the BMs's score in Power II varies from as little as 0.2 points to up to 31.3 points. As could have been expected, the great majority of the BMs were concentrated around the bottom of the Power II index. 85.4% of the BMs, whose score was less than 3 points, shared between them only 50.5% of the Power II points. On the other hand, the remaining less than 15.0% of the BMs had almost the same amount of points. In other words the average economic power points, which assumedly reflect the capacity of the BMs to act, were 5.2 among the 15.0%, but only 0.9 among the great majority of the BMs. Moreover, only 231 members, whose score was 10.0 points or more, had 10.0% of the total BMs' Power II points, registering an average Power II score of 13.7 each. Undoubtedly, the BMs cannot be looked upon as one unit, since the economic power shows a great deal of differentiation.

This study claims that the core members of the bourgeoisie according to the application of Power II are those who scored 6.0 points or more. The core group is made up of 904 BMs, whose share of power points is almost 25.0% and in which the average Power II score per BM is 9.1, i.e. almost 6 times the average of the overall BMs and more than 7 folds that of the non-core BMs.

The core group is dominated by the multi-sector based BMs, as was the case in the Power I core group. 91.7%, 97.5%, 92.8% and 91.6% of the core members, number of investments, Power II points and equities were in the hands of the multi-sector BMs. This dominance can also be seen in the capacity of the multi-sector BMs, who had on average 9.2 points compared to 7.8 points of the sole-sector BMs.

Contrary to Power I, the females' presence in this power core group was felt, since 118 BMs (13.4% of the individual core members) were females. Their share of Power II points stood at 12.2% and they had 8.0% of the investments. Despite the overall dominance of the males, the female BMs' position improved dramatically compared to that of the Power I core group. However, their share of the Power II

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<sup>123</sup> BM Power II:  $1/10 * (NF \text{ Power Points} - BM \text{ Power I points}) + BM \text{ Power I Points}$ .

core group was far below the latter's proportions, at 6.5%. Moreover, the Power II score per BM in the case of the females was still below that of the males. As was argued in the gender section, the fact that many of the females entered the world of the bourgeoisie via their NFs explains the improvement of their score when Power II is applied. Still, the number of female members who had a noticeable score is limited. For instance, there were 15 female BMs whose score was above 10.0 points, out of a total of 207 members with such a score.<sup>124</sup>

## 7.6 BOURGEOISIE FRACTIONS

A categorization of the bourgeoisie of this period into two main fractions based on the historical background of its members was advanced in chapter 3. The pre-1974 fraction consisted of all the BMs who had been part of the bourgeoisie prior to this period<sup>125</sup> and the newcomers<sup>2</sup><sup>126</sup> who joined the bourgeoisie over the course of this period. Numberwise, the data shows that the newcomers<sup>2</sup> were the majority of the BMs at 70.0% compared to only 30.0% for the pre-1974 members. The newcomers<sup>2</sup> were still holding the majority of the number of investments of the BMs and their equities at respectively 61.5% and 54.5%.<sup>127</sup>

Power I and power II points among the BMs were again in favor of the newcomers<sup>2</sup> at 62.5% and 53.9% respectively. The variation between the two power parameters is due to the wide presence of NF relatives among the pre-1974 BMs compared to that of newcomers<sup>2</sup>. As the distribution of NF power indicates that 71.8% of its points were in the hands of the pre-1974 fraction compared to only 28.2% of the newcomers. In fact 60.5% of the equities of the BMs with NF relatives were in the hands of the pre-1974 members, leaving only 39.5% for the newcomers<sup>2</sup>. 89.6% of the equities of the pre-1974 fraction belonged to members

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<sup>124</sup> Among those females are the three daughters of Ibrahiim al-Taahar, the daughters of Yuusiif al-Ma'shiir and the three daughters of Jamiil Bustaamii.

<sup>125</sup> The pre-1974 fraction that was dealt with in the previous period in terms of three fractions: pre-1948 Jordan, pre-1948 Palestine and newcomers. See chapter 5

<sup>126</sup> Newcomers<sup>2</sup> was labelled in this fashion to distinguish it from the newcomers in previous period.

<sup>127</sup> See table 1 & 2/ Appendix 17.

whose some NF relatives were part of the bourgeoisie domain, while the percentage was only 47.3% in the case of the newcomers.<sup>128</sup>

The frequent use of the NF by the pre-1974 fraction is indicated by the fact that 20.9% and 37.0% of the number of their investments and their equities respectively were in NF control enterprises, while the proportions of the newcomers' investments in NF enterprises and the equities were relatively smaller at 15.0% and 27.7%. Concerning the other forms of ownerships, the neutral control enterprises was the most popular form for both fractions absorbing 61.1% and 62.1% of the pre-1974 and newcomers' investments numberwise and 37.1% and 40.4 % of their equities.<sup>129</sup> Individual control was more popular among the newcomers having 15.1% and 21.4%, while it had only 8.8% of the pre-1974 fraction' investments and 11.8% of its equities.

Despite the fact newcomers constitute the majority in terms of the BMs number and number of investments, this majority is not translated into dominance over the pre-1974 fraction as is firmly indicated by the shares of the latter in both equities and power II points figures. Despite the fact that the newcomers fraction has the upper hand in the overall proportions, the pre-1974 BMs are in a stronger position, when they are compared to their counterparts of the newcomers. For instance, equities per BM among the pre-1974 fraction stood at JD 57218 compared to JD 29297 among the newcomers, while the pre-1974 BM had 2.3 investments number, the newcomers BM had only 1.6. The same trend is to be found in the power I and power II per BM that registered 1.5 and 2.4 points in the case of the pre-1974 members, compared to 1.1 and 1.2 points for the newcomers. In a word, the pre-1974 members possess more assets and have a better capacity to act than their counterparts of the newcomers.<sup>130</sup>

Looking at the fractions' presence in the composition of the economic power core groups is an indicative value that reflects the position of each fraction in the cleavages of the bourgeoisie in terms of its economic power. Interestingly, only 39.9% of the power I core group were newcomers compared to 52.5% for the pre-1974 fraction. Whilst the share of the newcomers of the core's equities and power I

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<sup>128</sup> see table 1/ appendix 17.

<sup>129</sup> See table 1-3/ Appendix 17.

<sup>130</sup> see table 4 /Appendix 17.

points were 12.1% and 35.5% respectively, it reached 44.9% and 54.4% for those from the pre-1974 fraction. The upper hand of the pre-1974 BMs in power I core group is manifested in power I per BM that was 1.1 point above that of the newcomers<sup>2</sup>.

The less efficient use of NFs by the newcomers<sup>2</sup> compared to the pre1974 fraction is reflected in the low proportions of the former members in the composition of power II core group, whose figures were even fewer relative to the pre 1974 fraction than for power I. Only 21.8% of the core's members were newcomers<sup>2</sup> sharing 18.8% and 8.6% of the core's power II points and equities respectively. The average power II per BM among the pre 1974 was 1.6 points more than that of the newcomers.

The distribution of the BMs investments according to the sectors does not show a great deal of difference. The majority of the pre 1974 fraction investments were in manufacturing at 30.6%, followed by commerce at 23.3%, finance at 15.5% and services at 13.3%. In the same order, the number of investments of the newcomers were 25.6%, 24.5, 14.3% and 15.9%. With regard to equities, the main chunk of the pre-1974 and newcomers<sup>2</sup>' equities were placed in manufacturing respectively at 32.0% and 28.4%. Commerce, that was a cornerstone of the activities of the bourgeoisie in the previous period, absorbed 22.3% of the pre-1974 fraction's equities, followed by construction and services at 13.7% and 13.5% and finance at 8.2%. Apart from manufacturing, a large proportion of the newcomers<sup>2</sup>' equities were in construction at 25.0%, a small proportion compared to that of the pre1974 group, commerce followed at 15.8%, services at 11.4% and finance at 9.4%. The differences in the sectoral strategies for both fractions are limited and do not allow us to draw conclusions. Both fractions targeted the same sectors, however, the proportion of the newcomers<sup>2</sup>' equities in construction was far larger than that of the pre-1974 fraction. Construction could be an appropriate sector for the newcomers to penetrate the circles of the bourgeoisie, knowing that this sector was expanding after the oil boom. In fact, some of the pre-1974 fraction members whose investments were not based in other sectors moved to it attracted by the demand for its activities and its profitability.<sup>131</sup> The difference in the proportions in

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<sup>131</sup> For example Badiir family that based in commerce, insurance, electricity and manufacturing moved in 1974 to construction. Naqal family is another example. Also that was the case of J'afar al-Shamii and Muhammad Khiir al-M'aanii families.

commerce can be explained in the case of the pre-1974 fraction by historical factors, since that was their activities started from and in the case of the former and the newcomers<sup>2</sup> it shows the importance of this sector in the Jordanian economy at large and the private sector in particular.

The distribution of the equities in each economic sector among the two fractions does not show that there was dominance of any of the fractions in a certain economic sector. In fact what each fraction possess of the equities in each economic sector is very close to what the other holds. The pre-1974 group was slightly more that that of newcomers<sup>2</sup> in commerce, while the former has more in finance. The only exception was construction where the newcomers<sup>2</sup> had almost 2/3 of the equities leaving only 30.0% for the pre-1974.

Concerning the question of clustering along the lines of the two fractions, the data and Chi-squared analysis shows that clustering exists, despite the fact that the majority of the BMs of the two fractions were equity-holders in non-fractioned enterprises.<sup>132</sup> In this sense, some members of these two fractions conducted their investments into seemingly contradictory approaches. The first, which is dominant, is investment going to non-fractioned businesses. The second is to carry out their investments in fractioned businesses. The main factor that could explain the contradictory approaches on one hand and the clustering on the other, is the streams that brought the newcomers<sup>2</sup> to the domain of the bourgeoisie.

The background of the newcomers<sup>2</sup> was extremely complex and the quantity of the newcomers<sup>2</sup> who joined the bourgeoisie during this period was large by all measures. It is possible to claim that the wealth accumulation of the pre-1974 BMs owes a lot to the oil boom and the large transfers to Jordan, but these two factors were certainly determining factors in the emerging of the newcomers<sup>2</sup>. Reviewing the data of the newcomers<sup>2</sup> shows that the great majority of them either were Jordanian expatriates in the oil producing countries. Sometimes their fortune abroad had changed, so they decided to invest back in Jordan. Others acted as links for

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<sup>132</sup> Notice that the expectation ratio upon which that Chi-squared analysis is based is the overall proportion of each of the fractions had in the domain of bourgeoisie. Hence, an enterprise that contains 10.0% of its members of the pre-1974 would still be considered clustered, since 10.0% is below the proportion and therefore the figure of expectation. However, one could argue accurately that the presence of any proportion regardless how small it is an evidence of the lack of the clustering. For such a reason and other factors, this study assumed that it is important to calculate the expectation ratio, however, in case of clustering the results were taken with caution.

some investors from these countries to the Jordanian market. Some other newcomers<sup>2</sup>, who were not expatriates, however, managed to make it to the circle of the bourgeoisie by virtue of the high levels of the remittances. Large amounts of remittances were used to purchase equities in the existing enterprises in Jordan during the 1970s and 1980s. Other members of the newcomers came from the state bureaucracy. For some, positions in the government already equipped them with the necessary connections and knowledge that guaranteed their class position transformation<sup>133</sup>, and further transfers to the government made such transformation for many of them realistic and possible.<sup>134</sup> The complex backgrounds and the large number of newcomers<sup>2</sup> led the pre-1974 fraction to become alienated from them, since the newcomers<sup>2</sup> members were either residents in the oil producing countries or spent a good portion of their active life in those countries or came from the public sector, i.e. from outside the private sector. In this context, the term "new money" describing these members or some of them found, its place in public discourse in 1970s and 1980s Jordan.

As was mentioned above, the investments of the newcomers took different forms, one of which was buying shares through the Amman stock market in companies that were established years before this period and that were under the control of the pre-1974 BMs. Certainly, the pre-1974 members, despite their perceptions about the newcomers<sup>2</sup> and their wealth were very keen to attract this money to be invested in their enterprises.<sup>135</sup> Other investments were created from scratch by newcomers<sup>2</sup>. Over the years of the growing availability of finance and the expansion of economic activities in general, some of the pre-1974 members invested together on the basis of connections, links and knowledge that had grown between them over the previous period and the one before.

Looking at the banking sector, as an example, in terms of the interaction between newcomers and the pre-1974 members can give rewarding insights. The few banks that were established in the pre 1974 years were under the control of the

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<sup>133</sup> There are many examples of high rank bureaucracy that made to the bourgeoisie domain. One of the interesting examples the high rank employees of the Central Bank of Jordan in the 1970s who became part of the bourgeoisie during the late 1970s and 1980s.

<sup>134</sup> Other newcomers from other backgrounds who joined the bourgeoisie like those who transferred their investments to Jordan after the break-out of the Lebanese civil war.

<sup>135</sup> One of the ways that was used to attract remittances was the frequent public reissuing of shares of the PS enterprises during 1970s and 1980s.

pre-1974 BMs.<sup>136</sup> New banks were established entirely as the brainchild of newcomers.<sup>137</sup> Some of the banks in the former category stayed under the control of the pre-1974 BMs despite the fact that there was a large number of equities held by newcomers. In addition to the successful management of these banks such as the case of the Arab Bank and the Jordanian National Bank, the pre-1974 big shareholders kept increasing their stake over the period.<sup>138</sup> Certainly, they were also successful in building their alliances with the new big shareholders. Some of the newcomers who invested in some of the pre-1974 banks managed to sideline the pre-1974 BMs who had been in control and assume control over the banks. The most obvious example is the Bank of Jordan in which Tawfiq Faakhuuri by virtue of purchase of its shares and building an alliance with other shareholders drove the Muḥammad Siiduu al-Kurdii family from its long control over the bank asserting the control of himself and his nuclear family over the Bank.<sup>139</sup>

## 7.7 THE BMS AND THE VERTICAL VARIABLES

This section aims to analyze the BMs in term of some important vertical variables such as tribalism, ethnicity, Religion and country of origin. these variables are important dimension in the Jordanian society. Some of them have important role in some political and social aspects. Tribalism has been covered in the course of discussing the NF ties.

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<sup>136</sup> Such as The Arab Bank under the management of Shuuman family, or the Jordanian National Bank under Yuusif al-Ma'shar, Khaliil al-Sakar and Tash & Abud-al-Rahmaan Tuuqan families and Amman-Cairo Bank.

<sup>137</sup> For instance, Petra Bank that was established by Ahamd al-Galabii with big shareholders from Jordanian expatriates and Kuwait & Saudi investors. The Jordan-Gulf Bank that was established by Hassan 'Abudal-'Aziiz a Jordanian expatriate with investments from in Qatar and other Jordanian expatriates.

<sup>138</sup> For example Shuuman family acquired a large number of shares of the Arab bank during 1970s and 1980s. Also Yuusif al-Ma'shar bought a large number of shares of the Jordanian National Bank, in addition to a large number of shares of the Arab Bank strengthening his position as banking BM.

<sup>139</sup> See al-Malki, A. (1996), *The Bank of Jordan*, p13-36.

### 7.7.1 ETHNIC AND RELIGIOUS BACKGROUND

This subsection deals with two of the main variables that can be basis on which the people of the Jordanian society mobilise and contribute to their identity, i.e. religion and ethnicity. An account of the ethnic groups within the domain of bourgeoisie is to be covered first followed by analyzing the BMs in terms of religion.

The BMs breakdown along the line of ethnic backgrounds in Jordan shows that the overwhelming majority was Arab BMs at 97.9%. The CIRCASSIAN and CH made together 1.0%, Kurds 0.5%, Armenians 0.3% and 0.4% for other ethnic groups. These proportions were almost the same where number of investments<sup>140</sup>, equities<sup>141</sup> and power I points<sup>142</sup> are concerned. There was a slight decline of the shares of the ethnic minorities compared to those in the previous period. However, the equities per BMs was at its highest among the Kurds BMs at JD 55031 followed by Armenians at JD 47979, Arabs at 36726 and Ch/Circassian at JD 28411, while the power I points per BM was very close at around 1.0 point.

The distribution of the ethnic minorities among the economic sectors shows that manufacturing, commerce, finance and services were the main sectors that absorbed the great majority of their equities at 30.3%, 20.1%, 13.7% and 14.4%. Concerning the number of investments, alongside manufacturing, commerce and finance that had 28.2%, 11.8% and 19.1% respectively, there was construction that had respectable proportion at 19.2%. It seems that other sectors were less appealing for the minorities BMs. Despite the overall general common pattern of investments concentrated in the 4 above-mentioned sectors, the distribution of each ethnic minority among the economic sectors reveals a further concentration in some specific sectors. For instance the Armenians' equities were mainly in manufacturing at 33.4% and commerce at 34.2%, while 43.5% of the Kurds' equities in manufacturing and around 10.0% in each of commerce, services, construction and finance, while the break down of the Circassian/ch equities was more balanced through sectors. <sup>143</sup>

<sup>140</sup> Arabs (98.1), Circassian & Ch (0.9%), Kurds (0.4%), and Armenians (0.2%).

<sup>141</sup> Arabs (97.9%), Circassian & Ch (0.7%), Kurds (0.7%), and Armenians (0.4%).

<sup>142</sup> Arabs (98.2%), Circassian & Ch (0.8%), Kurds (0.4%), and Armenians (0.2%).

<sup>143</sup> see table 7-9/ Appendix 17.

The great majority of the ethnic minorities' equities and investments were in neutral control (43.4% of equities and 55.3% of investments). Substantial proportions were also in individual control (32.7% & 15.6%), NF control (23.2% & 21.8%). The NF control form was well used by the different ethnic minorities however, it was less used by the Kurds: only 12.8% of their equities were in that form, while 51.8% were in neutral control businesses.<sup>144</sup> Despite the shunning away from the NF control businesses, Kurds BMs used the NF ties very effectively in the neutral control businesses. For instance the control over The Bank of Jordan by the nuclear family of Husni Siiduu 'Ali al-Kurdii is an example of such use.

Clustering on the base of the ethnic minorities is not found in any of the different groups. There was only one enterprise in construction whose ownership is shared by two Kurds who are not connected by any kinship ties. There is no evidence that any of these ethnic groups tends to invest together in the same neutral enterprises or establishing enterprises where the ownership is of ethnic base rather than NF base.

Where religion is concerned, the breakdown of the BMs figures shows that Muslim BMs were dominant having 84.5% of the BMs investments compared to 15.5% for Christian BMs. The Christian BMs made up 15.0% of the total number of BMs and 14.2% of power I points. Slightly above the latter proportions, Christian BMs equities were 18.5% compared to 81.4% for the Muslims. In comparison to the previous period, the Christian BMs proportions went down by 4-5 points in all above-mentioned measures.<sup>145</sup> This decline in their shares was gained by their Muslim counterparts, but also by the corporate bodies whose presence expanded during this period. Certainly some of the latter were Jordanian companies owned by or under the strong influence of Christian BMs, however, not all of them and not to the degree that could suggest that the decline in Christian proportions was compensated indirectly by companies are under their leadership. The only elucidation at hand for such a decline is that the great majority of the newcomers were Muslims as well as the decline in the overall ratio of the Christians to the population. The dominance of the Muslim members cannot be compared, however, to that of the Arabs or males where the ethnic groups and gender are concerned. The Muslims BMs proportion of

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<sup>144</sup> For instance, the share of the CIRCASSIAN and Armenians equities in the NF control was above 30.0% each, while they were 39.0% and 44.3% in neutral control businesses.

<sup>145</sup> See table 11 / Appendix 17.

the equities when the Christian and corporate bodies are included is less than 2/3. It is also important to mention that equities per Christian BM stood at JD 45577 compared to only JD 35206 for the Muslim BM. Power I points per BM was equal for both Muslim and Christian at 1.2 points.

Concerning the economic sectors, Christian and Muslims' equities and investments were in all economic sectors without exception. The sectors that had a high proportion of the Christians' equities were manufacturing at 30.6%, commerce at 20.3%, construction at 16.3% and services at 14.4%. The proportion of Christians' equities in transportation and services notably exceeded that of the Muslims' equities. In addition to the manufacturing, commerce and services that had the majority of the number of the Christians' investments at respectively 28.3%, 22.9% and 13.1%, finance had a substantial proportion of the investments number at 18.1%. Reviewing the different sectors and their sub-sectors does not reveal that there was any sector that was noticeably dominated by one religious group rather than the other.

There is no relevant difference in the Muslims and Christians' strategies concerning what forms of ownership their business took. Christian and Muslim BMs had placed the biggest portions of their equities in neutral control enterprises at 40.4% and 37.5% respectively, and 60.1% and 61.0% of their investments number were in the same form. NF control absorbed a substantial 1/3d of each group's equities and 21.8% and 16.6% respectively of the Christian and Muslim total number of investments. 25.0% of the Christians equities were in Individual control forms, while this category made up 28.6% of the Muslims' equities.

## **7.7.2 COUNTRY OF ORIGIN**

The breakdown of the BMs' according to their country of origin shows that BMs of Palestinian origin made up the majority at 65.5%, followed by Jordanian origin at 25.5% and Syrians at 6.4%. The proportions of Egyptian, Hajazi, Iraqis, Lebanese, royal family and others were insignificant at respectively 0.3%, 0.1%, 0.1%, 0.4%, 0.1 and 0.4%. With a slight improvement on the proportion of the BMs' of Syrian origin, the proportions of the investments number was almost identical to

that of the number of BMs.<sup>146</sup> Almost identical proportions to the above mentioned ones, each country of origin group made up of the total power 1 points.<sup>147</sup> The distribution of equities among BMs of different countries of origin, reveals that Palestinian still have the majority at 61.8% followed by Jordanians at 27.5% and Syrians at 7.8%. BMs from remaining fractions made up only 3.0% of the equities. Compared to the previous period, each country of origin fraction kept its order when the different measures were considered, however, three important changes took place. The proportion of those of Palestinian and Jordanian origin slightly improved equity wise and number wise. The BMs of other countries of origin declined slightly, with the exception of the Syrians whose proportion dramatically drooped by 4.0 points numberwise and almost half of its proportion equitiywise. A small part of the decline in the Syrians' proportions was gained by BMs of Jordanian and Palestinian origin, though the biggest part went to the corporate bodies including the Jordanian companies. Certainly, some of the Jordanian companies were under the Syrian BMs control, but not to the extent that the proportion of these companies would measure up to the decline in the Syrians proportions. Certainly the small Syrian community in Jordan can rationalize its limited ability to inject new blood in the bourgeoisie domain, while this possibility is viable in the case of the Jordanian and Palestine communities whose population don condition the dynamic of large number of their members joining the bourgeoisie by virtue of shifting their class position. During this period in particular, this could be better understood knowing that large proportion of newcomers were among the Jordanian expatriates in the gulf area, where hardly were Jordanian of Syrian origin.

The overwhelming proportions of the Palestinian fraction in the above applied measures does not mean that this fraction is in absolute dominance. Including the proportions of the corporate bodies and the non-Jordanian nationality has the result that the proportions of the Palestinian fraction in each measure is around 40.0%. On the other hand, comparing the equities per BM in each of the fractions reveals that it was at its highest among the Lebanese at JD 68048. Equities per BM of Syrian origin was JD 45337 and it was 39682, while in the case of the Palestinians, it was JD34472, the lowest equities per BM among all the countries of origin fractions. The

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<sup>146</sup> Palestinian origin made up the majority at 65.5%, followed by Jordanian origin at 25.2% and Syrians at 7.1%, while the rest of the BMs of other origins made less than 3.0%.

<sup>147</sup> BMs of Palestinian origin made up 65.3% of power 1 points, Jordanian at 25.7% and Syrians at 6.9%, while the remaining other origins made less than 2.0%.

same can be seen in power I points per BM, where Palestinian BM lapsed behind the BMs of the fractions especially the other Syrians and Jordanians.

The distribution of the BMs among the different sectors reveals that the major proportion of Jordanian, Palestinian and Syrian BMs' equities was concentrated in five main sectors: manufacturing, commerce, construction, services and finance. For instance, 90.1%, 90.3% and 92.1% of the Palestinian, Jordanian and Syrian equities were in the latter sectors.

However, each of these fractions has substantial weight in one or two of these five sectors. For instance 40.1% of the Syrian equities were in manufacturing, where almost half of the Jordanian fraction equities were in manufacturing and construction. Although the Palestinian fraction equities distribution is more balanced compared to other fractions, still one third of its equities were in manufacturing. Concerning fractions such as Hajazi, Iraqi and Egyptian, the data shows that the majority of their equities were absorbed by commerce primarily and manufacturing secondly. The great proportion of the Lebanese equities, however, was placed in transportation.

The breakdown of the equities in each sector in terms of the BMs' country of origin shows each of these fractions had a proportion of the equities in each sector almost equivalent to their proportion of the BMs equities. Some sectors, however, reveal that a fraction had a substantial proportion of its equities. 18.6% of the mining equities, for instance were in the hands of the Syrian fraction, i.e. almost three times of the overall Syrian proportion equity-wise. On the hand, the Jordanian proportion (34.4%) of the equities in construction exceeded the overall al proportion of Jordanian fraction and the proportions of Jordanian in any economic sector equities. The same applies on the 72.2% of the real estate equities that were in the hands of the Palestinian fraction.<sup>148</sup>

Looking at the forms of ownership that each of the country of origin fractions invested in shows that there was no significant difference. For the three main fractions Palestinian, Jordanian and Syrians equities were divided into almost three

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<sup>148</sup> See table 15-16/ Appendix 17.

equal shares: neutral control, NF control and individual control.<sup>149</sup> Despite the overall small proportion of the other groups, still the data indicates that BMs equities of these groups was concentrated in the neutral control enterprises. The great majority of the equities in each of the ownership forms was made of Palestinian BMs followed by Jordanian and then Syrian almost in the same proportion that each of these groups possessed the overall BMs equities. However, the only surprise is in the non-bourgeoisie corporate bodies control (usually state or state institutions) where the Jordanian origin BMs made the majority at 53.4% compared to 31.1% for Palestinians. In the case of the three vertical variables that this section dealt with, there is no evidence that any of them were clustering with members of their own community excluding other fractions.<sup>150</sup>

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<sup>149</sup> 38.7, 38.0% and 32.8% of the Palestinians, Jordanian and Syrian BMs' equities were in neutral control forms, while the proportions were respectively 33.8%, 29.2% and 32.8% in the case of the NF control and the proportion in individual control 26.4%, 30.8% and 22.4%. The major difference is in the Syrian BMs whose involvement in individual control enterprises, though it is big, was less than that of Palestinians and Jordanian.

## Conclusion

This study pursued an empirical analysis of the Jordanian bourgeoisie structure and composition (1967-1989). The lack of studies concerning class structure in general, and the bourgeoisie in particular, in Jordan had not only left a vacuum in this field that it is important to cover, but also overstates the importance of other areas of study to the expense of the horizontal dimensions of the Jordanian society. Giving an account of the Jordanian bourgeoisie, its structure and composition is not simply a mental exercise that fills a field that was ignored by other studies. It provides an alternative approach to the study and analysis of Jordan, i.e. in terms of its socio-economic structure. It contributes to a shift in the central focus from studies concerned with cultural or purely political dimensions to studies dealing with socio-economic groups. Studying such social groups provides, on one hand, a clear definition of their composition and structure and, on the other hand, their role and capacity to act within the Jordanian society. In this context, this study aimed to give an empirical analysis of the Jordanian bourgeoisie as a social group that consist of people who share a common economic position and interest. Defining what the Jordanian bourgeoisie is in name and figures is vital in order to have a better understanding of this group in particular and its potential capacity to act, and certainly gives insights into the Jordanian social formation in general.

The very motivation for this study made achieving it more difficult. The absence of studies about the Jordanian bourgeoisie meant that this study has had to construct from scratch its foundation, a definition of the bourgeoisie and what constitutes the Jordanian bourgeoisie. The usage of the term 'bourgeoisie' or 'bourgeoisie class' in Jordan especially and the Middle East generally varies to mean different concepts and to refer to different groups. It is commonplace to come across loose and even contradictory definitions where the bourgeoisie is concerned. 'Bourgeoisie' is widely used interchangeably with affluent, occupational groups and powerful groups. Its usage is associated with other concepts and terms that are themselves barely well defined, such as the elite politically, socially or economically, the decision making circles, the state elite and traditional elite, and high ranking

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<sup>150</sup> Based on applying chi squared analysis.

bureaucracy or management. Therefore, this study defined the bourgeoisie according to the Marxist paradigm that states that class is a relational concept that refers to a group of people who have the same position in the production process. Hence, 'bourgeoisie' is the class that contains members who share amongst themselves the control over the means of production and appropriate surplus labour in a certain social formation over a specific period of time.

As much as class definition in the Marxist paradigm seems straightforward, it is problematic in more than one area. Coinciding with the birth of the concept over 150 years ago, there had been a lot of debate on the relevance of class as a social, economic, political and ideological agent that had threatened the very basis of the entire conceptualization of class. This study, which reviewed the different contesting schools in reference to this issue, put forward 'class in practice' as a concept that refers to a given class that is determined by economic structure and embraces all aspects of actions and activities taken by the members of that class. Based on 'class in practice', this study could define the relations that were imposed on the class activities from other social variables outside the class structure, such as religion, ethnicity, gender, etc. The other problematic issue within the Marxist class definition was the evolution of the class structure in the last half century that gave birth to the so-called 'new middle classes'. This study resolved this problematic issue by the use of concepts and theorems of the contradictory lactations within the class structure.

In light of the absence of previous studies which deal with the bourgeoisie in Jordan, this study constructed a mechanism that could define who the bourgeoisie members are in Jordan during the two periods of the study (1967-1973) and (1974-1989). Based on the fact that 'bourgeoisie' is a class defined by its control over means of production and does not stem from its political or occupational position or power nor from its social status, this study took the Jordanian economy as the starting point of defining the bourgeoisie. The bourgeoisie should be extracted from those who are active within the Jordanian economy. Analyzing the Jordanian economy was a necessary stage in order to define the context that the bourgeoisie is active within. The emphasis on the role of the state and its contribution to the economy was to assess the role of the private sector, where the bourgeoisie is based. This study used the Ministry of Industry and Trade archive that contains all materials relating to the private sector enterprises in the period of the study,

assuming that it reflects the private sector activities. Based on the figures for these enterprises, its sub-sectors, capital and other information about their owners and managers, this study developed a mechanism that distinguishes between those who are bourgeoisie members and those who are not.

The private sector participants who were considered as bourgeoisie members were defined and analyzed according to the assets that they controlled in serious economic sectors and sub-sectors.

The study concluded that in each of the two periods the bourgeoisie members had under their control the great majority of the assets of the private sector. The bourgeoisie members were also in dominant control of the assets in each sector and sub-sector of the Jordanian economy apart from the sub-sectors in which the state was heavily involved, such as phosphate production, or were closed to private sector activities, such as telecommunication and air transportation. The bourgeoisie's control of the great majority of assets in all sectors where the private sector was involved, on one hand, and the limited role of the state in the economy compared to other Middle Eastern countries, on the other, resulted in the bourgeoisie having control of a great deal of assets that differentiate it quantitatively and qualitatively in its capacity to act from other social groups.

This study analyzed the bourgeoisie according to their assets and their economic fields, distinguishing the more powerful group within the bourgeoisie. Economic power, which was developed as a parameter for the purpose of this study, showed, according to specific criteria, the core group of the bourgeoisie, according to its control of the assets and therefore its greater capacity to act.

The bourgeoisie was analyzed in terms of its economic sectors, showing that commerce was still the cornerstone sector in its activities, despite the increasing role of other sectors. It has been shown that an important distinction can be drawn between members whose activities are confined to one sector and those whose activities are stretched over more than one economic sector. In this context, it seems that some parts of the bourgeoisie cannot be defined according to sectoral classification, since their assets are in more than one economic sector. The capital finance (multi-sector) bourgeoisie fraction, according to the findings of this study, was more powerful and had better capacity to act in terms of assets. In addition to it being essential for analysis purposes, the importance of the birth of the multi-sector

fraction, whose fusion took place within the domain of the bourgeoisie, brought together activities in the commerce, manufacturing, banking, insurance and services into the hands of one segment of the bourgeoisie. Such a phenomenon results in a deficiency of the traditional bourgeoisie structure (industrial, comprador, agrarian bourgeoisie, etc.) that is rooted in the colonial or the early independent periods.

The study in each of the periods divided the bourgeoisie into fractions based on its historical formation. In the first period (1967-1973), the bourgeoisie was divided into pre-1948 Jordan bourgeoisie, pre-1948 Palestine bourgeoisie and the newcomers. The study analyzed the activities of the three fractions along the lines of this division concluding that there was no trend of clustering among members of these fractions. In the second period, the division was made to distinguish rather two main fractions, one of which is the pre-1974 bourgeoisie that contains the bourgeoisie of the period before, while the second consists of members who joined throughout the second period. This study showed that the second period newcomers infiltrated the circle of the traditional bourgeoisie either through an alliance with them or by establishing their own businesses.

Ownership forms of the bourgeoisie businesses gave insights about their investment strategies in general. It also showed that the nuclear family form of ownership is a cornerstone for their economic activities and the running of their businesses. In contrast, the tribal or extended family ties form of ownership was of no relevance. Its existence was rare and did not constitute a trend that can be analyzed.

This study took into account the main vertical dimensions that scholars claim are of importance concerning the study of Jordan, such as religion, country of origin, ethnicity and gender, applying them to the composition of the bourgeoisie in both periods. Despite the fact that the role of females increased over the years in the constitution of the bourgeoisie, their role and their assets were still of less importance than those of the male members. This study claims that the bourgeoisie during 1967-1989 was still male dominant. The break down of the bourgeoisie members according to their vertical dimension showed that certain degree of clustering existed. However, it was still too low to constitute a trend that could lead to the division of the bourgeoisie according to these dimensions.

The composition of the bourgeoisie, its structure and strategies, shown throughout the chapters of this study, as well as the lack of influence of the vertical dimensions on its structure raises questions about the relevance of the vertical dimensions in studying a typical middle eastern country like Jordan and also about the importance of class analysis as an approach, which can give a better understanding for the social structure in Jordan or in the Middle East. It also draws attention to the need for general and particular analysis of social classes in terms of their capacity and power and what they bring to the equation of social, economic and political change in the Middle East. These questions, concerns and issues lay beyond the scope of this study.

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