The state and the socio-economic development of Jordan 1973-1985

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I dedicate this thesis to the memory of my father

Abstract

This study questions the basic assumption on which state-centred development has been based, namely, that it acts in the general interests of society and can bring about economic development, and attempts to provide an explanation of the ineffectiveness of the state's project in restructuring the economy by analysing the development of the political economy of Jordan in the wake of the 1973-4 oil boom. This explanation rests on arguing that the state's ability to intervene in the economy is constrained by the particular power configuration that gives it its legitimacy and the necessity to maintain the prominence, influence and authority of the key social forces. In other words, the restructuring of the economy implies a change in the internal power structures of the state as well as its external linkages that have been the basis of its legitimacy and the source of its economic power. The problem, then, is not merely a matter of state inefficiency and misuse of funds but a more deep-rooted structural problem that touches on the essential features of the organisation of state power and its legitimacy and in that respect the state is not a neutral force above society but a partisan force for maintaining the existing power structures. Thus the concentration of capital in the hands of the state during the oil boom period and the expanded role of the state in the economy produced prosperity for the dominant social forces while marginalising a large part of the population and resulted in a deep rooted crisis in the state sector and the economy in general and called into question the feasibility of state-led development and required critical analysis of the role of the state in development.

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Table of Contents

Note on transliteration: The transliteration of Arabic names and sources is based on the British Standards and the 'Ayns ['] and the Hamza [`] are the two diacritical marks included. The form of Hussein and Abdullah is used throughout.

List of Tables

I certify that all material in this thesis which is not my own work has been identified and that no material is included for which a degree has been previously conferred on me.

Introduction

The Purpose of the Study

This study questions the basic assumption on which state-centred development has been based, namely, that the state acts in the general interests of society and can bring about economic development, and attempts to provide an explanation of the ineffectiveness of the state's project in restructuring the economy towards commodity producing sectors and in lessening the degree of its dependence on external funds, by analysing the political economy of Jordan in the wake of the 1973-4 oil boom. The quadrupling of the price of crude oil ushered in the beginning of a new phase, marked by the pre-eminence of oil, in the transformation of the whole regional economy. As a result, the massive accumulation of oil revenues unmatched with previous periods provided new economic opportunities and, more importantly, presented the ruling classes of the Arab states with a unique opportunity to consolidate their legitimacy and embark on a massive development project. This they did through the mechanism of development planning and through a remarkable increase in state expenditure, which augmented the power of the state and expanded its influence.

Jordan was considerably affected by the new situation particularly due to the further emphasis put on its strategic locational significance by the Gulf states, as well as on its labour market which provided the much-needed skilled and semi-skilled labour to shortage afflicted Gulf states. Economic linkages to the Gulf were, subsequently, extended and intensified to the level where they in effect determined the pace and pattern of Jordan's development, simultaneously increasing the dependence of local capital on state resources and state expenditure programmes, which were themselves predicated on the continuity of the state to serve as an important pillar for the stability and security of the Gulf. Thus, the prosperity of key economic groups and the widening of the spectrum of benefiting social groups, as well as the improved living standards and acceleration of social mobility engendered by the expanded state's economic power proved to be of a transient nature, since these changes resulted from the circulation and accumulation of externally derived funds concentrated in services and commercial activities without

expanding the domestic productive base. The economy and the prosperous classes and social groups were extremely vulnerable to changes in the level of state expenditure and the regional economic environment, as exemplified by Jordan's economic crisis since the early 1980's.

Significantly, this crisis coincided with the slowdown in the regional oil economy, which by 1985-6 had resulted in the reduction of the oil revenues of Saudi Arabia, the major Arab producer, to less than one-fifth of their peak during 1981-2. This meant that the large capital inflow of grant aid receipts and labour remittances had significantly dropped, exposing the myth of the decade of 'prosperity' and highlighting the substantial dependence of the state and society on the Gulf states. Although the signs of the crisis started as early as 1983 the deciding downturn of the Jordanian economy did not take place until mid 1989 -the state was able to sustain its expenditure levels and to artificially maintain the economy via a huge expansion in loan capital - as indicated by the sudden and sharp devaluation of the domestic currency, the dinar, as well as the IMF imposition of a structural adjustment programme aiming at rescheduling Jordan's debt and imposing a strict regime on public sector expenditure.

The economic crisis, therefore, posed a serious question concerning the actual impact of the 1970s on the process of development and a more general one concerning the effectiveness of state-sponsored development. The economy at the end of this period stood in sharp contrast to the state's claimed objectives and goals of restructuring the economy towards more productive activities and towards lessening its degree of dependence on external resources. This is by no means a question exclusive to Jordan, but one that has been echoing in other states in the region and many 'developing' societies. The crisis of the state, both an economic crisis and a political one, in 'developing' societies came after four decades of nationally and internationally sponsored development effort and, in the Arab region, after the oil boom and the abundance of resources to fund extensive state development programmes in the Gulf and the rest of the region. Thus one of the significant outcomes of the 1973-83 period for Jordan, as for other states in the region, lies in stressing the need to understand the state's role and its limitations, as well as exposing the inadequacy of the availability of financial resources to create an internally sustained development.

This need is further highlighted by the kind of response this crisis prompted encouraged by the West and international institutions such as the IMF and the World Bank: namely, a move away from the state and an adoption of a 'privatisation' strategy with the aim of shrinking the state sector and concentrating on the stimulation of the private sector, and most significantly the drive for political 'liberalisation' and 'democratisation'. Thus the core of the problem, that is the internal and external power structures underpinning the crisis of the state, is completely ignored and the crisis is simply attributed to an inefficient and large state sector and huge state expenditure programmes, as well as to the inefficiency and corruption of state bourgeoisie and/or to the prevalence of repressive undemocratic regimes. And while stringent structural adjustment policies will marginalise the bulk of the population, 'democratisation' will provide the semblance of democracy behind which the prevalent private economic interests and the existing power structures will be protected through parliamentary legitimacy.

Moreover, this response, besides ignoring the core problem, is in itself problematic. On the one hand, the shrinking of the state sector and 'privatisation' undermine the basis on which the increasing legitimacy of the Jordanian state and its stability has been based: primarily its ability to expend and to employ, providing a livelihood to increasing numbers of people, especially the 'new' petty bourgeoisie. On the other hand, the opening up of the channels of political expression, especially given the persistence of the dire economic situation, will make it more and more difficult to allow the development of democratic institutions which are capable of influencing the decision-making process. This dilemma explains the concern relayed by the American administration to Jordan's ambassador in the US about the speed of 'democratisation', implying the need to slow down the process, in addition to the West's reluctance to make democracy an issue in states such as Israel and Saudi Arabia where its economic or strategic interests override any other concern. More importantly, it explains why four years into this 'democratic' experience, (i.e. four years after the General Election of November 1989, the first in twenty-two years), and on the verge of its entering into the second full parliamentary elections in November 1993, no real change has actually occurred in Jordan, irrespective of measures such as the lifting the ban on the formation of political parties and the freezing of martial law, and irrespective of King Hussein's claim prior to the November 1989 election that:

> the next parliament will not serve as a forum for making political statements but rather as a national institute in which we will all take part in formulating the country's policies ... in the coming stage we will not suffice ourselves with mere slogans but will embark on objective and responsible dialogue. (The Independent 9 October: 1989)

The balance of power between the executive and the legislature is still held by the executive, in particular, by the king, who still appoints the prime minister and sanctions the rest of the ministerial posts, and convenes and dissolves parliament. In addition parliament has had little effect on government policies and programmes, most important among them has been the IMF programme as well as the peace talks with Israel. Deputies are encouraged to maintain the tradition of making rhetorical political statements with no influence on political events and outcomes or on the government's economic policies. Most indicative of the ability of the state to control and manipulate this process was the trial of Leith Shbailat, one of the most popular and outspoken members of the parliament and a strong advocator of democracy since the 1970s. The trial was a political show which asserted both the forces of the ruling class such as the Mukhabarat, or the secret police, and the authority of the ruling class, exemplified foremost by King Hussein's pardoning the accusers after the state's security court had found them guilty - Shbailat was given a death sentence. Yet the trial achieved its objective of tarring the Islamist members of the parliament in particular Shbailat himself, in an attempt to marginalise them prior to the next elections (in November 1993).

Other significant indications of the contradictory nature of the process are the Law of Party Formation no (33) 1992 and the Law of Printed Material no (10) 1993. According to the law relating to parties, the Ministry of the Interior and the cabinet exert immense powers to grant or withhold licences to/from political parties or to dissolve them, while the law of printed material is more reactionary and restrictive than its predecessor, to say nothing of the election law, which is still guided by the need to manipulate societies' cleavages and to control the outcome of elections through the distribution of seats and through appealing to traditional forms of affiliation. Even the present attempt to amend the election law (prior to the 1993 elections) is fraught with implications that the law is being manipulated to ensure a marginal victory to the Islamic trend and give better

chances for the traditional élite. This has prompted a heated debate in the intellectual quarters of Amman and in the media concerning the implications of the proposed amendment to stipulate the principle of 'one electorate, one vote', as opposed to the existing principle where an electorate can vote for more than one candidate within the electoral district. To many in Jordan, this is a consolidation of the appeal to the electorates on the basis of primary affiliations, allowing candidates the possibility of participating in Parliament with a minimum number of votes. More significantly is the fact that the executive has proposed the amendment by invoking its right according to article (91) of the constitution to promulgate temporary laws with the kings' approval. This is most indicative of the marginal role imposed on the legislative and the government ability to control the very process of 'democratisation'.

The success of the democratic experience in Jordan, as in other 'developing' societies, depends on bringing about change in the existing power structures, change which will undermine the prevalent economic interests, not to mention the Hashemite family's own authority and control. More significantly, this will contrast with IMF and World Bank policies and the policies of Western governments for preserving the status quo in the region. The Gulf War, the continuous threats to Iraq and the tolerance of repressive authoritarian regimes in the region exemplify the intent of Western powers to maintain their domination through protecting their protégés in the area. With the elimination of a counter power to the United States and Western Europe, the region is more open to domination by the needs of international capital and the West, and much more vulnerable. As long as these 'democratic' experiences do not threaten the interests of international capital as well as the existing domestic economic interests, and consequently they are of no use to the people of the region, they will be tolerated and encouraged. Thus the discussion of the state's role is not only important in terms of providing analysis of and information about a past period, but illuminates some of the difficulties attached to the present situation and emphasises the structural features of the crisis of the state.

The Main Argument of the Study

The study will argue that the state's ability to restructure the economy towards

commodity producing sectors and to lessen its degree of dependence on external resources is constrained by the particular power configuration that gives it its legitimacy, since such a change will affect the prominence of the key social forces and compromise their influence and authority. In other words, the restructuring of the economy implies a change in the internal power structures of the state as well as its external linkages that have been the basis of its legitimacy and the source of its economic power. The problem, then, is not merely a matter of state inefficiency and misuse of funds but a more deep-rooted structural problem that touches on the essential features of the organisation of state power and its legitimacy and in that respect the state is not a neutral force above society but a partisan force for maintaining the existing power structures. This argument will be substantiated by elucidating the following:

1. Oil capital gave the ruling class, made up of the Hashemite family, the commercial bourgeoisie, the state bourgeoisie and the landed class, a chance to strengthen its position and increase its wealth, through the new opportunities created in economy, particularly, as a result of the expansion of the state domain.

2. The broadening of the state's economic role, through expansion of its 'developmental' role in particular, provided the channel and the mechanism for dispensing the huge funds in order to augment the prosperity of the ruling class, while enhancing stability by tying increasing segments of the population to the state, hence the 'new' petty bourgeois character of the state.

3. The expansion of the state's 'developmental' role was accompanied by a huge increase in income disparities and the marginalisation of a large segment of the population which increased social differentiation and increased the polarisation of the society: a development that stands in sharp contrast to state's assumed role of improving the lot of the populace.

4. The political-ideological legitimacy of the ruling class continued to be based on primary sub-statal affiliations, rather than on an individual formal basis. Social affiliation of the tribe - despite its declining significance as an overriding identity - family, ethnicity and religion continued to be the

dominant forms in which societal conflicts were expressed as well as manipulated to the advantage of the ruling class. The significant implication of this is that social classes and social groupings are fractured along these lines, limiting the ability of any to challenge the hegemony of the ruling class, or of any part of the ruling class alliance to challenge the Hashemites. Moreover, this masks the real contradictions in society and relegates to the background class interests or economic interests.

5. The dominance of the state's political structures which controlled and suppressed the development of democratic institutions, and permeated the private domain and infringed on individual civil rights and freedoms, was part of the state's role of protecting and maintaining the dominance of the ruling class. Formal institutionalised social relations remained absent, instead the traditional networks of affiliation and the patronage system of social relations permeated the whole society.

The Objectives of the Study

The study has four major objectives. These are the following:

1. To elucidate the objective structural determinants of the state's role in the development process, being foremost influenced and determined by the need to maintain the dominance of the ruling class and how this limits the actions and policies of the state.

2. To disclose the limitations and problems of this critical period in the development of the country, especially since many development 'experts' and government officials seem to view this period as a success story in terms of development and growth.

3. To contribute to the current debate on the role of the state in 'developing' societies by studying the concrete case of Jordan.

4. To fill a gap in the literature covering this period from a political economy perspective, simultaneously providing an insight into the present problems facing Jordan in both the political and economic domains.

The Scope of the Study

The study consists of six chapters. Chapter one suggests a conceptual approach by which to elucidate the structural constraints of the state's role and one which underpins the analysis of the study. For this purpose a review of some of the literature that discusses the role of the state is provided, focusing on the *pluralist* and *conflict* paradigms, in addition to the two recent strains of thought that have emerged on the state in Arab society, namely the 'rentier' approach and Al-Naqeeb's work on the Gulf. The adopted conceptual approach rejects the pluralist contentions as well as the 'rentier' and Al-Naqeeb's approaches. Instead, a frame of reference, based on a general understanding of the conflict paradigm, is presented which consists of three major concepts: the centrality of the state, the social foundation of the state and the relative autonomy of the state. These concepts are useful for two main reasons: first, they help to eliminate the common assumption about the particularity of the state in the Arab world; and secondly, they will elucidate the fact that however powerful the state may be, its scope for action and its policies are constrained by the web of economic interests that gives it its legitimacy.

Chapter two provides a critique of the existing state of accounts of Jordan, and highlights their limitations, especially the lack of an account of the political economy of Jordan, in addition to the absence of studies on the 1970's boom era. The discussion will focus on four major themes prevalent in the accounts under consideration: the formative years; Jordan and the Palestinian issue; the role of Jordan in a peace settlement; and the economic development of Jordan. Chapter three intends to overcome the limitation of the extant literature and attempts to provide an alternative and critical account of the political economy of Jordan, from the inception of the state up until 1973, with special emphasis on the organisation of state power and the building of the legitimacy of the ruling class. This aims not at providing a historical background, but rather at delineating the contours of the political economy of Jordan, in order to provide the context that will make the study of the oil boom period more understandable, especially from the point of view of clarifying the formation of Jordanian ruling class and to present a picture of the development of the class structure of the society.

Chapters four, five and six deal with the core task of this study, basically to show how the state, irrespective of the increased resources at its disposal and its increased intervention in the economy, was unable to achieve the project it took upon itself through 'development' planning aimed at restructuring the economy and producing development that enhances the livelihood of the bulk of the population. Instead, it enhanced the legitimacy of the ruling class and expanded its accumulative fund, while maintaining stability by widening the benefits accruing to the 'new' petty bourgeoisie. Thus the study will show that, the state cannot evade the particular configuration of its power base which provides its legitimacy and makes it enduring; and that the conditions of societal reproduction continued to be dependent on the state within a framework of dependence on external linkages that accentuated the contradictions and problems associated with the development process.

Chapter four will focus on discussing the state's enhanced economic power, and in particular the expansion of its 'development' role and 'development' structures, which have been underpinned by the unprecedented levels of capital influx from the Gulf. The first section examines the increased level of grant capital and loan capital as well as migrant labour remittances. The second section focuses on assessing the mechanism of 'development' planning and the broadening of the state's 'development' structures emphasising in particular the significance of these structures as the most appropriate means of dispensing the oil capital and of distributing benefits to vested economic interests, in other words means by which to nurture and promote private sector interests while maintaining their dependence upon and subordinate position to the state.

Chapter five discusses the relationship between the state's development role and class interests and highlights the fact that the state acts within a web of economic interests, that it cannot escape, via illustrating the different effects that the state's 'development' role have had on the Jordanian society. It will show clearly how state involvement in the economy has strengthened existing economic interests primarily in commercial and service-oriented activities, and, most significantly, consolidated the alliance between the state bourgeoisie and the propertied class, who have become increasing enmeshed. Additionally the chapter shows how the stability of the 1970s and the enhanced legitimacy of the ruling class depended on widening the spectrum of benefiting social

groups, in particular, the 'new' petty bourgeoisie. On the other hand, the 'prosperity' era produced increasing income disparities which will be highlighted via discussion of those social groups and classes that have become increasingly marginalised.

Chapter six aims to emphasise further the fact that the state is constrained in its action by its internal power structures via highlighting that just as the state's economic structures and development agencies dominated the economy, to the same degree, state's political structures maintained control over society, increasingly encroaching into the private domain. This has been reflected in the undermining of the development of formal and institutionalised social relations and the suppression of individuals' civil rights and freedoms, and the dominance of traditional primary affiliations and their formalisation through state political structures. By maintaining this power over society the state was able to contain and marginalise political demands for more freedoms and democracy, and the social discontent and resentments that accompanied rapid economic growth and the widening of income disparities. In this context, the discussion concerning the cabinet, the legislature (the creation of the National Consultative Council and the revival of the parliament) and the security and military apparatus aims to manifest the maintenance of the subordination of society to the state.

Chapter One

The State's Role in Development: A Critical Conceptual Approach

The first undertaking of the study concerns the delineation of a conceptual frame of reference on which the state's role and its limitation and/or inability to produce development can be elucidated and analysed. For that purpose a discussion of some of the literature that examines the state is warranted. This literature falls predominantly along the major schism of the conventional and critical approach, within which a variety of themes exist. From among these the focus will be on the Pluralist and Conflict paradigms whose basic difference is the pluralist viewing of society from a harmonious conception of diversity and multiplicity of interests and social groups, rejecting all claims that state power has a class basis, while the conflict proponents see state power as having a class base, hence society is conflictual divided across a major line of ruled and ruling, most importantly the ruling class power is rooted in a material base, in other words in its dominant economic position. These divergent paradigms will be examined in some detail with emphasis on the Conflict perspective.

Moreover, recently two important strains of thought on the state in Arab societies have emerged, namely, the 'rentier' approach and Al-Naqeebs' work on the Gulf; these will be considered also. Based on this review the suggested conceptual frame of reference rejects the pluralist view as well as the rentier and Al-Naqeebs' approaches. Instead, it will be based on a general understanding and appreciation for the conflict view emphasising the fact that state is not an 'honest' broker, nor above society, however powerful it may appear, but limited and constrained by the dominant social force in the society that gives it its legitimacy and rationale to exist.

The Pluralist Paradigm

The premise of the pluralist perspective in conceptualising state, power and society is embodied in the Western tradition of perceiving society as a

multitude of overlapping groups with a variety of competing interests, economic, religious, ethnic, professional, etc. Power in this conception is derived from the Weberian notion of it being the 'chance of a man or of a number of men to realise their own will in a communal action against the resistance of others' (Held 1989: 57). Hence, proponents of pluralism reduce power to an ability to achieve one's aims, and this opportunity is equally open to everyone. It follows that the state is:

> an entity that stands outside and above society, an autonomous agency that is invested (potentially) with an independent source of rationality (enriched by the 'technical assistance' from metropolitan countries), and the capability to initiate and pursue programs of development for the benefit of the whole society. (Alavi 1989: 289)

The state as 'honest broker' takes account of the different sections of society, mediating between various groups, ensuring that all of them have some influence on government policy while allowing none to dominate (Haralambos and Holborn 1991: 126). It is this diversity of interests competing for power that is seen as the source of democratic equilibrium and generally favourable policy formulations. It follows that political parties, interest groups and group associations, etc., are essential instruments via which individuals vocalise and press for sectional social interests. This conceptualisation of a complementary and harmonious societal existence has been heavily criticised as a result of the stark empirical evidence of ever-increasing differentiation and the obvious discrepancies in the ability of the various groups in society to influence the decision-making process, in addition to the increased concentration of economic and political power in the state. This has prompted the emergence of an alternative version, namely the *élitist* view.

This view recognises that state power is monopolised by a small minority, and defines this minority as those who hold command posts in key institutions such as the government, the military and civil apparatus, as well as parliament, company directors, etc., thereby, it acknowledges that society is divided into two groups: a ruling minority who exercise power through the state and a ruled majority. However, the diversion of interests of these two groups creates only the *potential* for conflict, since it assumes the masses to be passive and controlled by the manipulation and management of the élite, while the unity and

cohesiveness of the power élite is achieved through the sharing of similar social backgrounds, educational and value systems, in addition to the overlapping of personnel in key positions. Thus, the challenge of the élitist view to the traditional pluralist perception, through its recognition of the existence of a ruling minority and a ruled majority, is undermined by these two premises; the basing of the power of the ruling élite on its occupation of command positions and its insistence on the continued existence of societal equilibrium despite the presence of divergent interests (ibid.: 135-144).

Other variations of the élitist view have emerged, following the pressure to explain the evident lack of equal opportunity for all social forces to participate and to influence the decision-making process, especially with the increasing presence of powerful monopolies, cartels and state intervention, such as the *technocratic* and the *corporatist* views. The technocratic view has been defined as 'a political system in which the determining influence belongs to the technicians of the administration and of the economy' (Etzioni 1985: 54). In contrast to the pluralist vision of fragmented and diversified interest groups, this view recognises the problem of the increasing concentration of economic power and bureaucratic power; thus it partly accounts for developments within advanced capitalist societies of an ever-greater need for qualified technical personnel and highly specialised people to run both the economy and state institutions. However, and, as indicated by Giddens, power stemming from knowledge is an oversimplification and functional indispensability is not a source a power (ibid.: 61).

Societal corporatism is a recent development stemming from the original concept which concentrated on explaining situations in which the state dominates the corporatist groups through repressive means such as in the fascist states of Germany and Italy. In its new focus on society, corporatism is defined as 'an institutional arrangement whereby public policy is worked out through an interaction between top state élites and the leadership of a limited number of powerful corporate organisations' (ibid.: 63). Hence, it basically envisages a tripartite power core composed of representatives of the most powerful interest groups: top state position holders, corporate organisations and trade unions, recognising that diverse interests in society are not expressed on a voluntary and competitive basis but through hierarchical institutional set-ups of state and society. Although this view acknowledges that

this particular institutional arrangement of a limited number of the top leadership of state and society is necessary in order to enforce and reproduce the domination of the capitalist class, it still holds that competitive interests result in state policies that maintains equilibrium with no possible shifts towards either capital or labour. Corporatism has been, thus, appropriately described as a 'synthesis' drawing upon essential concepts of the conflict and pluralist paradigms (Held 1989: 66) in its attempt to challenge both.

Before concluding the discussion of this section it is important to note that the modernisation theory, which prevailed in the 1950s and 1960s, as the dominant analytical paradigm for understanding and guiding the development of 'developing' societies, derived its implicit assumptions of the state from pluralistic conceptualisation. Proponents of modernisation saw the state as divorced from any particular interests; representing the general interest of society, hence it is capable of bringing about development through policies and programmes which are directly aimed at achieving growth and whose effects will benefit everyone and/or 'trickle down' to them. Subsequently arose the emphasis on development planning and its adoption since the 1950s, under the guidance of international institutions such as the UN, the World Bank and the IMF, not to mention Western governments' agencies (most prominent among them USAID), in addition to the encouragement given to the production of development plans and the creation of development-oriented institutions in the 'Third World'.

Naturally the West provided the model to be ameliorated, and 'developing' societies need only to overcome some crucial missing ingredients required for economic development, identified as capital, technology and expertise or innovative entrepreneurial skills. And these will be channelled and diffused by the international institutions and Western governmental agencies to foster progress in the 'developing' societies. The experience of the past four decades of state and internationally sponsored development attests to the utter failure of this approach to improve the lot of the people of the 'developing' world. In effect their situation has been made worsened, hence, undermining the assumption that the state can act in the general interest of society. This brings us to the conflict perspective within which the problematic of state and power and relation to the process of socio-economic change will be given a different dimension.

The Conflict Paradigm

In contrast to pluralist interpretations the essential premise of the conflict proponents is the paradoxical and antagonistic relation between capital and labour and the central role the state plays in maintaining suitable conditions for profit realisation, and also maintaining legitimacy, in other words maintaining the hegemony of the dominant social force in society. Hence the social foundation of state power is crucial for any understanding of the dynamics of the state and its institutions and society and its private sphere. Recently a vigorous debate has emerged within this perspective and theoretical differences to the two major interrelated questions of why and how the state ensures the hegemony of the ruling capitalist class (Gold *et al.* 1975: 31-2). Some of the difficulties associated with such an attempt stem from the absence in classical Marxist writings of a developed theory of the state and its relation to society, in contrast to the extensive and detailed analysis of capital and the economic base, and as a result a number of approaches exist.

Bob Jessop has delineated six different approaches which involve different theoretical assumptions, principles of explanation and political implication. Marx, initially, saw the state as a parasitic institution that played no significant role in economic production or reproduction. State and its officials rather than represent the common interests of the bourgeoisie tend to exploit and oppress civil society on behalf of particular sectional interests, hence the state becomes the private domain of officials for their self advancement. The second view is also part of Marx early writings where he treats the state as an epiphenomenon: a mere reflection of the economic base. Hence the exercise of power is seen as a surface reflection of the economic struggle, and although the state can hinder or accelerate economic development, the forces of production are always determinant. The third view, that of Engels-Lenin, saw the state as a factor of cohesion, regulating the struggle between antagonistic classes through repression and concession, thus mediating class struggle without undermining the continued domination of the ruling class. The fourth is the Marx-Lenin view of the state as the instrument of class rule. This conception contains several problems, one of which is how to account to the variant state forms such as the absolutist state, where the dominant class does not have immediate control over the state. The classic example is of France under Bonaparte. The fifth is Engels-Lenin perception of the state as a set of

institutions with no reference to its class character, implying that it cannot be determined a priori but depends on the relationship between its institutional structures and class struggle in different circumstances. Finally, there is the Marx-Engels-Lenin view of the state as a system of political domination which focuses attention on the forms of the state, its intervention and adequacy for securing a balance of class forces in the interest of a dominant class (Jessop 1977: 354-7). From this diversity of views of the state Jessop concludes that:

> nowhere in the Marxist classics do we find a well formulated, coherent and sustained theoretical analysis of the state. This is not to deny that they offer a series of acute historical generalisations and political insights nor, indeed that they lay the foundations for a more rigorous analysis. (ibid.: 357)

Nevertheless, of these themes, the economic deterministic interpretation, which reduces the state to a mere reflection of the economic base, denying it any autonomous role, has until late 1960s dominated readings of Marx and Marxist thinking. The Stalinist era helped considerably in bringing about the dominance of this reading and prevented the emergence of a much-needed debate.

At the end of the 1960s, with the worsened or unchanged position of 'developing' societies and with a crisis in the advanced capitalist state, two simultaneous developments occurred that affected the approach taken towards development and the debate on the state. The first was the emergence of the *dependency* theory, which contributed significantly to challenging the dominance of the *modernisation* perspective, by shifting the focus away from the internal constraints of development and/or the missing ingredients of economic growth as posited by modernisation proponents, to the global capitalist economy, stressing the interlocking relationship between what it termed the periphery and the metropolis. This relationship has been perceived as sharply constraining and determining the options available to 'developing' societies. Moreover, it has *under*developed the periphery so the question is not merely of 'backwardness' or *un*development, hence the virtual impossibility of development as long as the periphery-metropolis relation is maintained (Weisband 1989: 120). This overemphasising of the influence of international economic forces and neglect of the internal character of peripheral capitalist

societies has led to heavy criticism of this approach, especially for 'portraying economic development as if the periphery were no more than an analytical phantom of the core' (ibid.: 136).

The second development has been a general revival in Marxist thought after the long period of stagnation stimulating a vigorous debate on the state. This further undermined Western liberal conceptualisation, and produced a proliferation of writings broadly divided into two approaches as presented below:

The Society-Centred Approach

Within this approach two major themes prevail: the instrumentalist and the structuralist. Beginning with the instrumentalist interpretation attention should be given to Ralph Miliband, whose book *State in Capitalist Society* stimulated the well-known Miliband-Poulantzas debate. Miliband was primary concerned with countervailing the pluralist democratic view as well as with elucidating the real features of the state in a capitalist society - to show in other words that the state is not an 'honest broker', a neutral force on which competing interests act with equal chances, but is 'above all the coercive instrument of the ruling class, itself defined in terms of its ownership and control of means of production' (Miliband 1973 [1969]: 7).

Miliband in effect expands on Marx's idea of the state as 'the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie and political power is merely the organised power of one class oppressing another' (Marx 1973: 35). Consequently, his analysis proceeds along the lines of showing foremost that an economically dominant class exists, which the pluralists deny vehemently, and moreover that it exercises greater power and influence than any other class; that is, decisive power lies in its hands. The interrelationship of the economically dominant force with the state is manifested by the presence of a significant number of businessmen in the upper echelon of the state, running the command positions of the state. Miliband accepts the contemporary differentiation made by Marxists between the governing élite and the ruling class in terms of the former managing and running the daily affairs of the state and the latter holding the decisive power

which constrains the political process and determines how it will run and in whose interests (Etzioni 1985: 74-5). Yet this is offset by his emphasis on the paramount importance of the social origins of the governing class, proving that it is connected to the capitalist class, and that state officials are drawn predominantly from the upper and middle classes. That is what affects their outlook, ideological inclinations and political bias. Accordingly,

> the "bias of the system" may be given a greater or lesser degree of emphasis. But the ideological dispositions of governments have generally been of a kind to make more acceptable to them the structural constraints imposed upon them by the system; and these dispositions have also made it easier for them to submit to the pressures to which they have been subjected by dominant interests'. (Miliband 1973 [1969]: 73)

Amidst the diversity of political views and public policies and the programmes of successive governments and political parties there is then fundamental agreement on ' "the foundation of society", meaning above all the existing economic and social system of private ownership and private appropriation' (ibid.: 64). This acceptance affects the range of policies and actions that governments will take, although they do not see themselves as partial to a particular class, but rather as classless, concerned with national interest serving the nation above all, since the national interest is identified with a thriving capitalist enterprise (cp. John Major's 'classless society'). Yet the actual intervention of the state aims to redress the contradictions and imbalances between labour and capital in the interests of the private enterprise via a governing élite identified with the capitalist class.

Poulantzas recognised the significance of Miliband's argument in challenging the dominance of bourgeois thought on state and political power, but he was extremely critical about the methodology used by Miliband, which he saw as giving rise to two problems. The first is that, by refuting bourgeois thought by means of bourgeois concepts and principles, one undermines the epistemological principles of Marxism, especially that a distinct theory on the state is absent. Secondly, employing bourgeois concepts reduces conceptualisation of social classes and actors, and of social relations and the state to a subjective, personal level, without illuminating the objective structures

that determine social classes and their contradictions (Poulantzas 1969: 67-71). Thus, Poulantzas emphasises that the relation of state and ruling class is an objective relation and correspondingly, if

> the function of the state in a determinate social formation and the interests of the dominant class in this formation coincide it is by reason of the system itself; the direct participation of members of the ruling class in the state apparatus is not the cause but the effect, and moreover a chance and contingent one, of this objective coincidence. (Poulantzas 1973: 245)

It follows that the functions of the state are not determined by those that occupy state power positions, but structurally determined and that the participation of the ruling class in government 'in no way changes things'. Marx emphasised that ruling class interests are in effect best served when the ruling class is not the politically governing class. Bonaparte is the classic example of this, as is Bismarck in Germany (Poulantzas 1969: 73). It is the structures of society and the contradictions rooted in the economy that necessitate the intervention of the state in order to control and neutralise them to reproduce the whole system. The ways in which the state carries out that function depend on the level of development and the forms of class struggle (Gold *et al.* 1975: 36). That is why capitalism can produce diverse forms of the state at different times in history, such as arose under Bonaparte, Bismarck, Hitler, and Mussolini.

Miliband and Poulantzas differ also on the 'relative autonomy' of the state, a concept central and important in Poulantzas's thought, and one which became very important for the whole debate about the state. Miliband accounts for it only in extreme cases of fascism, since 'if one locates the relationship between the state and the ruling class in the social origins of members of the state apparatus and their interpersonal-relations with the members of this class, so that the bourgeoisie almost physically 'corners' the state apparatus, one can not account for the relative autonomy of the state with respect to this class' (Poulantzas 1969: 74). For Poulantzas, it is only through its relatively autonomous role that the state can organise the hegemony of the whole capitalist class. In particular, the state is autonomous from the manipulations by specific capitalist class interests, but that does not mean that the state is

autonomous in any real sense from the structural requirements of the economy (Gold *et al.* 1975: 38).

An important reference point to Poulantzas's work and his emphasis upon the 'relative autonomy' concept has been Marx's analysis in *The Eighteenth Brumaire.* In discussing Bonaparte rise to power, Marx elucidated the complexity of the relation between state and society, clearly granting the state an autonomous role. The Bonapartist state, however independent it appeared from society and from all social forces and despite its claim of representing all classes, enforced and guaranteed the rule of the bourgeois class. To emphasise this Marx designated the Bonapartist state as the religion of bourgeois rule, that is characteristic of all forms of the capitalist state (Poulantzas 1969: 74). This underlines two important things: that the state's autonomy is real and necessary and that this autonomy is relative. The state 'is not suspended in mid air'; its autonomous role is contingent on developments of the society and on class antagonisms (Marx 1954: [1934] 108).

Bonaparte's 'executive power with its enormous bureaucratic and military organisation, with its extensive and artificial state machinery, with a host of officials numbering half a million, besides an army of another half million' could not detach itself from society, in particular from those who had economic power (ibid.: 107). Although Bonaparte's rise to absolute power was directly linked to his close association with the peasantry and lumpen-proletariat, he safeguarded bourgeois order and bourgeois economic interests. By usurping political power Bonaparte had actually delivered the bourgeoisie from the danger of its own rule, that is, the collapsing coalition of the two factions of capital, the financial and industrial capitalists, in addition to the threat of the other classes, in particular the proletariat, the petty bourgeoisie and the peasantry. Therefore the bourgeoisie, in order to preserve its social power in act, denounced its political power, facilitated the downfall of the parliament and applauded the dictatorship of Bonaparte.

Despite the significant differences between the two representative writers of instrumentalism and structuralism both views see the state as embedded in society. Poulantzas stresses the structural determinism of capital which leads the state to protect the framework of capitalist production, while Miliband

stresses the role of class forces where the state is an instrument for the domination of the capitalist class. In other words one sees a capitalist state and the other the state in a capitalist society.

The State-Centred Approach

The state-centred or neo-Weberian approach will be discussed via a focus on the work of Evans, Reueschemyer and Skocpol *Bringing the State Back In,* since they present their approach as an alternative to the prevailing paradigms especially of the Marxists' interpretation and methodology. They view Marxism as unwilling to grant the state any true autonomy and maintains that its discussions have been carried out at a theoretical level, claiming to be universally applicable to all capitalist states (Evans *et al.* 1985: 6-7, 350).

In contrast, they adopt an empirical-comparative approach examining various states and situations to reveal the circumstances under which states are likely to pursue autonomous goals (i.e. be actors in their own right) and the conditions under which they are likely to be successful in such pursuits (ibid.: 351). The problem with this statist approach (other than it is exactly the opposite of the society-embedded perspective, by focusing on a top-bottom relation) is that their argument for granting the state complete autonomy (that it is able to pursue interests on its own which are different from the social forces of the society) does not stand up the test of the authors' empirical/comparative studies. Hence, their conceptual frame of reference and their substantive analysis exhibit inconsistency.

For instance, the conceptual reference stresses the paradigmatic shift in conceptualising the state, where a new focus is developing, concentrating on discussing states as society-shaping institutional structures with complete autonomy, while in other parts of the work they claim that 'autonomy remains very relative; the handmaiden role remains an inescapable part of the repertoire of even the most autonomous modern states' (ibid.: 62). Also the ability of state officials to act autonomously is defined in two instances. The first is extraordinary or extreme situations such as military intervention to enforce reform or revolutionary change from above. The other is a more circumscribed instance of public policy actions in liberal constitutional polities,

especially in the development of social policy, unemployment insurance, old age assistance, etc. In this instance leading state officials, especially collectivities of career officials insulated from ties to currently dominant socio-economic interests, and who are portrayed as more sensitive and capable of formulating policies of redistribution and alleviation of distress situations, are likely to launch new state strategies facilitated by the organisational resources they can deploy, and motivated by the challenges of maintaining order. In other words, this complete autonomy is apparently a possibility which depends on a variety of elements, most importantly on a notion of state officials that does not correspond with reality.

Moreover, on the one hand Evans and colleagues insist that the usefulness of the Weberian view, is that it helps in not seeing the state as the arena in which social groups make demands and engage in political struggles or compromises (ibid.: 8). Yet on the other, they recognise that increasing intervention

> makes the state more clearly an arena of social conflicts and makes its constituent parts more attractive targets for take-over. In other words the contradictions of civil society become more embedded in the state as the state more deeply penetrates civil society. (ibid.: 69)

Another example of the striking difference between their theoretical reference and their concrete analysis is furnished by two contrasting claims. The first is that 'the underpinnings of state intervention or autonomous action lay in the bureaucracy itself rather than in the conditions of the society', thus denying any societal constraint. The second acknowledges the fundamental constraint of state action: 'the internal structure of the state and the state's relation to the class structure of society limit the state's capacity to intervene in civil society in pursuit of the goals of economic growth and income redistribution' (ibid.: 68).

In summary, the attempt by Evans and colleagues to redress the balance of the society-centred approach and illustrate the state's own capacity to influence social and political developments is undermined by these inconsistencies. They actually put the society-centred approach in a stronger position, since many of the conclusions in various parts of the book, as shown above, tally more with Marx's Eighteenth Brumaire and the existence of a dialectical relation between the state and society, than with this separation and focus on

state action as self-motivated and self-perpetuating. Consequently their concrete examples provide more interesting and stimulating reading than the theoretical reference they have attempted to provide.

Gramsci

Antonio Gramsci, who is acknowledged as one of the most original contemporary contributors to Marxism, 'is difficult to classify within any one perspective' (Gold *et al.* 1975). It is necessary, however, to refer to his work especially that one of its major themes has been the relation of state and civil society. Ironically, the Italian Government wished by his imprisonment to repress and restrain his influence and the development of his thought, demanding at his trial in 1928 that 'we must stop this brain working for twenty years' (Gramsci 1971: xviii). Yet it was during his imprisonment and under failing health that he produced his renowned *Prison Notebooks.*

The nature of Gramsci's notes, a collection of thoughts, makes it difficult to trace a single complete conceptualisation of the state and/or civil society although such a concern underpins the whole work. Rather the notes contain several positions, including the state defined as the political society plus civil society, the state as a balance between the two, and the state and civil society as one and the same. This last definition appears to be the dominant one, since Gramsci makes a reference to the liberals' theoretical error in making a distinction between civil society and political society, whereas the distinction is merely a methodological one - in concrete they are the same (ibid.: 160). Accordingly, he developed the concept of the 'hegemony of civil society' to elucidate the interrelationship of state and society. What this means is that ruling class domination is ensured by its success in persuading the other classes of society to accept its own moral, political and cultural values, for which it is essential that it already exercises leadership before winning governmental power. Moreover, the fact of hegemony

> presupposes that account be taken of the interests and tendencies of the groups over which hegemony is to be exercised, and that a certain compromise equilibrium should be formed - in other words, that the leading group should make sacrifices of an economic-

> corporate kind. But there is also no doubt that such sacrifices and such compromise cannot touch the essential; for though hegemony is ethical-political, it must also be economic, must be based on the decisive function exercised by the leading group in the decisive nucleus of economic activity. (ibid.: 161)

This is a complete rejection of the mechanical and positivist relation of structure and superstructure, where the structure determines the whole, leaving no role for ideology, as part of the whole process of creating a hegemonic position for the ruling class. Gramsci especially emphasised the dialectical relation between the superstructure and structure, and for him popular ideas, beliefs and sentiments, values, and intellectuals, in sum ideology, is of paramount importance. The state, both through its civil apparatus and through coercive means, guarantees this domination, and if the ruling class is successful this demands the minimum use of force. But in times of crisis - that is, when the leadership fails in some major undertaking and subordinated classes are ready to confront the state - it will resort to repressive instruments and/or change programmes and personnel in order to retain power and eliminate or undermine the threatening elements in the society.

Gramsci's preoccupation with the question of socio-economic change and the associated importance of ideology and intellectuals in the maintenance of ruling class domination explains the importance he attached to Machiavelli's work, *The Prince*. The book's central idea - how to change the consciousness of people and make them accept what conflicts with the generalised ideology, at that time religion, highlighted for Gramsci the significance of the role of intellectuals. It gave rise to the question of who will be the medium for a conscious transformation of society and the building of a new consensus, since

> the modern prince, the myth-prince, cannot be a real person, a concrete individual. It can be an organism, a complex element of society, in which a collective will, which has already been recognised and has to some extent asserted itself in action, begins to take concrete form. History has provided this organism, and it is the political party. (ibid.: 129)

The party - the instrument for social change, for establishing a new consensus and/or 'collective national will', however, was recognised by Gramsci as problematic from two interrelated and important reasons. The first is the relation of the party and party leadership to the masses, that is, internal democracy, and the second is the nature of popular beliefs and popular sentiments and how to change them. For that Gramsci stressed the importance of education, in particular the pedagogical educational relationship, in which the political party plays a fundamental role in changing the consciousness of the masses, not on the lines of the parties of the former communist societies of Europe, but rather on the basis of a democratic-dialectical relation characterised by a continuous dialogue between party leadership and masses. This entails long-term revolutionary struggle and the building of a new consensus of the workers/masses until the proper moment arises, or as employed by Gramsci the 'historic bloc'; the moment when the objective and subjective forces combine to produce a situation of revolutionary change, that is, when the economic structure is collapsing and there are those who are willing to take advantage.

The fundamental reflections of Gramsci, his recognition of the importance of ideology and the necessary existence of a generalised cultural-political system as an integral part of the domination of the ruling class, in addition to the significance of the political party for building a new and a different consciousness/cultural-political ideology still highlight the essential problems that face both 'developing' and developed societies. The fall of Eastern Europe - style communist parties, their utter failure in building a mass party and a new consciousness through democratic means, and the ineffectiveness of parties in 'developing' societies - all these things show the continuing significance of Gramsci's work.

Approaches to the State in Arab Societies

Discussion of the state in the Arab region has been extremely limited, partly because of the dominance of orientalist interpretations and partly due to the absence as mentioned above of a coherent and developed state theory within the Marxist tradition. Furthermore, there is a general difficulty attached to analysing Arab societies due to the controversy over the character of the pre-

capitalist formation of the area, prior to its incorporation into the international capitalist system and the advent of the state. The notes of Marx and Engels on the East, which did not escape the prevalent influence of Orientalism, gave rise to the notion of the Asiatic mode of production which conceptualised Eastern societies as static due to the absence of private property and the associated non-existence of struggle between classes for control of property. In other words, these societies lack the internal mechanisms for change, and thus it is necessary to externally induce development. In this context capitalist imperialism and colonialism were seen as progressive and necessary in order for these societies to break with their stationary situation.

This view has become a source of embarrassment to many Marxists and some like to ignore it. In response to this and to the inappropriateness of the feudal mode as a defining mode of production of the pre-colonial Arab region, Samir Amin has developed the tributary mode of production applicable to the whole region, except to Egypt which he saw as the only peasant civilisation. Thus the rest of the region consisted essentially of a trading formation living from the surplus extracted through its long distance trade (Amin 1978: 12). Resolving the controversy over the characterisation of Arab region is beyond the scope of the research. Nevertheless, contesting the relevance of the oriental type of writings especially in the light of their lingering effects (as will be seen in some of the most recent discussions of the region) is extremely important, and this brings us to the work of Turner.

Turner aptly destroys the central precepts of orientalist thinking, these being an emphasis on the role of Islam and the arbitrary power of the despotic ruler or 'Sultanisim' with its related centralised state apparatus as the reasons for the stifling of the development of a burgher class compared to European experience as well a the ever-greater concentration of state power and absence of civil society. He does this by undermining the 'mythological history' of European capitalism, hence was more successful than Rodinson, who attempted to refute orientalist claims by showing the opposite, primarily, that Islam is conducive to capitalist development. Turner illustrates the differences in the experience of European development and emphasises the central role played by the state and not a middle class in countries such as Germany, Russia and Italy. Only in England was this role played by the capitalist family. Secondly, he illustrates the lack of coincidence between economic growth and

democratisation; that is, between industrial revolution and bourgeois revolution. Britain achieved industrialisation without a bourgeois revolution, hence the continuance of the monarchy and House of Lords. In France, despite the revolution, the petty bourgeoisie and peasants have held their place till today. In short, state intervention and its pre-eminence is more common than peculiar and the coincidence of democracy and capitalism is no prerequisite for capitalist development to occur (Turner 1984: 45-61).

Any argument, therefore, concerning the particularity of Arab societies relying on one sole dimension - Islam, a missing entrepreneur class or for that matter any other one factor - fails to account for the huge transformation and continuous changes in the region. Moreover, neither the extensive intervention of the state in these societies, nor its authoritarian nature account for their peripheral capitalist development and the curtailed ability on the part of the state to induce the development of a burgher class. This is the product of a complex situation, in particular the result of the articulation of three factors: their colonial history, their integration into the international capitalist market dominated by Western capital and their pre-capitalist formations.

I will turn now to some of the most recent conceptualisations of the state in the Arab societies, in particular following the consolidation of oil as the underlying economic element in the region, where orientalist thinking can still be traced. First, the discussion will focus on a group of writers who, following Hussein Mahdavy's conceptualisation of Iran and his attribution of a 'rentier' pattern of development to its oil based economy, borrowed the theme and applied it not only to the Gulf states and Libya but also to countries such as Jordan, Yemen and even Egypt. These include Beblawi, Luciani and others [1].

'Rentier' states, according to these proponents, are defined as having economies predominantly relying on external rent, in this case oil revenues, which can sustain them without a strong productive domestic sector - hence the epithet 'rentier'. The way in which this affects the state and its relation to society is twofold. It creates allocative/distributive states in which the expenditures of the state sector are central to the functioning of the rest of the economy, stimulating services predominantly and creating various levels of rent-seekers rather than productive sectors. As a result the state is separated from society, since it is not dependent on the surplus produced within the

private economy especially that in the Gulf 'rentier' states there is no taxation, and services are free. What this does in effect is help the state in maintaining legitimacy without democracy and without influences from the social forces; hence the survival of traditional networks of tribe, family and sect as the most effective levers for the distribution of accumulated oil wealth.

A general problem with this approach is its weak theoretical basis or rather the lack of it. The concept is useful on a descriptive level to account for the type of economy prevailing in these societies. But it does not provide any conceptual and methodological tools for analysing these societies, their power structures and social reality. It remains in the realm of substantive and empirical analysis which is very important, but does not advance a theoretically-based approach. In addition its perception of states in the Arab world as unique is reminiscent of, orientalist writings and of the inherent problem with the Arabs/Muslims per se, as if the problematic is the Arabs rather than the state. This is why the book by Luciani is entitled the *Arab State* implying something unique about the Arabs.

As to more specific problems there are two in particular. The first is the basic proposition about the relation of state and society, which needs reconsideration. The ruling families in the Gulf do not rule supreme; they are not completely independent of the society and its social forces. Alliances are extremely important for maintaining the legitimacy of these states, through their sharing in the economic opportunities created by the vast oil wealth. In other words, the social reality of the Gulf is not simple, reducible to a powerful rich ruling/governing class able to allocate funds onto a receptive, docile society devoid of social conflict and differences. Were the society to be so acquiescent, the levels of repression and human rights violations would not be so great. Thus, to maintain that the state and society are disarticulated and distinct from each other distorts the very reality of these societies. The crucial point is that a different relationship exists from that in the West; and it is in illustrating that different relationship and its implication that advances can be made in understanding these societies.

Moreover, external factors, particularly the place of Gulf states or more accurately the oil economy in the international division of labour is completely neglected. The weak productive base is not simply a matter of the inefficient expenditure programmes of the Gulf states. These are important markets for

the West's industrial, construction and service companies. This aspect of the interdependence between the Gulf and the West is often disregarded by comparison with the exaggerated dependency of the Gulf. Gulf states affect the development of advanced capitalist societies not just through their oil, but also through their open markets. The squabbling of the West in the wake of the Gulf war over contracts to rebuild Kuwait and the acceleration of military purchases across the Gulf is a case in point of the significance of the West's dependence on Gulf markets.

The second problem is the extension of the concept to other Arab non-oil states by terming them 'semi-rentier', which is pushing the original concept too far. To lump Egypt into this category as well is a misrepresentation of its development; most importantly it masks its achievements under Nasir and ignores the historical shift from Nasir to Sadat. Since the adoption of *Al-Infitah* or open door policy, Egypt has been completely subsumed in the international capitalist market. It is with this that any discussion of Egypt's development must start rather with the flow of labour remittances and aid. Jordan following Mahdavy is also categorised by this group of writers as 'rentier' in that the grants it receives are similar to external rent with one difference, their unreliability. According to this interpretation the state is 'rentier' since the government receives these funds. Others see it as 'semi-rentier' due to its receiving large sums of labour remittances, part of which could be considered rent, here the economy is considered 'rentier'. Regardless of these differences, the implications and consequences are similar to those applying in the Gulf states.

The other recent conceptualisation of the state in the region is introduced in the influential book by Khaldoun Al-Naqeeb, *Society and State in the Gulf and Arab Peninsula*. It warrants special attention since Al-Naqeeb claims to present an alternative thesis to that of the 'rentier' approach or as he puts it 'a more comprehensive and preferable tool' for analysing the Gulf states. Unfortunately he fails to produce this. First, he is unable to detract himself from the 'rentier' concept and accordingly he attributes a more central role to 'rentier' states than in other capitalist societies because of the importance of public expenditure. More importantly, he emphasises the authoritarian structure of Gulf states and blames their incapability to produce an integrated development on that. This dimension of the authoritarian structure is defined as follows:

> the modern, contemporary form of the despotic state....seeks to achieve an effective monopoly of the sources of power and authority in society for the benefits of the ruling class or élite. [Firstly it]... achieves this monopoly by penetrating civil society and transforming its institutions into corporate organisations which act as an extension of state apparatus. [Secondly]....it penetrates the economic system and attaches it to the state either by nationalisation (as in the other countries of the Arab East) or by extending public sectors to complete state bureaucratic control of economic life. [Thirdly]....the legitimacy of the system of government in it depends on the use of force (or naked power) and organised terror more than upon traditional legitimacy. (Al-Naqeeb 1990: 99-100)

There are a number of serious problems with this definition, which is central to Al-Naqeeb's argument. First, democracy has not been the pre-requisite of capitalist development, not even in Europe, and the emergence of fascism and nazism cannot be separated from the processes of capitalist development, not to mention the absolutist state of Louis Bonaparte and the Bismarckian Reich. Or to take another example, this time from Asia, is Japan where the state and its bureaucratic organisation facilitated capitalist development. Japan today is a world economic power. Hence the association of democracy with capitalism is a 'myth', and to associate failure to produce capitalist development with central control of the economy and society does not tally with historical experience. Moreover, the ruling sheikhdoms of the Gulf are not undertaking something unusual and/or peculiar to them. The forms, the methods and the manner of establishing the hegemony of the ruling class simply vary according to historical circumstances and the level of development.

Secondly, it is difficult to talk about the absence of civil society, or its succumbing to the state when it was not there originally. The state did not destroy or marginalise it, it would be truer to say that its development was curtailed by the state. Moreover, the state permeates civil society in advanced capitalist society too, through a variety of institutions, since the hegemony of the ruling class is essential whether, it is achieved through an absolutist state or a bourgeois democracy. Also resorting to coercive means for achieving that hegemony is not exclusive to the 'Third World', the state in advanced capitalist societies resort to the coercive means at its disposal when necessary. But the

peculiarity of the Gulf is the fact that the legitimacy of the ruling classes does not rest on a bourgeois class, hence the state organises its legitimacy and hegemony in a different way than in the West and it is this that needs to be brought out and analysed.

Thirdly, Al-Naqeebs' periodisation of the transformation of Gulf society is questionable. He claims that the Gulf has moved away from the 'rentier' state, defined in particular as that period extending the two decades of 1950s and 1960s to the 'authoritarian' state starting in the 1970s. But if one accepts the 'rentier' concept how can one deny that the Gulf is no more based on the production of oil and 'living off' rent. Also the argument implies that the Gulf rulers were previously democratic, but not any more. Or does he confuses the nationalist progressive movements across the Arab world during Nasir's era in the 1950s and early 1960s with the political changes associated with the oil wealth which ushered in a whole new era for the Arab region, creating apathy and depoliticisation and enhancing the state's economic power.

On all accounts, Al-Naqeeb neither convinces the reader with the inappropriateness of the 'rentier' concept, nor with his alternative conceptual thesis. Yet, in the second part of the book he provides an interesting discussion of the alliances of social groups and the way in which the ruling families organise their rule and power structures, and makes an attempt to delineate a class stratification of the Gulf societies. It is this, in particular, which needs to be emphasised, but this undermines his thesis.

The Conceptual Approach of the Study

Having reviewed some of the themes involved in examining the state role, the suggested approach in the present study, as indicated in the introduction of the chapter, rejects pluralist contentions as well as the 'rentier' and Al-Naqeebs approaches, and rests, instead, on a general understanding and appreciation of the conflict paradigm by emphasising three major interrelated analytical concepts. These are the centrality of the state, the social foundation of the state, and the relative autonomy of the state. They will help in contextualising the study and in addressing its major question, namely why, considering the huge resources at its disposal, the state in Jordan failed in its project of

restructuring the economy towards productive economic activities. At the same time, these concepts will eliminate some of the common assumptions about the state in the Arab world especially the assumption that it is in some way unique, and instead help to view the state's role as a common one, and in addition show that state intervention and ability to produce change is constrained by the ruling class, or in other words by the particular configuration of power relations which exist in the society and which give the state its legitimacy.

The Centrality of the State

The widespread perception of the particularity of the state in 'developing' societies, distinguishing it as more 'central'/'overdeveloped' (Alavi 1972; Saul 1974), or in the case of the state in Arab societies due to lingering orientalist interpretations, makes it extremely important to clarify what constitutes and underpins state role. Moreover, the manner of the formation of the state in Jordan, being the outcome of British strategic interests, meant that it bore no relation to developments emanating from within, which makes it even more important to clarify this issue, since this particular formation gave the political realm a paramount role in the social transformation of the area and in the emergence of social classes, in addition to the particular organisation of state power being based on the ascendancy of a ruling Hashemite family, rather than on a rising bourgeois class.

The crucial point about state intervention and/or its central role is that it is a common feature of capitalist development and is not a consequence of the particular formation of the state in Jordan, nor its peripheral capitalist development. In other words, state intervention is a necessary consequence for establishing and upholding the hegemony of the dominant force in a society. That is why the state's main function and/or central role is similar in both 'developing' societies and advanced capitalist societies. As stated by Leys:

> The state is equally *important* in all class societies; it is no more 'central' in Tanzania than in Britain or the USA (or the USSR). It may be more 'embracing' (i.e. may own more productive forces or intervene more directly in various areas of social life) in some

> societies than others, but in this respect it is typically less 'central' ('extensive' would be a better word here) in most post-colonial societies than in advanced capitalist societies. (Leys 1976: 43)

Thus, differences exist, but only in the mechanisms for and conditions of carrying out this function, as well as in the nature of the intervention. Some of the factors, in 'developing' societies, that influenced the manner and nature of the state's intervention in the economy, include their colonial history, the character of their social formations prior to domination by Western capital and the advent of the state, as well as the nature of their linkages to Western capital. Also, state intervention differs among 'developing' societies, whose class structure and the specificity of the ruling class can only be decided on the merits of each society. In short, differences in the forms of state and in the nature of state power depend on historical conditions and on the level of development. Capitalism in Europe produced at particular conjectures, nazism in Germany and fascism in Italy (and in earlier periods Bonaparte in France and Bismarck in Germany) and produced a monarchy in Britain and a Presidential system in the United States.

Accordingly, it is by focusing on disclosing the particularities of each situation in terms of the organisation of state power and state structures, and by unfolding the specifics of class formation and the social foundation of state power that the state's role and social change can be explained as well as the manner and the level of state's involvement in the economy. At the same time one must not neglect the external constraints upon 'developing' societies in producing development given the prevailing situation of Western capitalist hegemony, denoting a subservient place for them in the international market. The importance of illustrating the particular organisation of state power in each situation brings us to the second main concept, which serves to emphasis possible variations in the manner of state intervention.

The Social Foundation of the State

Unravelling the social basis of state power, that is the dominant force in society and delineating the social structure must be the point of departure for any meaningful discussion of the various forms of the state and patterns of development. In order to bring about social change, one needs to have a clear

understanding of the forces that constitute the social reality, and nowhere is this more important than in 'developing' societies, where social contradictions and immense poverty and 'backwardness' persist. Yet discussion of the ruling class and class formation in Jordan, as with many of the 'developing' societies, is particularly problematic. As Zubaida has aptly observed, among the many theoretical problems faced by the contemporary student of the Middle East is the suitability of concepts and theories of class for the analysis of these societies (Zubaida 1989: 58).

Thus, even when writers attempt to apply class analysis when examining the transformation of the Arab region, as does Batatu in his master work *The old Social Classes and the Revolutionary Movements of Iraq*, they feel 'uneasy about too precise and strict concepts of class' (ibid.: 60). One explanation offered by Zubaida is that such attempts have not paid much attention to the significance of the political realm. Political changes have a profound impact on social and economic organisation, in just the same way as the constitution of political forces arises from various and shifting social solidarity, whether of class or community. This conceptualisation entails moving away from a society-centred and essentialist interpretation to an approach that does not hesitate to grant the political realm its appropriate place in social process and social change. One of the situations where it would be virtually impossible to deny this is Jordan.

The Political realm played a determining role in the formation of the Jordanian state and the particular formation of its ruling class, being attached to the Hashemite family. Thus, state power in Jordan, as in the Gulf states, does not rest on the legitimacy of a capitalist class, but on how the ruling families in alliance with key social forces attempt to create a social base for their rule while constrained by their place in the overall international division of labour. The Hashemite family does not represent a class as such, but its political and economic interests are promoted and protected as they are tied to key social forces that evolved since the establishment of central rule, through a political system and state structures in which the *Al-Diwan Al-Hashemy*, or the royal court, holds the focal point of political power. This is where a serious tension laden the role of the state: the necessity to maintain the relevance of the Hashemites while attempting to create viable private economic interests.

The Hashemite ruling family played a special role in the creation and building of the state, which explains the strong identification of the state with the Hashemites; hence its not accidental that the name of the country is derived from its ruling family. Yet that by no means implies that the Hashemites rule supreme and that the state is almighty, dissociated from the society, and hence viewed as either ruling for the good of society or a Mukhabarat, secret police, repressive state. On the contrary this study aims to show that the whole process of imposing central rule and the consequent transformation of the area entailed the creation of a social base that gives legitimacy and meaning to the state - in other words the creation of a ruling class. Throughout this study the Jordanian ruling class will be used to mean the alliance that have been created and nurtured between the Hashemite ruling family and the commercial bourgeoisie, landed class and the state bourgeoisie - the top level management of both civil and military and security apparatus. Thus, despite the eminence of the state and the political domain, state actions are limited by the very configuration of its power base.

In order to accommodate the particular formation of the ruling class in Jordan, and to avoid being impeded by the dilemmas of whether class analysis is possible or not, the classification of social classes that will be adopted in this study will be based on descriptive analytical categories based on economic criteria. This classification was used by Marx in analysing concrete situations such as France during the Revolution, where he identified the proletariat, the bourgeoisie in its two factions industrial and financial, petty bourgeois, the peasantry, and the lumpen proletariat (Lee and Newby 1983: 121-2). In addition this classification has been adopted by other writers on the Arab region such as Longuenesse on Syria, Lazreq on Algeria, Abdal-Fadil on the Gulf, and Niblock on Sudan. In such situations one is talking about the subjective/concrete, actual social groups. Adopting this classification does not conflict with Marxist theoretical sociological usage, in which class is a relationship based upon the position occupied in the productive process, and one which explains the antagonistic and exploitive relation between the bourgeoisie and the proletariat, the owners of capital and property and the sellers of labour in the market. While this objective conceptualisation denotes a dual class structure, the subjective/concrete analysis can entertain several classes or social groups treated as fractions of a class or as separate (ibid.).

In the final analysis these social groups, except for the peasantry, can either belong to capital or labour or have a contradictory class location between labour and capital, such as, managers and supervisors located between the bourgeoisie and the proletariat or small employers located between the petty bourgeoisie and the bourgeoisie (Wright 1978: 61-3). Contrary to Marx's prediction that intermediary classes will eventually disappear under the impact of capital they have provided the basis for the development of the 'Third World' while becoming solidified in developed societies, albeit for different reasons. The 'new' petty bourgeoisie has been consolidated in the West due to the complex and increased technical and administrative demands of capitalist development, and in the 'developing' societies due to the expansion of state apparatus, state services, and services in general, that is in fields that are not directly related to manufacturing and industry.

One further clarification is necessary concerning the use of the term 'state bourgeoisie'. This term will be used in the study as an analytical category to designate the top level managers and administrators of the state sector, while acknowledging that their power stems from access and control to state resources rather from being rooted in private property, in addition to acknowledging the awkwardness of this group's position; being incapable of reproducing itself or ensuring its incumbency of state positions. That is the fate of state bourgeoisie is politically determined and the survival of its members depends on their usefulness to the regime and their ability to build private sector interest while they occupy state powerful positions (Richards and Waterbury 1990; Waterbury 1991).

The Relative Autonomy of the State

The concentration and centralisation of the economic and political power of the state, with its associated huge bureaucracy, gives the impression of a state above society, completely independent from it and from all social forces. A proper evaluation of this autonomy is necessary in order to eliminate these illusions and to avoid the danger of reformist ideas about state effectiveness, through better administration and replacement of the top echelon of the bureaucracy (Leys 1976). This is also crucial in connection with the image of the monarchy in Jordan as disassociated from the actions of the state and

above society and its fractions and contradictions, so that it can appear to act as an arbiter, where as in essence it has been the *Al-Diwan Al-Hashemy* that have been the focal point of power. In addition, in times of crisis, governments tend to attribute problems of development to corruption, nepotism and favouritism, and mismanagement of public funds. Hence, changes in personnel are utilised to appease the populace and reduce pressure on the state without minimising the strength of the ruling class.

What is most relevant about the concept, thereby, is that it allows us to see that the 'political decision making process that determines economic development invariably reflects directly or indirectly the web of class interests that binds states and restrains governments' (Weisband 1989: 19). It helps, therefore, in seeing that state actions, policies and programmes are not 'class' neutral and that the state's power 'is not suspended in mid air,' without denying the influence of states in transforming societies and economies. The power of the state lies precisely in that: its capacity to act, in addition to its exclusive right to coercive instruments. Thus its essential to realise that these actions are located within a certain matrix of economic interests, even in a situation like Jordan, where the state induced social transformation and appears all powerful, and despite the attempt by the ruling family to appear as above state actions and to attribute the problems of development on an inefficient and corrupt governing élite.

In this connection it is worth noting that the web of class interests can, in 'developing societies', change radically, depending on developments within the society. This is a possibility inherent in all capitalist societies and is not exclusive to 'developing' societies, since it is contingent on the outcome of class struggle. But 'developing' societies are particularly affected since they are in flux; without a solid and stable social structure, attempting to create one, in addition to being besieged by a multitude of ethnic, religious and national problems, not to mention the immense pressure from the international capitalist market. Changes in leadership, through peaceful means or by coup d'état imply, most of the time, a shift in the power of social forces and classes, imposed often by the repressive means at the disposal of the state. This is why a change of prime minister in Britain or president in the United States does not entail a change in the fundamental web of class interests whereas, for instance, Egypt under Nasir is not Egypt under Sadat: it moved from a state

attempting to create an autonomous industrial development to a compradore state. Syria experienced similar shifts in social alliances under Hafaz Al-Asad, who gave rise to a petty bourgeois state while marginalising the traditional landed aristocracy.

Ironically, the instability of the ruling class and the social structure of society in Jordan lies in the very element that allowed the building of a state and the creation of a thriving commercial class and other benefiting social groups, namely the concentration of capital in the state's hands which is contingent on its ability to continue to serve Western interests in the area. Hence the state's ability to expend and maintain itself and the prevalent power structures were not conditioned by the domestic economy but by its ability to marshal external resources, which enhanced its independent scope for action to maintain the existing power relations, but simultaneously made it extremely vulnerable to changes outside its control. Moreover, the dependence on external resources undermined the state's project of building a viable bourgeois class and maintained its subservient political-economic position *vis-à-vis* the West, which restricted its economic activities to the intermediary sphere, where they do not pose a threat to Western capital and goods and commodities. As long as the state can muster these external resources it is able to maintain prosperity and stability, and marginalise political demands. This explains why the crisis of the state was manifested on two levels, an economic and political level. Once its economic power was eroded the state was forced to open up political channels as a means of releasing the pressures mounting on it and to compensate for its inability to lessen the detrimental impact of the deteriorating economic situation on the bulk of the population.

This conceptual approach of the study aims foremost to provide a critical-analytical point of departure for unravelling the complex reality of Jordan, the importance of which will be further emphasised considering the present state of academic research on Jordan, as will be seen in the critique of the accounts on Jordan which follows.

Notes

1. See Hossein Mahdavy (1970), 'Patterns and Problems of Economic Development in Rentier: The Case of Iran'. Also Hazem Beblawi and

Giacomo Luciani (1987), *The Rentier State*, and Giacomo Luciani (1990), *The Arab state.*

Chapter Two

A Critique of Contemporary Accounts of Jordan

Most contemporary studies on Jordan emphasise the 'success' story of Jordan, either by highlighting the role of the Hashemite family, in particular King Hussein, in maintaining stability, or by stressing its remarkable achievement in overcoming the constraints imposed by its lack of natural resources, thus reducing the history of Jordan either to an account of the ruling family or to a growth miracle despite the odds. Even those who have attempted a political economy account remain constrained by their choice of the conceptual approach. Moreover, academic interest in Jordan has been a derivative one, overshadowed by Jordan's unique relation to the Palestinians and the Arab-Israeli conflict, this has hindered the emergence of literature that examines Jordan's development on its own right. Despite these limitations in the extant literature, some of the available sources have provided immense help in the substantive analysis of the present study, in particular the works of Ameri, Hourani and Robins.

The critique is divided according to the main themes prevalent in the studies under consideration, namely the formative years of the state, the Palestine issue, the role of Jordan in a peace settlement and finally, the economic development of Jordan. Before discussing these, however, reference must be made to some specific sources which were of great value to this research and which to some extent compensated for the lack of data and information on Jordan, these being unpublished MA theses from the University of Jordan, especially those of the economics department. Those familiar with Arabic, may profitably consult these, although in terms of analysis they may be limited, as sources that compensate for lack of data and information on specific aspects of the economy they are valuable. Secondly, there are two journals, *Al-Urdun Al-Jadid,* or New Jordan and *Al-Bunuk fil Urdun*, or Banks in Jordan, published in the Arabic language and specialising on economic issues, the former from a political economy perspective and the latter from a liberal stand point. Moreover, the shortages of analytical sources on the economic development of Jordan has been compensated to a great extent by my work for over five years

at the Ministry of Planning prior to embarking on this study. The experience, exposure and knowledge gained during these years have facilitated immensely the development of my views.

The Foundation of the State

Under this theme five works will be reviewed, of which two are unpublished theses. These are the works of Hani Hourani, Mustafa Hamarneh, Philip Robins, Mary Wilson, and Ali Abu Nowar.

The work by Hani Hourani, *Al-Tarkib Al-Ijtima'iy wa Al-Iqtisadiy li Sharg Al-Urdun 1921-1950,* or the Socio-economic Transformation of Jordan, focuses on examining two major and interrelated issues: the objective conditions prevailing in the area prior to the creation of the state, and how these facilitated and/or permitted the successful implementation of the British colonial project in utilising the area's strategic location in order to safeguard British interests through imposing central rule via a ruling family from outside the area. Hourani maintains that the 'backwardness' of the area was the major reason behind such a success and this 'backwardness' has been brought about by the lack of economic surplus, since the conditions of pastoral-nomadism and subsistence agriculture did not produce it; in addition, any such surplus was appropriated by the Ottoman authorities through land taxes and by leading tribes in the form of 'khawa', or tax in return for protection from tribal raids.

Hourani proceeds then to discuss the existing economic base and suggests the prevalence of a multitude of modes of production, pastoral-nomadic, semi-nomadic, feudal, and semi-feudal, as well as a petty commodity production, none of which were capable of transforming into a dominant one, and hence of producing local leadership. The period 1920-1, following the collapse of Faisal's government in Syria which produced several local governments in the various districts of the area, was taken by the author as evidence of this lack of a dominant social force. Hence, in answering the major question of why the colonial project was fruitful when internal conditions were not conducive, Hourani attributes this to a state of balance between the various social forces, which allowed none to dominate, but offered a chance for an outside force

equipped with a central apparatus to emerge, playing the arbiter among these contradictory and conflicting social forces.

There are two problems with Hourani's analysis. The first relates to the inappropriateness of discussing the area prior to 1921 as a socio-economic unit and projecting onto it an analysis whose concepts and methodology presuppose such an existence. As Hourani himself indicates the territory never constituted a separate unit or had an economic centre. It had been administered primarily as part of Wilayat Damascus and its interaction has been outward to Palestine and Syria rather than towards an interior. Even the settled population were scattered and isolated from each other. This makes it very difficult to discuss the pre-1921 area in terms of its inability to produce a dominant social force and its lack of economic surplus as a reason for its 'underdevelopment'. Significantly, after the withdrawal of the Ottoman army from Amman in 1918 the area was administered as part of Faisal's government in Syria and it became important only when Faisal and British troops were pushed out as a result of settling the British-French division of the Levant. It was solely imperialist rivalry that imposed the separation of the territory against its historical linkages, thus Jordan's pre-state history can only be entertained and explained by taking account of its historical linkages to Syria, Palestine and Hijaz.

The second problem is Hourani's assertion that the success of the British task was due to the balancing act the Hashemites were capable of doing between the various conflicting social groups, this assertion needs reconsidering. It presumes that the question of central rule of the area was an internal one, unresolved because of the presence of such conflicting interests. Hence, it blurs the significance of the imposition of central rule, which had arisen in the first place as a result of British concerns, whereas the internal conditions not only were incapable of producing it, but did not necessitate such an eventuality. The various local governments that formed prior to the establishment of the state were instigated by the British to buy time (while a definite policy towards the area evolves), due to the change in the political circumstances between Britain and France and had little to do with local developments. Moreover, it was natural that several governments emerged reflecting the prevalent traditional affiliation and allegiances and localised centres of power. The state and central rule was imposed to keep the area free of anti-French and anti-

Zionist activities or movements in order to protect Britain's vital areas: Palestine, Iraq and Egypt. Hourani is right, therefore, that central rule was an instrument in the hands of the British colonial authorities precisely to secure such conditions, but its success was dependent on the ability of the British to utilise Abdullah as a local ruler around which local interests were created while subduing both the sedentary and tribal population through a variety of means, this was made easier because of the absence of a local force to reckon with.

Therefore, Hourani's related assumption that the state was above society and disassociated from it, because firstly, the ruling family had been from outside the area and hence was capable of playing the arbiter, secondly, the monopolistic control of the governing class involving few local political figures, in addition to the British officers and personnel and thirdly, the dependence on external capital, is not satisfactory. The whole process of imposing central rule and legitimating Hashemite rule entailed, in particular, the promotion of social forces with vested interests in the new state, which Hourani refers to: the inducement of a commercial bourgeoisie via the opportunities created by the monetisation of the economy and a small core of state bourgeoisie as a result of the building and the expanding the state apparatus, and the creation of a landed class through the state's registration and privatisation of land. Thus, it was not a matter of balancing but of establishing a ruling class, while tying the livelihood of a large segment of the population to the state and its expenditure. The ruling family only appears to be as above the conflicting interests of the various groups in order to manipulate successfully these differences, as well as to create its own legitimacy and maintain its relevance.

In discussing the impact of the creation of the state Hourani provides a wealth of information detailing the socio-economic transformation of the area, in addition to attempting a delineation of the transformation of the social structure. He emphasises the dependence of the state on external resources and how the monetisation and commercialisation of the economy was a consequence of the availability of these resources from the British colonial authorities to expend on the state apparatus, especially the military establishment, rather than from the development of an internal surplus. Nevertheless, Hourani overemphasises the effects of the particular manner of the establishment of the state - as an instrument for British strategic and political interests in the region - in determining the pattern and structure of the subsequent development of the

society, neglecting the importance of its pre-capitalist formation in the evolution of its pattern of development. It has been the articulation of its pre-capitalist formation and its integration into the capitalist system which has produced a peripheral capitalist development, characterised by the marginalisation of agriculture and the eminence of commerce and services, with its corresponding social structure.

The second work that merits consideration is Mustafa Hamarneh's Ph.D. thesis, 'The Social and Economic Transformation of Jordan', covering relatively the same period as Hourani's book, 1921-46. Although the major theme of the work concerns the period after the creation of the state, Hamarneh seems to be more convincing in his treatment of the process of social change in the era prior to the creation of the state. He provides interesting material related to that period. Yet he leaves a big question mark, as does Hourani concerning the feasibility of discussing the pre-1921 territory as one unit and claiming that the territory that came to be designated as Transjordan in 1921 was 'backward' lacking economic surplus for a push forward, incapable of producing a dominant social force.

In dealing with the post-1921 period Hamarneh upholds a position similar to Hourani's, maintaining that the strategic and political interests of Britain in the region shaped and determined the development of Jordan. But he is less successful in providing the material and analysis to substantiate his assertions than Hourani. Moreover, he maintains that lack of economic surplus continues to be the root of the 'backwardness' of the area, and claims that Jordan, during the three decades following the establishment of the state and the imposition of central rule, has not changed and has remained stagnant and still. There are two objections to this. Firstly, this criterion of availability or lack of economic surplus, although important, is not enough to warrant the claim that the problem of development lies there. Many 'developing' societies possess huge economic surpluses and their 'backwardness' has not been eliminated. The most striking example is the Gulf states. Secondly to say that Jordan has not changed during this critical period is far from correct. The dramatic changes that have taken place through the mere formation of the state have been far-reaching. Thus, the two salient characteristics of this period, the building of the state and its apparatus, both civil and military, and the commercialisation of the economy with their direct impact on the transformation of the social structure

has been completely ignored. Hamarneh confuses the official British policy of a 'stand still policy', meaning keeping expenditures at minimum with a stagnant society, but these are not the same and the transformation of the area attest to that.

Hamarneh's inappropriate choice of the dependency school of thought as the theoretical basis of the research might partly explain the weakness of the empirical side of the study. Dependency theory lacks the methodology by which the internal conditions pertaining to 'developing' societies can be explained since its focus is on external factors and on the relation between nations, in particular core and periphery. This limits its usefulness in studies like Hamarneh's which are aiming at explaining internal transformation. Although Hamarneh states that this school of thought has been challenged on both factual and methodological grounds, he is still content to use it. Hence his utilisation does not transcend the descriptive account by qualifying the relation between Britain and Jordan as a dependent one without showing the dynamism of the relation and how in fact Jordan's structural changes were determined by British colonial policies motivated by the need to entrench the Hashemites as focal point of state power.

The other problem is Hamarneh's concluding argument that the state during this period was 'for itself', independent of any local class interference. This is factually wrong and theoretically misleading. If the state was for itself and if internal class interferences were absent how can one explain the internal conflicts arising between the state and both the tribal and sedentary population? The essential task of both the British and the Hashemite family was to foster social forces that identified with the Hashemites rule and this resulted in two processes. The first is the co-optation and integration of the tribal population by providing tribal leaders with the opportunity to buy large areas of land and the establishment of an army drawing most of its recruits from the tribal population - not to mention the effects of land registration and privatisation in undermining the material basis of the tribal system and in linking the population to the state. The second is the monetisation and commercialisation of the economy and its effects in creating economic interests and benefiting social groups linked to the new rule. Thus, the state contrary to Hamarneh's claims, sought the support of local social groups to give it the

legitimacy it needed and created social groups with vested interest in its continuity. This formative period was particularly important in this respect.

At this point mention should be made of Philip Robins' Ph.D. thesis, 'The Consolidation of Hashemite Power in Jordan', which also covers the period 1921-1946 and focuses, in particular, on elucidating the social base of the state. Robins, like the previous two authors, in discussing the area prior to the emergence of the state imposes the question of why a state did not emerge from 'within' which is only relevant in terms of what happened later, that is the fostering of the state by a colonial power. The redundancy of the question is further emphasised by the analysis provided which identifies four major elements that prohibited such an outcome: the lack of a definable political community, economic surplus, a power centre and the absence of a powerful sub-statal group.

Robins goes on to analyse the manner of the consolidation of Hashemite authority and the dynamics of the imposition of central rule. Although he provides substantial analysis of the key groups involved in the process there is one major problem with the way in which he delineates the process. Robins sees the process as moving from an attempt to build a 'Shariefian' state to an attempt to build a state based on 'external élites'. First of all the Shariefian suggestion is not convincing, especially since the groups that underpin this suggestion, as Robins' define them, did not constitute a common or a coherent bloc. These included the nationalists from Greater Syria area and those adhering to the *Hisb Al-Istiklal* (independent nationalist party), a small stratum of merchants and the entourage of Abdullah that came with him from Hijaz. Among these, emphasis is put on the *Al-Istiklalis*, who for the first three years of the inception of the state dominated its administration.

It is difficult to perceive this initial alliance between Abdullah and the *Al-Istiklalis* as presenting a basis for the consolidation of central rule and the imposition of a state. This alliance was based on the political motives of each side, which lay outside the area; in addition the *Al-Istiklalis* had no local support base, as Robins indicated, which is precisely why its presence was short-lived. Neither the *Al-Istiklalis* nor Abdullah were interested in creating a local power base, and that very fact negates seeing these three years as an attempt to build a state based on a Shariefian coalition. The British, whose interests lay in creating a

local power base and in keeping the French out of their zones of influence, could not tolerate any political force that intended to jeopardise the imperialist balance or threaten the process of entrenching central rule in Jordan, hence the dismissal of the *Al-Istiklalis*. Abdullah, aware of his dependence on the British, could do very little to avert that eventuality. Thus the shift since 1924 signifies the need to create a local power base rather than a failure of the 'Shariefian' proposition.

The second proposition of Robins, concerning the shift towards building an 'external' élite state, needs re-examining too. Although Robins is aware of the inappropriateness of using the term 'foreign' to refer to the Arabs that were involved in the process and chooses the term 'external', there remains a problem with this. First, these individuals were not external to the territory prior to the advent of the British: free movement and extensive relations existed between what became Jordan, Syria and Palestine and moreover many Syrians and Palestinians have settled there prior to the consolidation of the state. In other words, there was no specific political awareness that separates the local population of the area and neighbouring Arabs. This is crucial since it makes those Arabs who were involved in the building of the Jordanian state only 'external' in terms of the borders that the British and the French were erecting in the Levant. Moreover, the resentment that emerged among some sections of the local population was personally motivated, and more importantly, the British manipulated it to control the politics of Abdullah. In addition, the rivalry and conflict rose over power positions, and not from awareness of political distinctiveness. Otherwise it would be difficult to account for the stability and the relatively peaceful process of imposing a state if such resentments were widespread and significant. Also, to put those Arabs in the same category as the British colonial officers underestimates the dominant role of the British.

Robins recognises the importance of creating social forces with vested interests for the consolidation of central rule and the maintenance of the state, and hence assigns a chapter to discussing the land policy and its effects on the both the sedentary and tribal population, and another chapter to discussing the emergent merchant class. Yet this 'external' élites frame of reference undermines his analysis by overemphasising that most merchants came from Syria and Palestine and, that part of the military recruits came from tribes

outside the boundaries of the state. What has been significant about this process is not the 'externality' so much as the ability of the Hashemites and the British to create vested interests in the state, and the successful manipulation of sub-statal affiliations and loyalties to impose central rule. Another important point is that it was the totality of the process of legitimating central rule that made it possible to build and entrench the state, not only through the land policy and trading activities, which augmented the power of the tribal leaders and made merchants influential: the military establishment, and the administration of the state and its various agencies, played a crucial role too, especially through linking the livelihood of a large part of the population to the state.

A final observation regarding Robins work is the ease with which he dismisses the Marxist approach as unsuitable for studying 'developing' societies, especially the Middle East, on the basis that the relative strength of the state in relation to social classes is conventional wisdom. His theoretical frame of reference would have been enriched immensely, if he had taken into account some of the literature available within this approach. Despite these reservations, his thesis remains a very important and relevant source of information and analysis.

Mary Wilson's book, *King Abdullah, Britain and the Making of Jordan*, provides a thorough historical-political study of the formative years of the state through tracing the history of Abdullah. Wilson maintains that the value of Jordan, and its consolidation as a separate state from either Palestine, Syria, Iraq or Saudi Arabia, emerged over time as a function of the British maintaining influence and safeguarding their strategic interests in the area. At the end of the First World War Britain had no pre-planned scheme for Jordan as was the case with Palestine and Iraq, until the occupation of Syria by France and the dismissal of Faisal. Britain's fears of a French presence closer to its two vital interests were the motivation behind its claiming it as part of its sphere of influence. Hence the emergence of Abdullah as a factor in Arab-British relations coincided with Britain's interests. The apparently slow evolution of a definite policy stemmed from the variety of views about the precise shape of the settlement after the collapse of Faisal's government in Syria. Views differed as to Jordan should be part of Palestine, and hence open to Jewish settlement and colonisation, or separate with a strong presence of British troops or alternatively a loose

presence. Therefore, British policy advanced from lending support to the establishment of local governing bodies in various districts of Jordan, to a temporary sponsorship of Abdullah, to a lasting commitment to the establishment of a separate state under Hashemite rule, supporting it financially and politically over four decades.

Wilson's main argument of a confluence of interests between Abdullah and Britain is an understatement of the hegemonic position of Britain and absolves it from its imperialist history. Britain's strategy was clearly embedded in protecting the establishment of a Jewish national home in Palestine and limiting the extension of French influence in the area. Thus, while Jordan was under its influence, that is, administered by Faisal's government in Syria it posed no problem. It only became a factor once the balance between France and Britain was threatened. Thus the future of the territory was, first and foremost, determined by Britain, Abdullah was only useful as a tool in determining the shape of the settlement. Although till the very end of its involvement Britain was not especially convinced of Abdullah's utility, but for lack of another useful alternative the support for the Hashemite family was maintained. Britain also used the creation of the Transjordanian Emirate as a means of conciliation with the Hashemites due to its having broken its promises to Sharief Hussein.

Within this frame, Abdullah's willingness to co-operate with the British to the extent of being completely subservient to them in the hope of achieving his grand vision and ambition to create a united Arab kingdom in Greater Syria was greatly welcomed. Wilson successfully shows that Abdullah's interests did not lie either in Jordan or in Palestine per se, but initially in the greater Syria kingdom. It was the unfolding of political events that pushed him to Amman as merely a stepping stone towards his dream of ruling over Syria, and only in the mid 1930s to Palestine, although he never relinquished his dream, which with every passing event seemed further from being realised. Thus, it is difficult to conceive of British strategic interests and Abdullah's as ever coinciding. In fact they were diametrically opposed. In the end, Britain's arrangement with the Hashemites in Jordan and Iraq provided two protégés who were manipulated in order to safeguard its strategic position in the area. Wilson's benevolence towards Britain is in evidence even when she discusses the eventual annexation of the West Bank by Jordan.

Britain's behaviour during that period could be least described as politically motivated, let alone the policy of Jewish colonisation and settlement that took place under British protection, culminating in the 1948 Palestinian catastrophe. To complete the success of the Zionist project, the British granted Abdullah a free hand to rule the area that was allotted by the UN partition plan to the Arabs. Thus, it was not the fragmentation of the Palestinians' nascent resistance movement that allowed Britain to ignore Palestinian voices, as claimed by Wilson, but its own interests that saw this development as unwelcome, threatening the Zionist project. This is not to mention Abdullah's political play, sanctioned by Britain, for undermining the Palestinian resistance movement by exploiting the competition between its two major factions, the Al-Nashashibis and the Al-Husaynis, playing one against the other to the benefit of the Jordanian regime and Britain by having Palestinian representatives sanction the annexation of the West Bank during the Jericho conference in 1948. Moreover, it is difficult to see Britain's reluctance to provide arms and ammunition to Jordan, Iraq and Egypt during the 1948 war as a scrupulous honouring of the UN arms embargo while giving the Zionists the time to replenish and increase their armaments. Under the best of intentions that can only be seen as politically motivated rather than a strict adherence to the UN resolution, whose consequence were the retreat in Arab positions to the advantage of the Zionists.

Despite the above criticisms, Wilson's book is an important reference for those concerned with Jordan. The author was fortunate in being able to use the Public Records documents that have been made public to enhance her analysis and provide her with a wealth of official documents related to this critical period of the making of the state especially those related to Abdullah's ties with the Zionists, and those containing embarrassing details of the relationship between Abdullah and Britain.

Ma'an Abu Nowar's book *The Creation and Development of Transjordan 1921-1929* is among the recent publications covering the early period of the formation of the state. Yet the inappropriate theoretical/analytical underpinning of the study undermines the relevance of the book. Abu Nowar puts the question of the formation of the state in Jordan within a framework of political competition, of equal importance and strength among the Hashemites, Britain, France and the Zionists, in an era described as dominated by nationalism,

which was equally potent among all these major actors. He maintains that it was the rise of this tide of nationalism that precipitated the collapse of the Ottoman empire and the emergence of new states in the region. British and French nationalism is seen, then, as the motivation for the division and domination of the Levant, a process facilitated by their advanced political and economic organisation. Thus, mention of the crucial factor, behind the division and artificial creation of states in the Levant, as well as in accelerating the collapse of the Ottoman empire, namely Western capitalism and imperialist competition, is totally absent from the work.

As a result a major flaw underpins the work in that it misinterprets the reasons behind the creation of the state in Jordan. Rather than seeing it as a product of Britain's role and strategic interests without which there would not have been a separate political entity in Jordan, the author attributes it to nationalism and nationalistic feelings. Thus, Abu Nowar avoids discussing the crucial role of Britain and accordingly portrays the relationship between Abdullah and the British as one among two competing equals. He fails to see the constraints on Abdullah in Jordan as caused by the very nature of the relationship dominated by the British and their interests (which Abdullah and his entourage understood perfectly well and which explains the essence of their co-operation with the British), but instead presents it in terms of personnel feuds and antagonism between Abdullah and the British officials. Another consequence of Abu Nowar's ignoring Britain's role is the explanation he offers for the failure of a local force to emerge as a unifying element. That too was wrapped in nationalistic jargon and put in terms of a missing man of 'light and leading', and Abdullah was just that man, filling a vacuum.

In such a study, covering a short period of the history of a country, one would expect to find a more serious treatment of and emphasis on some crucial facts, such as the role of *Al-Istiklalis* in the first three years of the creation of the Emirate and their marginalisation by the British, the resistance to central rule, the uproar that followed the signing of the Anglo-Jordanian treaty of 1928 and the subsequent organisation of a conference in Amman demanding its annulment and the independence of Jordan from British influence. Instead emphasis was laid on matters that were not particularly significant such as, a purported shift from an individual rule to a constitutional/institutional rule, to which a whole chapter is devoted. The political system in Jordan up until the

present has not operated on such a basis and the executive is not accountable to the legislature especially the king, whose powers override both the executive and the legislature.

In his attempt to present a 'pro'-Hashemite interpretation and a benevolent view of the British, Abu Nowar has produced a study that is essentially a historical narrative, with very little to offer by way of analysis that might foster a better understanding of the formation of the state or of that particular period in Jordan's history. In addition, the author's desire to glorify Bedouin/Arab/Islamic culture and values leads to an orientalist approach, emphasising the unchanging, eternal nature of the Arab culture, hence his claim that despite the seventy years of transformation of Jordan, people's attitudes towards their tribal customs and traditions, familial discipline and Muslim culture has not changed.

Jordan and the Palestinian Issue

The second theme of the literature review involves looking at one of the very significant ramifications of the creation of the state of Israel, namely the relation between Jordan and the Palestinian population - who overnight found themselves without a home, and soon afterwards under the rule of the Jordanian regime. In this connection two writers warrant discussion, Clinton Bailey and Uriel Dann.

The stated goal of Bailey's book, *Jordan's Palestinian Challenge 1948-1983*, is to examine the struggle between the Hashemite monarchy and the forces of Palestinian nationalism over the future identity and location of those two-thirds of Palestinians in the East Bank and the West bank who have been Jordanian citizens since 1948. The author hopes, therefore, to redress what he considers an imbalance and shift the focus of the Palestinian issue away from Israel to Jordan, since that is where he believes the main theatre of conflict to be, and hence it is the outcome of that struggle 'that will determine ultimately the destiny of the Palestinians as a people'.

The core of Bailey's argument, which stems from his Ph.D. thesis 'The Participation of the Palestinians in the Politics of Jordan', is as follows. The

turmoil which riddled Jordan from the 1950s till the early 1970s and which carried through into the 1980s had been caused by Palestinian nationalism, whose aim had been the toppling of the Hashemite monarchy and its replacement with Palestinian rule as a prelude to the liberation of Palestine. Therefore two irreconcilable camps emerged, with opposing goals: the Palestinians, who aim at regaining Palestine, and the Hashemites, who wanted to rule. Following this, policies on the part of the monarchy were aimed at minimising Palestinian influence while not losing legitimacy in the eyes of the Palestinian population under its rule. Palestinian policies on the other hand, aimed at maximising the exposure of the regime's anti-Palestinian stances and pro-Western inclinations to gain influence.

Since Bailey's primary concern is to avoid the main theatre of conflict, namely Israel, the context for the discussion of the Jordanian-Palestinian relation and Palestinian nationalism is devoid of its crucial frame of reference, that being the rise and fall of pan-Arabism. Without that frame it is difficult to arrive at accurate historical analysis of the 1950s, 1960s and 1970s. Hence Bailey discusses Palestinian nationalism as one phenomenon throughout those three decades, thus missing an essential point, that in the 1950s Palestinian nationalism was part and parcel of Arab nationalism and the focus was on Arab unity as a way to achieve the liberation of Palestine. The struggle with the regime, therefore, was not between Palestinian nationalism and the Hashemites but between the forces of Arab nationalism and/or progressive movements that emerged following the defeat of the 1948 war and the traditional leadership. A new urban educated younger generation took over, with followers from both sides of the Bank cutting across the imposed Palestinian-Jordanian divide. Hence the 1950's epitomised the struggle between an opposition movement having a wide political spectrum (nationalists, Ba'thists, socialists and communists) against the regime and its traditional allies.

As to the claim that the opposition aimed to overthrow the Hashemites, this remains mere speculation, since the declared objective of the opposition in Jordan was to transform Jordan into a constitutional monarchy with a government accountable to the parliament, hence limiting the absolute powers of the king, in addition to severing Jordan's special ties with the West. Moreover, Bailey ignores the fact that the Palestinian bourgeoisie and some of

the prominent families had been an integral part of the ruling class in Jordan, they provided support and loyalty as much as loyal East bankers. He, therefore, fails to see the Palestinians as part of the ruling class in Jordan or appreciate that economic and class interests played a major role in defining who was in the regime camp and who was opposed to it. It is not simply a matter of a regional division between East Bankers and Palestinians.

By contrast, the post-1967 period saw the full crystallisation of an independent Palestinian movement as a result of Arab defeat and total resignation to the fact that a consolidated Arab effort was not forthcoming, and that the Palestinian themselves would have to foreword a separate agenda to regain their lost land. Thus, the struggle that emerged between the regime and the PLO is qualitatively different from the period of the 1950s. The PLO, which represented Palestinian nationalism and the aspiration for self-determination, did present a Palestinian challenge to the ruling class in Jordan and an alternative. Bailey also fails to make another significant distinction that between the Palestinians within Jordan since 1967 and those under Israeli occupation. The Palestinians in Jordan are fully integrated into the socio-economic structure of the society and the possibility of their moving to the Occupied Territories in a future settlement (except the refugees, who are a separate category) is very unlikely. They, therefore, do not have the same impact on a future settlement as those under Israeli occupation. Thus, just as the rise of Nasir and Arab nationalism dominated the 1950s and 1960s, to the same extent were the decline of Nasir and Arab nationalism crucial for the development of an independent Palestinian nationalism. One can see how ignoring the regional context in which Palestinian nationalism developed limits understanding of the dynamics of the Palestinian-Jordanian relation, and for that matter, the Arab-Palestinian relation.

It is apparent that such discussion and the shifting of focus that Bailey aimed at is politically motivated in order to advance the Jordanian regime as the legitimate heir to the West Bank and to avoid the central problem of Palestine/Israel. Therefore, however convincing Bailey's presentation of the Jordanian-Palestinian relation as the essence, Israel remains the centre of the conflict. The Palestinian-Israeli relation is the core, regardless of how many are in the Occupied Territories or in Jordan, or for that matter any other place in the Arab region, since the question relates primarily to the usurpation of land

and the dispossession of a people by a settler-colonial state which effectively replaced them and is attempting to annihilate them physically and psychologically. The fact of the Palestinian Diaspora should attest to the centrality of Israel to the Palestinian issue, rather than blur and confuse it. Moreover, legal niceties such as the Palestinians being holders of Jordanian citizenship and the West bank having been occupied while it was under Jordanian rule are not justifications for overlooking the development of Palestinian nationalism or denying its legitimacy, while Bailey is more than willing to give full support to the Jordanian regime's claim over a people that have shown over and over again that the PLO is their sole legitimate representative. In retrospect, the 'intifada', the Palestinian uprising, if anything has showed that the Occupied Territories is the main theatre of conflict and that Israel will be forced to acknowledge that and to directly deal with the Palestinian issue. Because of Bailey's political motivation, both his thesis and book in the end provided limited insight into discussing Palestinian nationalism and its relation with the Jordanian regime.

Uriel Dann's book *King Hussein and the Challenge of Arab Radicalism 1955-1967* discusses part of the period covered by Bailey's book, but from a different perspective. He focuses on addressing the question of how and why King Hussein survived this crucial turbulent period against all odds and most predictions (among those who predicted his days as numbered was the author himself). The methodology he uses to answer this major question centres around discussing in three parts the major challenges confronting Hussein and the manner in which he overcame them simultaneously tracing the evolution of Hussein himself from the young inexperienced monarch to the veteran king. Although Dann's treatment of the various challenges - the consolidation of Nasir as the pan-Arab leader, the dismissal of Glubb Pasha, the Al-Nabulsi government, the alleged Zarqa plot, the federation of Egypt and Syria, the overthrow of the Hashemites in Iraq and the development of the new challenge of the PLO - is highly informative and analytical, the work only partly achieves its goal. Dann has been able to provide a relatively satisfying answer to the question of how Hussein survived all those challenges, yet he leaves until the concluding few pages consideration of the second part of the question why Hussein survived. Thus it is no wonder that he provides a shallow interpretation, focusing on the personality of Hussein and his qualities as a ruler, going so far as to claim that Hussein survived because of his singleness

of purpose which his adversary Nasir in wishing his destruction lacked, in addition to good luck. This is a far cry from academic analysis, providing no insight into the study of either Hussein or of the period under consideration.

Yet one might say such an answer fits logically with the methodology of the book, where Hussein is the centre-piece and the discussion revolves around him. Because of this the book lacks any examination of the socio-economic context and the political power configuration of Hussein's rule, which are far more important than Hussein's personality and good fortune. Another problem faced by the reader is the reference to Jordan throughout the book as the 'Jordan Entity' or the 'Hashemite Entity', without any explanation being provided for an idiosyncratic choice of terminology. If it is meant to illustrate the lack of durability of the Jordanian polity it contrasts oddly with the main aim of the book, which is precisely to explain a miracle of durability. If it illustrates the artificial division of the Levant, it is strange coming from someone who obviously has strong distaste for Nasir, and for pan-Arabism and what it stood for. This brings us to another problematic usage in the book, that of the term Arab radicalism. Although the phenomenon central to the book the author does not provide any definition of it, and the reader is left with the assumption that he equates it with pan-Arabism. As a final remark, while Dann is more successful than Bailey in providing the context in which the events of the 1950s and the 1960s took place, he fails to highlight the Palestine issue, hence the impact of Israel and its creation on the developments of Nasir, pan-Arabism or 'Arab radicalism'.

Jordan, Israel and a Peace Settlement

The works by Yossi Melman and Dan Raviv and by Adam Garfinkle provide stimulating material and an insight into the third theme of this critique of the literature on Jordan, namely, the role of Jordan in a future peace settlement. These two recent books confirm the fact well-known, but always denied by Jordan, of the secret relation that existed for years between Jordan and the Israelis and behind-the-scenes negotiations for a peaceful settlement. The interesting thing about these two books is their timing. If any of the information given in these books was published only a few years ago it would have been extremely damaging to the Jordanian ruling class legitimacy and prestige. But the release of such sensitive information attests to the dramatically changed

situation in the Arab world and its acquiescence to the idea of accepting and recognising the state of Israel.

Melman and Raviv's book *Behind the Uprising: Israelis, Jordanians and Palestinians* is an apt journalistic account of the secret and clandestine meetings and negotiations conducted by Jordan and Israel over the past few decades. One might wonder about the appropriateness of the title of the book and the fact that only the first chapter discusses the 'intifada'. But if the implicit aim of the book is considered the title can be seen as most befitting, since the authors wanted to show the necessity of Palestinian participation in any future settlement and the futility of years of negotiation between Jordan and Israel. The 'intifada' highlighted that fact and emphasised that the Palestinians remain the core of the Arab-Israeli conflict, not to mention disrupting the calculations of Jordan, Israel and the United States, whose diplomacy, formal and informal, had been based on giving Jordan a special role in any future settlement.

Melman and Raviv provide detailed information concerning the venues and the political figures involved in the secret meeting, as well as those who acted as go-betweens such as Dr Herbert, who for years acted as the link between the two sides in Britain. In addition they provide details of the topics of discussion and other personal exchanges, some of which are highly embarrassing, such as the gift to King Hussein on his forty-first birthday of an Israeli-made Galil assault rifle and the king's message congratulating the Israelis on their successful mission in Entebbe, Uganda in 1976. More significant is the security and intelligence co-operation which has led since 1976, following the eruption of the Lebanese war, to the setting up of direct telephone and telex lines in addition to the frequent visits of Israeli intelligence officers.

Moreover, the authors trace the Hashemite-Zionist connection back to the period prior to the creation of the Israeli state when Abdullah was seeking economic co-operation between the two sides, and then co-operated with the Zionists and the British in accepting the UN partition plan of Palestine and in being instrumental in taking over land allotted to the Arabs according to the plan. Yet the co-operation intensified, reaching its zenith after the 1967 war, and continued to be motivated on both sides by the same objective, namely to prevent the emergence of a Palestinian state. Hence, contacts had been aimed precisely at arriving at a settlement that would prevent such an

eventuality. Although in the end these extensive contacts did not produce a formal agreement they were significant as 'an exercise in damage control'. Moreover, an extensive network of practical arrangements emerged over a number of years described by an Israeli official as ranging 'from anti-mosquitoes to anti-terrorism tactics'. These contacts, especially the high level political ones fluctuated depending on political changes in both Israel and Jordan, such as the severance of the high level contacts during Likud premiership. But the low level contacts maintained a continuity despite these fluctuations, since they involved day-to-day issues.

One specific discussion in the book that is extremely relevant highlights the existence of two main points of views within the Jordanian establishment concerning the West Bank, which the authors term the minimalist and the maximalist. Basically, the minimalists whose view crystallised after the 1970 confrontation with the PLO and who - led by Prince Hassan - are fearful from what some quarters of the Israeli establishment had been terming 'Jordan being Palestine' or the possibility of 'transfer', that is a large number of Palestinians from the Occupied Territories being expelled across the bridge to Jordan. They also acknowledge Jordan's limited geographical power vis-à-vis the more powerful Israel, Iraq and Syria, in addition to its demographic predicament. Hence they prefer to relinquish any claims to the West Bank, especially since they believe the Israeli occupation led to the formation of a new political order and a much more politicised population, whose incorporation might again threaten the instability of Jordan.

The maximalists, who are led by King Hussein, had been adamant about the return of the West Bank to Jordan up until 1977, when Likud came to power. Its settlement policy and creeping annexation made the possibility of the return of the West Bank and Jerusalem weaker by the day. Yet as the authors rightly indicated these two divergent positions do not represent a serious wedge in the ruling class, since, the official line had been that Jordan wanted to regain every inch it lost. This stance has been manifested by the rapprochement between the PLO and Jordan during 1984-8 indicating once more their interdependence, as they simultaneously struggle to limit each other's influence. Hussein cannot talk to Israel without the sanction of the PLO and Israel's adamant stand on not talking to the PLO directly emphasises the need for a joint Palestinian-Jordanian delegation. Also, and more significantly

Jordan has prepared a development plan announced by Prince Hassan himself and based on Israeli-Jordanian co-operation in order to restrain the influence of the PLO and create enough economic interests and benefits to allow the Palestinians in the Occupied Territories to make peace without the involvement of the PLO.

The unexpected Palestinian 'intifada' followed by Jordan's severing ties with the West Bank changed the situation for both the PLO, Israel and Jordan. Thus, at the height of negotiations between Jordan, Israel and the US on the one hand, and Jordan and the PLO on the other, for convening an international peace conference came the uprising to put a halt to the whole process though not for long. The Gulf War, if it did not succeed in bringing down Saddam, succeeded in changing dramatically the balance of power in the region in favour of Israel, Jordan, and the Gulf states, once more at the expense of the Palestinian people.

Adam Garfinkle's book *Israel and Jordan In the Shadow of war* can be characterised as a more scholarly version of Melman and Raviv's work, focusing on the same subject but within an academic methodological frame. The author takes the secret relation between Jordan and Israel as a unique case in studying the significance of functional contacts in the mediation of political change, especially since despite the extensive informal arrangements that developed over time between the two parties, these did not prompt them to conclude a formal peace treaty, yet they were instrumental in containing the conflict. Garfinkle, in contrast to Melman and Raviv, is interested in putting forward a case for the necessity of a significant role for Jordan in a future peace settlement irrespective of the 'intifada' and the subsequent disengagement of Jordan from the West Bank.

Garfinkle specifically identifies three major elements as constituting the continuing significance of Jordan's role during a negotiated peace settlement and afterwards. These are the procedural, protective and practical elements, deriving their strength from Jordan's extensive functional ties and informal co-operation with Israel. The procedural contribution of Jordan is seen in its helping to avoid stalemate in negotiations due to Israeli unwillingness to talk directly with the PLO, and also to overcome Jordan's inability to participate in a negotiated settlement without the PLO. Consequently, a joint Palestinian-

Jordanian delegation solves the dual problem while ensuring that any future Palestinian entity will not be fully sovereign. Hence it achieves the shared objective of Jordan and Israel of limiting the expression of Palestinian nationalism.

As to the protective element of Jordan's role, this is seen as decisive in the implementation stage of any settlement, since any such settlement will involve many concessions which might end up threatening the very process of implementation. In other words, Jordan will be instrumental in imposing the settlement and keeping the Palestinians docile. By doing that it is also protecting itself and Israeli interests simultaneously. As for the practical element, it consists of what Jordan can contribute in terms of its experience in practical co-operation with Israel. That experience as well as the already existing extensive web of arrangements covering a wide range of issues, will be instrumental and particularly needed during the implementation stage of the settlement.

The case Garfinkle puts forward implies the continuation of Israeli-Jordanian control over the Territories irrespective of the settlement, be it a state or an autonomy entity, in order to safeguard the interests of both Jordan and Israel. Thus what has come about of the informal co-operative regulatory environment and the effective condominium over the West Bank will continue, but this time within a framework of 'peaceful' coexistence of all parties. This also implies that the kind of political system that might eventually evolve will be manipulated by both Israel and Jordan. In retrospect, that is exactly what has been happening with the peace process. The role of Jordan has proved to be essential, and the contours of the discussion, so far as one can see, point to a settlement where the Palestinian expression of nationalism will be extremely limited and poised between Jordan on the one hand and Israel on the other.

To substantiate his case Garfinkle probes into the long history of the Jordanian-Israeli secret meetings and uses it as the basis of his argument. He maintains that even if these contacts did not produce a peace settlement they contributed to limiting regional instability and effected regional balances as well as the establishment of low and high level of contacts were extremely beneficial in pushing the peace process forward and would be immensely helpful during the implementation stage of a peaceful settlement. He uses

similar material to disclose this part of the unwritten history of Jordan as Melman and Raviv. In addition, he provides an interesting discussion of the most recent example of the condominium co-operation over the territories, namely the attempts to undermine the 'intifada'.

Garfinkle sees the severing of ties with the West Bank, which entailed stopping the salaries that Jordan had been paying to civil servants since 1967, as part of the reinforcement of the economic squeeze which Israel was practising in the hope of starving the uprising financially. This has been supplanted by other measures, including limiting the amounts of money carried through the bridges, and putting quotas on agricultural produce crossing the bridges. But the ultimate objective has been the forcing of the PLO into acknowledging the mutual dependence of Jordan and the PLO on each other in any future settlement. Hence, after the severing of links Yasser Arafat met Hussein in Amman and agreed to co-ordinate strategy while announcing that co-ordination with Jordan 'was a necessity that cannot be ignored'. In other words Jordan has forced the PLO into a more moderate position and has maintained an influence on the ultimate shape of Palestinian nationalism.

The Economic Development of Jordan

The last theme in this critique is the most important from the point of view of this research, yet where the available literature is most sparse. The economic development of Jordan has not yet generated the same interest in the academic community as its political history. My review will be limited to discussing the work of Michael Mazur, the books edited by Bichara Khader and Adnan Badran, and Rodney Wilson, and the Ph.D. thesis of Anan Ameri.

Mazur's book *Economic Growth and Development in Jordan* covers the period 1959-79 and is divided into three parts. The first part discusses the development of Jordan prior to the 1967 war, the second part the post-war economy, and the last part the development policies and future prospects. The work is informative and rich in data, yet it is very limited in providing substantive socio-economic analysis of the development of Jordan. It is typical of a good conventional macroeconomics treatment of the subject focusing on economic sectors and sub-sectors and devoid of any social context. As a result the book lacks a central argument and any understanding of the complex changes in the

social structure of the society. That said, the book is a useful reference in so far as it provides some understanding of the various sectors and the overall performance of the economy supported by the relevant data as a prelude for a more in-depth analysis of Jordan's development.

The book edited by Bichara Khader and Adnan Badran *The Economic Development of Jordan* is a collection of articles presented at a conference in Belgium in 1985. Consequently it treats a variety of topics, such as the role of foreign aid, the use of remittances, the role of commercial banking, agricultural development, labour migration, industrial development and development planning. All of these articles provide interesting and relevant data, but there is no compelling analytical view or a central argument concerning the process of economic development in Jordan except an emphasis on its remarkable achievement in spite of its dire economic resources and the turbulent political history of the region. The approach of all the contributors is based on conventional economic analysis with no reference to socio-economic context. As a general review of the economy of Jordan the book is useful, especially articles such as Khalil Hammad's on the role of foreign aid, Francois Rivier's discussion of the regional dependence of the economy on the oil economy, also Michel Chatelus's article discussing the positioning of Jordan between a 'rentier' economy or a producer economy and the effects of the oil surplus revenues on its development.

The book edited by Rodney Wilson *Politics and the Economy in Jordan*, is one of the most recent publications on the economic development of Jordan. Like the previous book it is based on a conference, one held in London in 1987. It includes several articles covering a variety of issues, grouped into five parts. The first three parts focus on the economy and take up issues such as foreign aid, the role of the private sector, the trade deficit and Islamic banking. The remaining two parts concentrate on some major domestic and international political issues such as the electoral law of 1986 and the implications of the Iran-Iraq war for the Arab Israeli conflict. Although the book claims to 'break fresh ground' in the discussion of Jordan's economy, society and politics, it fails unfortunately to meet such an ambitious aim.

The parts that deal with the economy provide the usual conventional macroeconomics analysis devoid of any substantive analysis of or reference to

the socio-economic context. For instance, the article that discusses foreign aid is concerned with concluding that there is a positive correlation between foreign aid and economic development. This is too simplistic an approach for such a crucial factor in the development of Jordan without even mention being made of the resultant economic dependence and its political implications. Similarly, agriculture, a central and problematic sector, was discussed without any reference to the effects of the state-led strategy of promoting export crops on distorting agriculture production and the food dependence of the country. The same can be said of the rest of the articles, which serve to provide data, information and analysis to support the basic position of the contributors, namely the resilience of Jordan against all odds.

Secondly, although the book is based on a conference convened in 1987 (prior to the economic crisis of 1989), it was published in 1991. Hence an attempt should have been made to either add a chapter discussing the recent drastic economic changes that necessitated the imposition of an IMF structural adjustment programme or to make reference to the crisis in the introduction. Similarly, mention should have been made of July 1988 disengagement policy of the regime towards the West bank, especially since the editor refers to it as part of the Hashemite Kingdom of Jordan, and refers to the loyalty of West Bank Palestinians to the Hashemite regime.

The most important article in the book is Yezid Sayigh's Jordan in the 1980s; legitimacy, entity and identity, primarily because the argument he advances appears to be enjoying wider acceptance and needs to be reconsidered [1]. The core of the argument is as follows. The legitimacy of both the Hashemite monarchy and the Jordanian nation-state is no longer in question or under challenge; in addition a specific Jordanian identity based on combining East Bankers and Palestinians has been consolidated, although its success still depends on the dynamics of the Palestinian-Jordanian relation. In taking this position Sayigh vacillates between two very different claims that cannot be entertained simultaneously; on the one hand acknowledging the development and consolidation of a specific Jordanian identity and on the other claiming that such an eventuality depends on what happens on the Palestinian front: which he presumably means depending on the outcome of a peace settlement. Moreover, Sayigh's analysis of the Palestinian-Jordanian is cluttered with confusing historical facts and issues in order to present a politically motivated

argument without presenting any compelling understanding or explanation of the dynamics of the relationship.

Thus, Sayigh claims that the Palestinians have posed a challenge to Hashemite rule since 1921. Accordingly, the Hashemites have been fighting the battle to achieving an identify distinct from the Palestinians since the mandate period. Although they won such a separation, the events of 1948 forced a change by absorbing a large part of the Palestinian population, while the consequences of the 1967 war were seen as positive since they relieved the regime of the Palestinians as a potential source of conflict. Moreover, the 1970-1 was seen as marking the beginning of the end of the conflictual relation and the start of the phase of consolidating a specific identity based on welding the population of Palestinian origin with the East bankers.

There are two problems with this. Firstly, the creation of and the boundaries of Jordan, as mentioned before, were the outcome of British strategic interests, and not of the Hashemites striving for a separate identity from Palestine. Significantly, this proposition contradicts with the *raison d'être* of the Hashemites during the First World War as the force behind the idea of Arab kingdom, which included Palestine. Secondly Sayigh's argument blurs the significance of the creation of the state of Israel in determining the dynamics of the relation between the Palestinians and the Jordanian regime. Moreover, to present the PLO and Palestinian nationalism simply in terms of a rival movement and a threatening development to the stability of Jordan is to deny the most significant part of the history of the Arab region, since the time of the mandate, namely the Palestine-Israel conflict. In this light Sayigh's reference to the Palestine issue as the Palestine phenomenon is understandable, although in no way acceptable historically or academically.

Other than lacking due emphasis on Israel, Sayigh's interpretation of the Palestinian-Jordanian relationship lacks also the regional context, just as some of the previous studies have done. The rise and fall of pan-Arabism and the emergence of the Gulf States as the main actors in the region have been the major factors behind the increasing legitimacy not just of the regime in Jordan but of other states in the region. Consequently, the stability of the regime is not a matter of ridding itself of the PLO presence, although that was a contributing

factor, but due primarily to the changes brought about by the oil boom. In that context alone can the increased legitimacy of the Arab states be explored.

More important - and this is the crux of the misinterpretation that Sayigh's argument represents - is the fact that this increased legitimacy has not been based on the construction of new norms of legitimacy. Thus the assumption that a new Jordanian identity has been consolidated is far from reflecting the reality, since this necessitates a complete restructuring of the basis of state legitimacy and power. The ruling class in Jordan still relies on traditional informal forms of legitimacy and on patronage system of social and political interaction as well as on its ability to manipulate the regional divide of the society between Palestinians-East Bankers, and the minorities. Although Sayigh is right in indicating the declining influence of tribal affiliation, but that had not been replaced by civil or citizenry identity but rather by familial connections. This particular continuity, despite the new process of 'democratisation', is brought out very well in the article following Sayigh's. Philip Robins discussion of the electoral law of 1986 clearly shows how the regime, instead of welding the two regional groups and the minorities, is still guided by the need to manipulate and fragment the population. Such laws which determine the composition of the parliament make the success of the 'democratisation' process in producing the change in citizen-state relations based on formal institutionalised civil rights as opposed to primary solidarities and affiliations very doubtful.

Last I shall review Ameri's Ph.D. thesis 'Socio-economic Development in Jordan 1950-1980' which focuses on testing the application of the dependency theory to Jordan's pattern of development with the aim of contributing to both the theory and the study of Jordan. She takes the period 1950-80 as a whole in order to investigate the suitability of the two major assumptions that underlay the dependency theory. The first concerns the exploitative relation between the core and periphery, characterised by the transfer of surplus value from the periphery to the core; which accounts for the underdevelopment of the periphery while the core continues to grow and accumulate wealth. The second, which extends from the first, is that the character of the periphery is the outcome of this exploitative relation. Thus Ameri's project centres around proving/disproving these assumptions as they apply to Jordan.

Even if one is to accept that the transfer of surplus is the primary reason behind the 'underdevelopment' of the 'Third World', Ameri does not provide any operational definition of such a controversial concept, especially in the light of the fierce criticism that dependency has come under. She seems to use the term as meaning the transfer of money-capital, hence she proceeds to prove that the transfer of surplus in the case of Jordan has taken the opposite direction, that is from the core to Jordan and in latter years, from the periphery to the periphery, that is from the Gulf states to Jordan. Ameri also, in this discussion, misses a very important element in examining the direction of capital in that the real inflow, especially from the late 1960s onward, might not be as she claimed, since the outflow in terms of servicing external debt of Jordan (payments of interests and principles) witnessed a huge increase due to the expansion in loans, in addition to Jordan's chronic trade deficit which implies a large outflow of capital from Jordan. This means that huge amounts of aid in effect had been recycled back to the West through demand on commodities, machinery and services. Moreover, to assume that because of the smallness of the market and the population, as well as the West's overriding political-strategic concern in Jordan, there has been no economic exploitation of Jordan is a simplification and misinterpretation of the pattern of development of Jordan and its intermediary economic role in trading on behalf of foreign capital as manifested by the saturation of its domestic market with foreign capital, goods and commodities.

The soundness of testing the second assumption is naturally affected by the conclusion regarding the first. Thus Ameri, after considering the sectoral development of the major sectors of the economy, maintains that Jordan has much in common with 'developing' societies. But since Jordan is not exploited by the core its underdevelopment is then the result of internal exploitation. Ameri, in her attempt to redress the imbalance inherent in the dependency school by its focus on external factors, ignores the effects of global capital and the position Jordan occupies within the international capitalist market. Also despite Ameri's criticism of the dependency theory as focusing on nations and relegating the internal class relation to the background, she is unsuccessful in considering it and in redressing this bias via supportive analysis. Her discussion of the development of the social structure of the society and the class alliances that underpin state power is fragmented and does not produce a coherent picture. As a result her conclusions, that dependency fails to

explain variation among 'developing' societies and that the character of Jordan's peripheral capitalist development is due to internal exploitation are not substantiated by her analysis. It is unfortunate that Ameri has limited the usefulness of her research by the theoretical frame with which she has chosen to work, since the substantive-empirical side of the work is interesting, shedding light on many aspects of Jordan's socio-economic transformation. In this respect her work remains a very important source to consult.

In summary this critique highlighted the two major constraints of studying the development of Jordan: the first is the lack of an appropriate account of its political economy and the second the absence of any studies on the boom era. In the following chapter an attempt will be made to redress the former while the whole study attempts to redress the latter. Moreover the critique indicated the fertile ground for research especially when considering present day substantial changes such as the dual process of shrinking state role and emphasis on the private sector, the 'democratisation' process and the effects of a 'peace' settlement on the triangle of Jordan, Occupied Territories and Israel. These challenging issues, with far reaching effects on the region, provide an extremely interesting and stimulating research material.

Notes

1. See John Roberts (1991), 'Prospects for Democracy in Jordan', *Arab Studies Quarterly*, Vol. 14 Nos. 3 and 4, Summer/Fall.

Chapter Three

The Political Economy of Jordan

This chapter aims to address the limitations indicated in the previous chapter of the existing accounts of the political economy of Jordan, by producing an alternative-critical account over the period 1921-1973, that is, since the inception of the state and prior to the oil boom. The period will be treated as a whole, although it contains three distinct phases: the formative years of the state, 1921-50, the period after the annexation of the West Bank, 1950-67, and the period after the loss of the West Bank, 1967-73. Since this account is not intended to be a historical review but an attempt to delineate the most crucial and characteristic attributes of the political economy of Jordan, specifically the East Bank, prior to 1973, the Palestinian dimension will be discussed in so far as it bears directly on the subject of the research.

This discussion will help in laying the grounds for understanding the changes engendered by the oil boom, as well showing that the crisis of development and state ineffectiveness is a structural crisis directly associated with the particular formation of Jordan's political economy, rather than a temporary phenomenon resulting from the international and regional recession or the reduction of the level of external state resources, although these have been important contributing factors. This is further complicated by the tension that besotted the state from the outset between creating private economic interests while maintaining the significance of the Hashemite ruling family. These economic interests if they become too powerful can capture the state on their own, without the need for the Hashemite family. Hence private economic interests has been promoted but remained dependent on and subordinated to the state.

The first section of the chapter focuses on disclosing the particular basis and nature of the organisation of state power and the process of legitimating Hashemite rule, while the second examines the nature of the private economic interests induced and fostered by the state and the overall class structure of the society that has evolved since the imposition of central rule, which has

emphasised Jordan's place as a commercial and service oriented economy and the high dependence of private interests on the state. This will make clear the fact that despite the close association of the state with the ascendancy of the Hashemites and irrespective of how powerful are the state's political and economic structures, the Hashemite family could not have ruled by remaining divorced from society and/or by resorting to repressive measures, although these have been very important. The very process of establishing the authority of the Hashemite family necessitated the creation and sponsorship of social forces attached to it while maintaining a central role for the Hashemites.

The Organisation of State Power and Structures of Legitimacy

The determining role played by the political realm in the formation of the state and its ruling class has, since the very inception of the state, made the question of its legitimacy a critical one. This has been a problem for other states in the region (Hudson 1977) but more so for Jordan; owing specifically, other than the essential problem of lack of legitimacy of a capitalist class, to four factors: lack of a separate political and/or urban entity prior to the creation of the state, (in contrast for instance with Syria, Palestine and Lebanon), the Hashemite ruling family being a force from outside the area; the sponsorship of an imperial force and the persistence of very close and special ties with the West, and most importantly Jordan's relation to the Palestine issue. These four factors continuously cast doubts over the economic and political viability of the state. Yet Jordan has been among the most stable states in the region and its ruling class seems to emerge triumphant after each major challenge, in particular the two most serious challenges, posed by the nationalist government of Sulaiman Nabulsi in 1956-7 and by the Palestine Liberation Organisation in 1970-1, as will be discussed in the following sections.

The relevant question, then, is, how were the state's power and its structures organised to create and maintain the legitimacy of the Hashemite family and its class alliance? In order to answer this question, the discussion focuses on elucidating the economic and political underpinnings that characterise state power. The separate discussion of the economic and the political domains does not in any way imply a dichotomous relationship between the two, rather they are treated separately for analytical purposes in order to detail the aspects

of each domain. The dynamism of the relationship will be clear from the discussion.

The Economic Foundation

The imposition of central rule on a predominantly subsistence economy meant that the emerging ruling class lacked the internal economic resources to empower itself and facilitate the building of the state. This has been compensated for, however, by the significant size of external capital receipts provided by the West in exchange for use of Jordan's most important asset, namely its geographical location. From the outset Jordan's location has been Britain's primary motivation for establishing central rule given its desire to safeguard its sphere of influence by preventing French access to Palestine and to create a buffer zone for the Zionist project that was then in the making. The boundaries of the territory were appropriately drawn by the British to reflect their prevailing interests. As Antonius eloquently puts it in describing the frontiers of Jordan:

> in following its destined course as the permanent dividing line between the French and British spheres it [the frontiers] violated almost every known law of physical and human demarcation ... It has stood as an artificial wall on either side of which each of the two powers has established her own language and currency, and instituted altogether different systems of administration, of education and of economic regulations and planning. (Antonius 1961: 357)

The establishment of the state of Israel in 1948 further emphasised the importance of Jordan's location as a buffer zone for the security of Israel and as instrumental in absorbing and controlling the displaced Palestinian population as well as suppressing the development of a nationalistic/progressive movement east of the state of Israel, which has rendered the Jordanian ruling class and the Palestinian cause inseparable. Jordan's location also became an asset in enhancing the security of the oil rich Gulf states across its north-eastern borders to the peninsula, due to the securing of a conservative pro-Western regime and of the vital transit route, the importance of which had been further emphasised following the consolidation

of oil as the major factor underpinning the development of the region. Thus Jordan's aptness, which first appeared as part of the dynamics of inter-imperialist rivalry over the Levant, emerged over the years and proved to be extremely expedient. It is the perpetuation of this political subservience of Jordan to Western and American interests in the region that has produced a state and has helped in sustaining an interest on the part of the West in maintaining it, a responsibility that has slowly shifted to Gulf states, especially following the 1973/4 oil boom.

Externally-derived funds, therefore, made possible the building and maintenance of the state and provided the necessary funds to stimulate the creation of an economy offering an opportunity for the emergent key social forces to benefit and prosper, hence cultivating their allegiance and loyalty to the Hashemites. Simultaneously, the base of state revenues was from the outset located outside the domestic economy, increasingly dependent on the inflow of external capital, which gave state institutions, in particular the military establishment, a prominent economic and political position, owing to their appropriation of a large part of the assistance. Thus the basis of the state's power and the prominence of the state lie in the state's ability to extract the necessary funds from abroad in exchange for a political-military role that safeguards Western interests, and its ability to channel these funds in society via state institutions and agencies.

The significance of external resources in sustaining the state and stimulating economic activities is illustrated in Table 3.1. Foreign capital during the period 1924/5-73 constituted on average more than half of state revenues. This share has increased from 26 per cent in 1924/5 to 48 per cent in 1973, and has exceeded 70 per cent in some years. Foreign capital had to a large degree determined the levels of state expenditure which became by far the most important source of expenditure in the economy and the major creator of economic activities. As can be seen from Table 3.2, foreign revenues accounted on average for more than a quarter of the GNP.

The sources and the nature of the external funds have varied according to the major shifts in international and regional power structures and the evolving strategic/political significance of Jordan. Thus, as a reflection of the international shift from a pax Britannica to a pax Americana and the emerging

Table 3.1 Relative importance of domestic and foreign revenues for the period 1924/25 -1973

($ million)

	Domestic revenue	Foreign revenue	Total revenue	Total expenditure	Foreign revenue / total expenditure %
1924/5-1933/4	0.64	0.22	0.86	0.86	25.58
1934/35	0.75	0.28	1.03	1.03	27.18
1939/40	1.03	1.28	2.31	2.31	55.41
1943/44	1.79	5.48	7.27	7.27	75.38
1955/56	22.34	30.43	52.77	49.36	61.65
1956/57	24.03	35.05	59.08	59.69	58.72
1957/58	27.69	43.74	71.43	66.80	65.48
1958/59	30.46	55.19	85.65	82.15	67.18
1959/60	37.38	51.52	88.90	85.96	59.93
1960/61	38.75	50.54	89.29	91.95	54.96
1961/62	41.10	52.89	93.99	92.34	57.28
1962/63	59.08	49.67	108.75	105.05	47.28
1963/64	53.90	42.95	96.85	110.15	38.99
1964/65	66.70	75.71	142.41	122.13	61.99
1965/66	75.38	67.20	142.58	163.85	41.01
1967	71.37	125.78	197.15	190.82	65.92
1968	73.60	127.80	201.40	225.46	56.68
1969	91.06	122.50	213.56	247.55	49.48
1970	84.73	106.12	190.85	225.96	46.96
1971	100.10	118.83	218.93	232.80	51.04
1972	120.00	156.40	276.40	284.31	55.01
1973	129.30	159.71	289.01	334.63	47.73

Source: (Aruri 1972: 61) and (Garaibeh 1987: 202).

Table 3.2 Relative importance of foreign resources to the GNP for the period 1959-1973

(%)

1959	1961	1963	1965	1967	1969	1970	1971	1972	1973
31.20	20.62	17.53	16.32	26.19	20.26	18.27	15.47	25.96	22.70

Source: (Hammad 1987:17).

importance of Jordan in America's overall interests in the region, the United States in the mid 1950s supplanted British patronage which had been crucial during the first four decades of the creation of the state. As stated by American officials, the principal objective of United States in Jordan stems from its greater Middle East interests of:

1. Maintaining good relations with all Middle East states and stimulating a peaceful settlement to the Arab-Israeli conflict.

2. Neutralising Soviet influence in the Middle East and preventing polarisation of the area.

3. Protecting oil resources in the Arabian peninsula and Persian Gulf.
(Report to Congress 1973)

Jordan's function in this stems primarily from its strategic position as a buffer state that separates Israeli and Saudi territory from Iraq and Syria, a position which might be threatened if a change in regime occurred in Jordan or if either Iraq or Syria absorbed Jordan. The United States continued to provide assistance predominantly in grant form to support state structures, in essence the military establishment. Although it officially became the major source of Jordan's external assistance only in 1957, a variety of economic assistance measures preceded that, beginning in 1952, when approximately $4.7 million was given in grants. With the signing in July 1957 of a technical and economic assistance agreement, the level of assistance increased to $59.4 million, bringing the total for the whole period 1952-72 to around $692 million, as illustrated in Table 3.3. The grant element of this assistance was 95 per cent,

Table 3.3 Total US assistance to Jordan for the period 1952-1972

($ million)

	1952-1967	1968	1969	1970	1971	1972	Total
Economic assistance							
Loans	23.0	1.8	1.5	8.3	1.2	1.7	37.5
Grants	544.9	17.2	10.3	3.9	20.6	57.7	654.6
(budget support)	(368.8)	-	-	-	-	(55.0)	(423.8)
Total economic	567.9	19.0	11.8	12.2	21.8	59.4	692.1
Military assistance	71.7	0.4	14.2	0.2	59.3	49.3	195.1
(Grants)	(56.7)	(0.4)	(0.2)	(0.2)	(29.3)	(39.3)	(125.6)
Total assistance	639.6	19.4	26.0	12.4	81.1	108.7	887.2

Source: (Report to Congress 1973: 29).

most of it given directly to the state as budget support. Also, Jordan received, within a decade and a half, $195 million in military assistance, of which 64 per cent was in grant form, bringing total American assistance to over $887 million. Moreover, Britain's ability to continue subsidising Jordan after the Second World War was determined largely by the one billion dollars of military

assistance it received from the United States during the period 1949-61 (Chase 1977: 169).

The switch to American sponsorship brought with it one significant occurrence, a new focus on the development of the domestic economy and the expansion of economic opportunities through the initiation of state development programmes. This approach was an integral part of the American strategy, following the dismantling of the colonial system and the emergence of the Soviet Union as a counter global power, of using the mechanism of development planning, under the auspices of Western inspired and dominated international institutions such as the World Bank, the IMF and the UN, to maintain Western interests and influence in 'developing' societies, and combat the 'threat' of communism. Another important underlying reason for adopting the mechanism of development planning is connected to the new reality created in Jordan following the establishment of the state of Israel. The extension of Jordanian rule over the West Bank and the change in the constitution of the population to a Palestinian majority, coupled with the rise of Arab nationalism, directly threatened the hegemony of the Jordanian ruling class, not to mention the security of Israel. The expansion of economic opportunities was, therefore, intended as an effective mechanism for quietening political demands and establishing vested economic interests as a means of giving the state more viability and continuity. It was also accompanied by a new thinking, first voiced by Prime Minister Hazza' Al-Majali and later by Wasfi Al-Tal, emphasising the promotion of economic benefits to East Bankers as well as increasing their share in official state positions through the spread of education, in order to counter the instability caused by the Palestinian population.

It was in this context that the government established the Jordan Development Board in 1952, fittingly headed by a British secretary general and an American representative of the Point Four Programme (for technical and financial assistance). It acted in its first years as an administrative unit channelling British and American financial and technical assistance. As a result the first development plan for the country was prepared by a World Bank mission, in 1957, which made an extensive study of the economic situation and recommended a ten year development programme. It was not adopted because of the political turmoil and instability of the 1950s, which further

emphasised the need to bolster the economy as an instrument of political pacification and co-optation. Thus the first development plan to be adopted was the seven year programme of 1962-8 prepared by the Jordan Development Board. It underwent substantial changes due to its overestimation of the level of American financial support and a new version was prepared covering the period, 1964-70, implementation of which was interrupted by the 1967 war and the loss of the West Bank to Israel. The planning process resumed in 1971 for the East Bank alone under the authority of the National Planning Council (NPC), which replaced the Jordan Development Board. Although the NPC was endowed with a special planning law, in addition to its right to contract foreign loans, it remained more an instrument of administering and channelling external financial resources to various state agencies. In 1972 the Council prepared the second development plan for the period 1973-5, beginning a new phase in the country's development, based on an unprecedented flow of external resources, as will be seen in Chapter 4.

The importance of this new emphasis on the economy is that it has been accompanied by the emergence of loan capital as another important source of external resources to fund the expansion of the state's economic role, further concentrating capital in the hands of the state. The availability of loan capital also facilitated the state in its emerging policy of funding its development effort mainly from loan capital and giving little attention to the costs, especially since a large part of these loans were spent on infrastructure projects, mainly transport and communication, limiting the ability of the domestic economy to repay these loans. This policy helped to release as much as possible of the grant-capital assistance to sustain the increase in state consumption expenditure, while allowing loan capital to increase significantly. The proportion of loans in total foreign receipts grew from 2.1 per cent in 1953 to 10 per cent in 1970, and to 16.5 per cent in 1973. It is still small, but showing signs of upward movement. The volume of loans contracted over the period 1968-72 reached JD40.4 million and so came close to the volume contracted over the period 1950-67 of JD50.7 million (Tarief 1984: 42). These loans were to increase in later years, leading to a serious debt problem in the late 1980s.

Arab assistance started to figure prominently since 1967. Prior to that it had been insignificant, totalling only JD21.4 million for the period 1959-66

(Hammad 1987:24). This increase was the result of the emerging wealth of the oil Gulf-states and the shift in regional power towards Saudi Arabia, and the increased importance of Jordan as an important factor in the security of oil sheikhdoms. During the Khartoum Arab summit, following the 1967 war, Saudi Arabia, Kuwait and Libya committed themselves to subsidising Jordan by JD40 million annually, in addition to $42 million given by Saudi Arabia and $14 million by Abu Dhabi as immediate emergency funds. In the period 1967-73 Jordan received JD224 million grant-in-aid from Arab countries, half of which was designated to the Occupied Territories as 'steadfastness' funds to be channelled by Jordan (ibid.). More than just assistance to alleviate the effects of Israeli occupation, these funds were aimed at maintaining the influence and connection of Jordan's ruling class to the Occupied Territories to offset the increasing popularity and support of the emerging independent Palestinian national movement. They permitted Jordan to continue paying salaries to its ex-civil servants, to subsidise municipalities and religious and charitable institutions (Bailey 1984: 103). Thus, following the 1972 municipal elections, the majority of mayors, such as Elias Freij, Ma'zouz Al-Masri, and Mohammad Ali Al-Ja'abari were pro-Hashemites, taking into account the fact that the elections were boycotted by the Nationalist Front. Besides containing the independent Palestinian movement, the threat of the legitimacy of Gulf states being undermined necessitated the lending of financial support to the 'front-line' states, Jordan, Syria and Egypt, in addition to increase their leverage upon and influence over events in the area.

The assistance designated for Jordan was used, in particular, to modernise and expand the army in terms of equipment and manpower. It also served to compensate for the reduction in American assistance, which was kept at a minimum level partly as a punitive measure for Jordan's participation in the 1967 war and partly as a consequence of US policy having changed towards relying on its ally Saudi Arabia to act as Jordan's major donor state. After the military confrontation in 1970-1 between the Jordanian army and PLO forces in Jordan, Libya suspended its aid permanently, and Kuwait temporarily, resuming it retrospectively in 1973, while Saudi Arabia continued with its assistance. The Americans as a sign of support to the ruling class action against the PLO resumed its assistance to higher levels than ever before. The real surge in the volume of Arab aid occurred after the 1973 oil boom. Suffice to say that Arab subsidy was geared too as much as British and American

subsidy to nurturing the Jordanian ruling class through providing the needed capital to maintain the state, in particular the military establishment, for the purpose of maintaining a balance of power in favour of the conservative pro-Western regimes in the area.

Beginning in late 1950s another source of external resources started to figure as a source of income, namely remittances, although their importance during this period is incomparable to that of post-1973/4 oil boom in the region. The migration process primarily to the Gulf area, started in the late 1950s as a consequence both of the displacement of the Palestinian population and the loss of their livelihood and of the limited economic opportunities on the West Bank. The 1961 population census of Jordan indicated that of 62,863 Jordanians working abroad, the overwhelming majority were from the West Bank (Kanovsky 1976: 365). The volume of remittances during the 1960s and early 1970s was relatively low and fluctuating, as shown in Table 3.4. They started to surge to unprecedented levels after 1973, accentuating the dependency on external capital, as will be seen in the forthcoming chapter.

Table 3.4 Volume of remittances for the period 1961-1973

(JD million)

1961	1963	1965	1967	1969	1970	1971	1972	1973
5.25	6.17	9.10	6.60	6.92	5.54	4.97	7.41	14.70

Source: (Saket 1985: 26).

The Political Foundation

Although the economic power of the state and the concentration of capital in its hands constituted the most important element in building and sustaining the state, not to mention being the means by which a ruling class was created, this was not enough on its own. Two other factors were significant, namely the ideology - that is, the generalised political cultural values and sentiments that the ruling class instilled - and the political structures of the state. The articulation of both the political and economic foundations make up the whole structure of state legitimacy.

The Ideological Legitimacy

Initially, Abdullah who had been motivated by his personal ambition of creating an Arab kingdom in the Levant, was not interested in Jordan per se, hence his attempt to appeal to a wider Arab audience by associating himself with members of *Hisb Al-Istiklal*, who represented a threat to French rule in Syria and a direct threat to the process of establishing a Jordanian polity subservient to British interests. The influence of the *Istiklalis* in the early years of the administration of the Emirate and their alliance with Abdullah was subsequently short lived. The British put an end to it by either eliminating their presence and influence or co-opting them into the project of building the new state - an example is Ibrahim Hashem who, twice became Jordan's Prime minister during the formative years of the state. This was done with the minimum of resistance on the part of Abdullah, who recognised his need to and dependence on the British, if he is going to have any base from which to rule.

Attention came to focus then on building a local power base, especially given the continuous resistance of both the tribal and sedentary population to central rule and the emphasis, therefore, lay on exploiting the well established centres of localised power as well as the traditional forms of affiliations and loyalties to which the population was receptive considering the prevalent political culture. This explains why the Hashemites were successful in Jordan, in comparison with Iraq, where the political culture was more developed and urbanised, given to republican, nationalistic and anti-imperialist attachments (Hudson 1977: 272). Thus local leaders were co-opted through economic inducements, political favours etc., while the state relied on their local power structures to maintain order; this is not to mention the creation of the military and the role it played in pacifying and integrating nomads and semi-nomads. Additionally there was manipulation of the rivalry and conflicts existing among the various tribal groups, notably the southern tribes of Al-Huwaitat and Bani Sakher and the northern tribes. The northern tribes exhibited less cohesion than the southern tribes, and were fragmented into numerous leading families representing various areas such as the Al-Rusan from Samha, the Al-Batainah from Irbid, the Al-Shraidah from Kura, the 'Ubaidat from Kfarat and the Fraihat from Irbid (Robins 1988: 54). This division and its manipulation has survived up until the present.

Kinship, familial and tribal affiliations were not the only primary forms of identity and solidarity that were exploited. The presence of two minorities, a Christian one accounting for 7.5 per cent of the population, and a Circassian and Cheshan, accounting for 2 per cent, provided another established channel to appeal to (ibid. 47, 229). From the start these two groups were relied upon in both military and civil administration and were represented beyond the justification of their numerical positions (Aruri 1972: 39-41). Thus the ideological foundation of Jordan's ruling class was laid during the formative years of the state.

This ideological foundation had been strengthened during the reign of King Hussein, by adding a new dimension that was missing in the person of Abdullah, namely personality and charisma as well as a better exploitation of the history of the Hashemites. Hussein successfully invoked his blood ties (the Bani Hashem is a clan of the quraysh tribe of Mecca which had ruled Mecca and the Hijaz since the tenth century and to which the prophet Mohammad had belonged) as a significant qualification for Hashemite rule (Richards and Waterbury 1990: 317). This was continuously referred to in his speeches and the media along with emphasis on the Hashemites 'reputed' historical role in the Arab revolt. Moreover, Hussein had fused this with paternalistic rhetoric, that also characterised his speeches and public statements as when he referred to himself as a 'father' figure, a head of a 'family', or the 'shepherd' of sheep that sometimes err, which implies that he is above all factions, his role being that of an arbiter who maintains the cohesiveness of society and without which chaos will prevail (ibid.: 318).

The exploitation and manipulation of the diversity of sub-statal traditional forms of identity and affiliations continued with the addition of a newly imposed regional division between Palestinians and East Bankers. It must be stressed that this cleavage has been a post-1950 development, following the creation of the state of Israel and Jordan's annexation of the West bank. Prior to that, the engagement of a large number of Palestinians in the various agencies of the state, who were drawn from the urban educated stratum and who were experienced in running state affairs, did not have the same implications. Since the historical context during the first decades of the development of the state was qualitatively different. Jordan never knew a separate political existence, and has had closely knit ties with Palestine and Syria. Many Syrians and

Palestinians have settled in Jordan prior to the creation of the state and economic and social ties with Palestine have been significant. It was only due to the establishment of a Zionist political entity in Palestine and the subsequent diaspora and loss of the Palestinians of their homeland that a new historical context of division and conflict emerged, not just between the Arabs and the Israelis but also among the Arabs themselves.

The most noticeable conflict among the Arabs has been between on the one hand Palestinian nationalism, first expressed within a pan-Arab ideology and later within an independent Palestinian national movement, and on the other Jordan's ruling class Political/strategic role, which is closely tied to the enhancement of Western interests in the region. The co-operation and acquiescence of some Palestinians, notably the wealthy leading landowning and/or merchant families, who in fact made possible the annexation of the West Bank in 1950 and their loyalty to the throne gave further impetus to this wedge, since it gave the ruling class in Jordan a basis of legitimacy to the West Bank and its claim of championship of the Palestine question[1]. In many instances individuals of Palestinian origin were appointed to see through difficult and unpopular policies, such as giving Sulaiman Toukan the post of military governor in 1957 in order to head the clampdown on the opposition movement and the heading of the military government of September 1970 by Mohammad Daoud. These Palestinians who have benefited economically and politically became part and parcel of the ruling class in Jordan.

The Political Structures

The second element in the political foundation of the legitimacy of the Jordanian ruling class is political structures. These are in themselves an important source of legitimating the political system (Hudson 1977: 22). In addition, they effectively and concretely translated the ideological basis of power and legitimacy; thus they functioned on the basis of representing the various traditional affiliations and emphasising a patronage system of appointments and promotions. This facilitated the concentration of the governing class among leading landowning and/or merchant families, cutting across tribal, regional and minority affiliations. Moreover, these manifest the establishment of a political system where ultimate power rests in the hands of

the king, who acts as the final guarantor of the maintenance of ruling class hegemony. These structures are the cabinet, the parliament, and, most significantly, the military.

The Cabinet: The king is empowered to appoint and dismiss the prime minister and by custom sanctions the other ministerial posts; hence he directly controls and regulates who runs the government and who benefits from access to prestigious and powerful positions. Considering the highly centralised decision-making process and in light of the historical marginalisation of the parliament, which means the executive lacked accountability to the populace and had been relatively independent in pursuing policies, this political body is particularly important.

Appointments to the cabinet, therefore, were concentrated among a few prominent and economically influential families, with a sub-statal balance in view. It must be stressed that what appears to be a representation of the various social groups in society is simply political manipulation to ensure the Hashemite's continued importance to the system. Also, the cabinet rotation has been used as an important mechanism to absolve and detach the Hashemite family, especially the king from unpopular policies. Thus ministers and top level management become the focus of public resentment and disaffection; hence dismissal or changes in incumbency aim to curtail opposition, but without effecting any real changes. Additionally, the diversity of political figures' reputations is utilised depending on political events. Some are favoured among the Palestinians, others have good relations with Iraq or Syria, etc. Some ministerial posts such as the Interior have been reserved for East Bankers although three Palestinians whose credentials were beyond doubt have been appointed, Kamal Al-Dajani, Hasan Al-Khatib and Hashem Al-Jaiyyusi, while Foreign Affairs have been reserved for Palestinians in order to allay the fears of the Palestinians that the regime is acting against their interests (Bailey 1977: 106-7).

From among East Bankers a regional balance has been maintained between the southern axis of Karak-Ma'an-Tafeilah, the northern axis of Irbid-Ajlun and the middle axis of Amman-Salt. Hence from the south the Al-Majali family, in addition to the Al-Talhouni, Al-Tarawneh, and Al-Madadheh families dominated the cabinet, as have from the north the Al-Tal, and Al-Hindawi, while from the

middle the Al-Louzi and Al-Faiz[2]. The privilege for the Circassian community rotated among the Al-Mufti, Mirza, and Al-Mulki families, while the Christian community was represented by the Mu'asher, Abu Jaber and 'Akasha families. Members of the royal family, although they have been few, reflecting the small size of the family compared to the ruling families of Gulf states, were extremely influential and provided unquestionable support to the king. They included, Sharief Zaid Bin Shaker, Sharief Nasir bin Jamil and Sharief Hussein bin Jamil. Among the families of Palestinian origin the Toukan, Al-Nabulsi, Al-Dajani, Al-Jaiyyusi, and Nuseibeh were the key ones.

It is interesting to note that the prime ministerial post rotated predominantly among political figures of Palestinian origin. During the formative years 1921-50 four key individuals, Tawfiq Abu Al-Huda (seven times), Hasan Khaled Abu Al-Huda (three times), Ibrahim Hashem (twice) and Samir Rifa'i (twice) held the post. These men have played a determining role during this period and have continued to be of service beyond it. As to the period 1950-1973, the post has been shared roughly equally between loyal leading families of Palestinian origin and East Bankers. Among the Palestinians were Samir Rifa'i and Ahmad Toukan, in addition to the aforementioned Tawfiq Abu Al-Huda and Ibrahim Hashem. The first East Bank prime minister, Hazza' Al-Majali, of the southern city of Karak, was appointed in 1955. Others included Al-Louzi, Al-Talhouni, Al-Tal, Juma'a and the Circassian Al-Mufti family. Thus, prior to 1973 there has been a slow shifting in emphasis towards building an East Bank top management and governing body, which was consolidated during Wasfi Al-Tal's premiership by his emphasising education and embarking on a policy of sending East Bankers abroad for training and study. This was to offset the highly educated Palestinian populations' monopoly, by virtue of education and qualification, of managerial and technical positions. The post-1973 period shows a further acceleration of this process.

The Parliament: The parliament represents the second political structure that reflects the organisation of state power, and which had been marginalized and contained through two important mechanisms. The first is the king's prerogative to dissolve it by a royal decree. This has been the case since the first legislative council elected in 1929, which was dissolved in 1931 after a period of tense relations with the Emir and the British, since it had debated controversial issues and voiced disagreement on issues such as the ratification

of the Anglo-Jordanian Agreement of 1928, the Rotengerg concessions and the budget (Aruri 1972: 82-85). The following four councils 'acted as rubber-stamp legislatures' (ibid.: 85). The new constitution promulgated in 1947, following the official independence of Jordan from the British, stipulated the creation of a bicameral parliament with a chamber of elected deputies and a chamber of appointed notables. But no change was stipulated concerning the King's effective control over it. Nine chambers of deputies have been elected between 1947 and 1973; seven of these were dissolved by a royal decree.

The last chamber of deputies was elected in 1967. Under the pretext of the special emergency state in the country, due to Israeli occupation of the West Bank, it was extended to two years. In 1974 it was suspended, and in 1976 dissolved, and elections were postponed indefinitely - they were allowed again only in 1984. The suspension of Parliament came less than a month after the Rabat Arab summit, which recognised the PLO as the sole legitimate representative of the Palestinian people, formally ending the Jordanian ruling class-PLO rivalry over who represented the Palestinians. In the chamber of notables appointed after 1974 only eight Palestinians were appointed out of thirty members, compared to the previous policy of equal representation, and the same was true in the cabinet formed in 1974, which reduced the number of Palestinians from ten to four. This is an example of the manipulation of the Palestinian-Jordanian division and its use as a pressure card on the PLO and the Palestinians to the advantage of the ruling class in Jordan.

The second mechanism has been the manipulation of election law, making it possible to secure a loyal majority drawn predominantly from the prominent and loyal families. The essence of parliament's factionally-based allocation of seats has not changed since the law was first enacted in 1928. This law formally perpetuated society's traditional-parochial attachments and loyalties and controlled the distribution of seats in a manner that overrepresented communities and areas that were presumed safe and loyal. For instance, the Christians, the Circassians and the Bedouins have reserved seats filled by appointment: two seats for each the Christian and the Circassian community and three seats for the southern, the northern and the middle Bedouins (Aruri 1972: 78). Furthermore, the rest of the seats are accorded on the basis of granting the minorities fixed seats. For instance, Amman the largest conglomeration has eight seats, two of which are for Christians and of the

remaining seats the Circassians have one (Nyrop *et al.* 1974: 139). This not only exaggerates the electoral power of the minorities but, more importantly grants them seats in areas that may have few or no inhabitants (Aruri 1972: 411). East Bankers and West Bankers have equal representation, which had underrepresented Palestinians, considering their numerical strength. In addition, a higher number of seats are given to areas such as Karak, Ma'an and Tafeilah on the East Bank and Hebron and Bethlehem on the West Bank, thus overrepresenting areas that are considered safe (Bailey 1966: 118-120).

The absence of organised political activities and the banning of political parties had played a significant role also in permitting the dominance of parliament by loyal personages. Thus it is easier to run for elections on the basis of traditional connections and associations, candidates propped up by the government having the better chances. In addition, the Ministry of the Interior has the power to qualify and disqualify candidates, in its capacity of determining the final list of candidates for each district; hence the manipulation of elections takes place at the level of nominations rather than at balloting (Nyrop *et al.* 1974: 140). This explains the concentration of the same key families in the chamber over the years such as the Al-Mufti, Mirza, Mu'asher, Abu Jaber, Al-Talhouni, Al-Majali, Al-Faiz, Al-Hadid, Al-Tarawneh, Toukan, Al-Khatib, and Al-Masri.

The only exception to this rule has been the fifth chamber, elected in 1956, where political parties were allowed to form and run for office; and the army was excluded (as it has been ever since). This brought about the nationalist government of Sulaiman Al-Nabulsi, whose policies aimed at curtailing the power of the king and at modifying the political system and establishing a parliamentary democracy. When the process began to take its toll on the authority and dominance of the ruling class the cabinet was dismissed, and the resignation forced of fourteen elected members of the chamber.

As for the chamber of the notables, whose members are appointed by the king, it has been an important body for rewarding long serving loyal individuals to the throne, and sometimes means of retiring individuals whose usefulness has ceased to be of any significance. Its composition over the period 1947-73 indicates a concentration of the same leading families. Four people rotated in heading the nine appointed chambers, including Tawfiq Abu Al-Huda, Ibrahim

Hashem, Sa'id Al-Mufti and Samir Rifa'i. The rest of its members were also drawn from the same economically prominent families: Sha'sha' and Mirza of the Circassian community, Mu'asher, 'Akasha, and Abu Jaber of the Christian community; Toukan, Al-Nashashibi, Al-Jaiyyusi, Al-Dajani and Nuseibeh of the Palestinian community; and Al-Majali, Al-Tarawneh, Al-Louzi, Al-Talhouni, Al-Hadid, Al-Hindawi, and Abu Taiyh from the East Bankers. Although there had been no formal provision for representing the Palestinians King Hussein tended to appoint equal numbers of them, as mentioned above, until the Rabat summit.

The system of partisan political loyalties for appointments and promotion is not exclusive to these two state bodies, it permeates the whole structure of state institutions: the military, the civil administration, other key institutions such as the Intelligence Service and Public Security, semi-autonomous and autonomous institutions. In addition, this patronage system in the upper echelons of the state fosters a similar trend throughout the society, permitting nepotism, favouritism and corruption to thrive. Favourable appointments, tendering and the distribution of state funds to key individuals, companies and institutions are the predominant aspects of the system, and the *wastah* (go-between) is the most common medium of communication and exchange.

The Military Establishment: The military establishment is the third political structure that must be addressed in order to understand the organisation of state power and the basis of its legitimacy, especially considering the significant role it has played in the consolidation of the state and the maintenance of its ruling class. Accordingly, it will be discussed in some detail. In 1923, the British created and commanded a military unit whose primary task was to overcome the major constraints upon the establishment of central government and authority and internal security [3]. The task included the subjugation and subduing of the tribes, ending tribal raids, especially in the areas bordering Iraq and the Arabian peninsula, and securing Jordan's Eastern border, especially after the fall of Hijaz at the hands of Al-Saud (Murad 1973: 30). This original unit (from which the Arab Legion developed) has been, during the first decade of the development of the state oriented towards creating a sedentary army drawn from recruits among the peasants and townspeople. Captain F.G. Peake, its first commander, noted that his policy

> was to raise a Force from the sedentary, or village, Arabs, which would gradually be able to check the Bedouin and allow an Arab government to rule the country without fear or interference from the tribal chiefs. (Vatikiotis 1967: 69)

With the continuity of tribal raids, however, and resistance to central rule, especially among the southern tribes, and the insecurity of the state's eastern borders, the British in 1930 summoned J.B. Glubb from Iraq, where he had been successful in subjugating the tribes, to serve as second-in-command to Peake. By 1939 he had replaced Peake in commanding the army, and remained its commander until he was dismissed by King Hussein in 1956. Glubb was the architect of present day structure of the military, by shifting its foundation towards recruits drawn predominantly from nomadic and semi-nomadic tribes, hence strengthening its Bedouin character (ibid.: 72). This proved the most effective means of absorbing and integrating the various tribes into the state and making them the backbone of Hashemite rule. What better way to ensure the allegiance of the resisting tribes than by making them the guardians of the new state, and successfully exploiting their traditional forms of legitimacy and loyalty under dramatically new socio-economic conditions, that is, a modern army and state. The deterioration of the local subsistence economy, due to the development of money and commodity markets coupled with the neglect of agriculture, has helped in boosting the importance of the military as a viable alternative source of income for both village people and Bedouins. Thus the state's legitimacy was based in rural areas on the military while in urban areas on commerce and trade (Ameri 1981).

This very special constitution of the military underlined the three most important characteristic of the military in Jordan. First, it emphasised its internal political function as a security force. Overriding concern with internal security served to keep the Public Security Forces as part of the military establishment until July 1956 when it was then separated and placed under a director of public security, attached to the Ministry of the Interior. The force did not exceed 6,000 in the late 1950s, and by 1973 it increased by 1,500, to 7,500 (Nyrop *et al.* 1974: 237). Its relatively modest size and lack of resources testify to the military having real power in matters affecting internal security. In addition, as opposed to the military the Police have a higher proportion of Palestinian, thus in times of difficulty the state relies on either the desert police force (the Badia

forces), which is also predominantly tribal, or the military. Secondly, it explains the qualitatively different role it played in comparison to armies in other Arab states, such as Egypt, Syria, and Iraq and its preclusion from presenting itself as a possible alternative political force. The military was kept well outside politics until it was required to act on behalf of the ruling class, as will be seen in the discussion of the 1956/7 and 1970/1 events. Thirdly, it accounts for the ruling class successful manipulation of the Palestinian-Jordanian regional division of the society, in order to present the Hashemite family as the only viable means to preserve a 'Jordanian' identity for the country. Hence the highly personalised relationship between the military and the Hashemites, in particular King Hussein who put a strong emphasis on his relationship with the military and basing it on his role as a ruler/chief and head of a family/tribe.

The army grew from a small military force of a few hundred in 1938, to 8-10,000 in 1948 and 25,000 in 1956. In 1970, it totalled 50,000, rising to 70,000 in 1973 (ibid.: 221,225). The growth of the army in numbers and complexity of organisation, thus, started prior to the 1948 war and has continued unabated since. This was necessary, first to facilitate Jordan's implementation of the UN partition plan of Palestine, secondly, for the defence of the regime against the emerging threats of regional and internal instability following the creation of the state of Israel, and, thirdly, to secure a regional balance favourable to the West and to Israel by suppressing the development of an independent Palestinian National movement and/or a Jordanian national movement threatening to both Israel and the Jordanian ruling class.

This expansion and the development of the technical needs of the military necessitated its opening up to urban population and to those of Palestinian origin. Nevertheless, its composition remained predominantly Bedouin, in particular, in the operational ground units of the infantry and armoured car regiments (Vatikiotis 1967: 29). This was possible because it could draw recruits outside the boundaries of the state, in particular the Sarhan Bedouins from neighbouring Iraq, Syria and Saudi Arabia (Murad 1973: 139,152). According to one estimate the proportion of non-Jordanian Bedouins in the army stood at 30 per cent, equal to that of Jordanian Bedouins (ibid.: 46). In addition the loyalty of the military has been secured by concentrating most of the command and senior staff positions in the hands of Bedouins, loyal East Bankers and members of minority groups, Christians and Circassians.

The economic significance of the military establishment extends beyond its being a major source of employment to having immense influence on the character of the economy by contributing to its large service sector. Its expenditure has been the largest single item of state expenditure. As illustrated in Tables 3.5 and 3.6, until 1963/4, average military expenditure exceeded 60 per cent of total government expenditure. Although the proportion since then has declined steadily except for the two years following the 1967 war, reaching a level of 35.4 per cent in 1973, it still constituted the largest single item of state expenditure. It is difficult to interpret this data as indicative of actual decline in the proportion of military expenditure since 'it is generally acknowledged that a significant amount of foreign aid in the form of military equipment is not included in the budget accounts' (Mazur 1979: 124). In particular US military aid in kind has not been accounted for in the budget (Kanovsky 1976: 69). Thus, an increasing number of military purchases were made without official acknowledgement under the pretext of military security especially in the post-1967 period with the commencing of large inflows of Arab assistance particularly from Saudi Arabia. The real reason was to obscure the actual level of military expenditure because of the high commissions which accrued to key individuals and their close associates. Also, high military expenditure and the expansion to members of the military of services such as housing, health facilities and educational services along with a Consumer Corporation selling goods at subsidised rates, meant a large number of supply and construction contracts, which have been a very important source of income to influential merchants and construction companies.

Although the regime has justified the large resources consumed by the military since the establishment of the state of Israel as necessary for the defence of the country - Jordan has the longest borders with Israel - this is not the full picture, especially given that the military has been consuming a large share of state resources even prior to 1948. Its share has been, on average 47 per cent of total state expenditure during the period 1928/9-1945/6, and it stood at 74 per cent in 1945/6 (Table 3.5). Secondly and more importantly, Jordan and Israel had shared mutual security concerns in spite of the ideological rhetoric of the government and the official state of 'war' between them [4]. Israel on several occasions came to the rescue of Jordan's ruling class, especially during the 1950s and the 1970-1 turmoil [5]. Moreover, Jordan on more than one occasion

Table 3.5 Relative importance of military expenditure to total government expenditure for the period 1928-1946

(Palestinian Pound thousand)

	Military expenditure	Total expenditure	Military expenditure / total expenditure %
1928/29	121.32	301.22	40.27
1929/30	128.14	338.46	37.86
1930/31	135.33	350.53	38.61
1931/32	144.57	344.98	41.91
1932/33	141.68	340.88	41.56
1933/34	140.29	331.92	42.27
1934/35	138.79	328.43	42.26
1935/36	147.48	381.30	38.68
1936/37	156.49	435.04	35.97
1937/38	160.56	462.71	34.70
1938/39	168.60	n.a	-
1939/40	210.64	874.84	24.08
1940/41	259.30	810.13	32.01
1941/42	724.13	1109.42	65.27
1942/43	848.43	1232.06	68.86
1943/44	1668.98	2318.53	71.98
1944/45	2243.09	3129.35	71.68
1945/46	2400.40	3249.62	73.87

Source: (Al-Mahafza 1973: 94)

Table 3.6 Relative importance of military expenditure to total government expenditure for the period 1950-1973

(JD million)

	Military expenditure	Total expenditure	Military expenditure / total expenditure %
1950/52	5.86	9.15	64.04
1951/52	8.98	13.79	65.12
1952/53	9.01	13.43	67.09
1953/54	9.52	15.46	61.58
1954/55	9.68	16.56	58.45
1955/56	10.63	17.63	60.29
1956/57	13.54	21.32	63.51
1957/58	13.42	23.86	56.24
1958/59	16.73	29.34	57.02
1959/60	18.06	30.82	58.60
1960/61	18.43	32.84	56.12
1961/62	18.72	33.09	56.57
1962/63	19.11	37.62	50.80
1963/64	21.02	39.34	53.43
1964/65	21.03	43.63	48.20
1965/66	21.61	46.99	45.99
1966*	14.37	38.70	37.13
1967	24.16	68.15	35.45
1968	35.16	80.45	43.70
1969	41.47	88.41	46.91
1970	33.07	80.71	40.97
1971	33.78	82.18	41.10
1972	39.25	100.06	39.23
1973	42.01	118.59	35.42

Note: * - nine months.

Source: (Al-Hindi 1976:125).

has solicited Israeli agreement to the acquisition of sophisticated weaponry from the Americans, in addition to there being a high level of intelligence and security co-operation which was stepped up following the 1970-1 crisis (Melman and Raviv 1989: 71-6).

The full dimension of the significance of the military establishment can only be seen by taking account of its internal security role which proved decisive during the two most threatening crises of the ruling class hegemony, namely the turmoil of the 1950s, in particular, the 1956-7 crisis and the confrontation with the PLO in 1970-1, as the following discussion will illustrate. Equally important the discussion will show the regional environment slowly changing towards accommodating the state of Israel and towards strengthening the idea of Arab 'nation' states in the region. Thus the seeds of the changes effected by the 1973-4 quadrupling of the price of crude oil were rooted in the previous decade.

The 1956-7 turmoil During the 1950s the Arab region was gripped by a strong wave of nationalistic feeling and anti-western sentiments following the establishment of the state of Israel, feelings heightened by the emergence of Nasir in Egypt. Jordan was particularly influenced because of its geographical proximity to Israel, its annexation of the West bank and its pro-western allegiances. A highly active and politicised environment prevailed in the country, culminating in the coming to power in October 1956 of the elected nationalistic government of Sulaiman Al-Nabulsi. This signified a shift in the balance of social forces towards the emerging urban educated stratum with its nationalistic/secular ideology and its mass support among the proletarised, dispossessed Palestinians and a large part of the masses in the East Bank. Hence the ability of the emerging opposition movement to gather thousands in demonstrations across both Banks. The traditional forces of the Palestinian leadership and the Jordanian regime, that have been blamed for bringing about the catastrophe of 1948, came under heavy attack and were slowly being marginalised. The ensuing struggle between King Hussein and the Al-Nabulsi government epitomised, therefore, the conflict between the old and new social forces; a conflict which was ultimately resolved via the military and the interference of the Americans.

The American embassy in Amman actively participated in rallying and organising the traditional forces in the country, tribal leaders and Muslim Brothers, and other key military and political figures such as Sharief Nasir bin Jamil and Bahjat Al-Talhouni. Its staff increased between April and May 1957 from 250 to 320 (Abu Hajla 1957: 44). This American involvement is not to be underestimated in setting the scene for King Hussein to make his move against the opposition movement, although it is 'unpublicised and on occasion denied' (Dann 1989: 47), and which was preceded by Hussein's acceptance of the Eisenhower-Dallas doctrine, under whose terms the Americans will lend support and protection to countries seeking it against the so-called 'communist threat'. It was not made public by the king but was related to the United States through its ambassador in Amman in January 1957 (Smith 1984: 108). Ironically, this happened on the same day that the doctrine was being debated in parliament and emphatically rejected by the House of representatives (Aruri 1972: 136-7). Yet the myth of a 'communist threat' was utilised most efficiently by both the palace and the Americans to gather support from the traditional quarters and heighten the atmosphere of confrontation.

In April 1957, the king dismissed the elected government of Sulaiman Al-Nabulsi, and this was followed by the orchestration of a pre-emptive military coup d'état. The Americans in a show of power and support ordered the sixth fleet into the Mediterranean, as well as made public announcements in support of the palace. It was imperative for the Americans to secure a decisive victory for the ruling class in Jordan, in order to maintain a balance in the region favourable to them and to Israel. The defence co-ordination with Syria and Egypt and the creation of a unified command, in October 1956, was especially alarming. In addition, the Americans were aiming at augmenting the Saudi Arabia-Jordan-Iraq axis to contain the Egypt-Syria axis, and at cultivating Saudi Arabia as the most influential leader in the region. The purging of the military of its nationalistic officers was the last move in the reversal of the anti-Western tide of the country and the retaining of Jordan in the orbit of the West.

Following the 1948 defeat and the performance of the military under British control, a number of educated army officers began to assert themselves and express displeasure with the British command and control of the military, and western influence in the country. It was in response to these nationalistic feelings and the general anti-Western mood of the country, that King Hussein

dismissed John Glubb in March 1956 and Arabised the army, in the hope of boosting his popularity and containing the volatile mood of the country. In addition, the king was very much aware of and indeed himself concerned with Glubb's reluctance to relinquish visible control of the army. The British commanded most of the regiments and all higher formations, as well as all sensitive staff appointments. This was defended by Glubb on professional grounds; hence when asked by the king about the timing of when Jordanian officers could take command his answer was, not until the 1980s (Murad 1973: 75)!. It must be noted that these army officers, who called themselves the 'Free Officers of Jordan', were known to the king and contact with them was made through the king's personal aide Ali Abu Nowar, who, contrary to the commonly held view, was not a member of the 'Free Officers' movement[6].

The 'Free officers' programme did not at any point include the overthrow of the king. They were to be seen as being in harmony with the orientation and policies of the Nabulsi government striving for Arab military unity to liberate Palestine and for independence from Western influence, as well as a more democratic political system in the country (ibid.: 81; Abu Shahout 1987: 57). Another important fact about them, in contrast to their claimed image, is that they represented a wide range of political views and ideological adherence, with few among them actively involved in political parties. The direct influence and co-ordination between them and Nasir's Egypt and Ba'thist Syria has been excessively exaggerated[7]. The palace, in collaboration with two predominantly tribal regiments: the Princess Alia regiment and the First Armoured Regiment, created chaos in the Zarqa camp, claiming the disclosure of a coup, with the former regiment moving to Amman under the pretence of saving the king. In what has often been described as a courageous act the king took Ali Abu Nowar - who had been promoted by then to chief of staff and who was presumably the leading figure in the coup - to the concerned camp to calm down the angered loyal officers and soldiers and to quell the concocted coup.

The aftermath of the event is indicative of the true intentions and objectives of the ruling class. The 'Free Officers' were rounded up and falsely tried, since

> neither the plot itself, nor foreign intervention had been demonstrated by the authorities in Jordan. The Zarqa affair, and the

> treason charges provided the justification needed to restore royal authority and suppress the nationalists. (Aruri 1972: 147)

Thus the military trials resulted in their detention in prison for several years. Other political activists and political party members were arrested. Also, martial law was imposed, political parties dissolved, the security forces placed under the command of the army and parliament suspended. Some of its members were put under house arrest while others were expelled or their membership abrogated, thus assuring that parliament lost most of its vocal members and that when it resumed its activities it returned to operating as a 'rubber-stamp' parliament packed with loyal members (ibid.: 147-150). In short all signs of democratic life were suppressed. At the same time, a new approach was formulated for containing opposition elements, both Palestinians and East Bankers, focusing on integrating them into state apparatus, coupled with a general orientation towards expanding the social base of the regime through the above-mentioned process of economic development and increased expenditure funded by the Americans and other Western agencies. As part of this new approach, in the early 1960s, a large number of the tried military officers were pardoned and those sentenced *in absentia* permitted to return. Some of these officers were entrusted with important and sensitive posts in the military and security apparatus; others held ministerial or ambassadorial posts (Murad 1973: 116). The king appointed also the hard core of the nationalist rule to the upper house of the parliament, namely Sulaiman Al-Nabulsi, Abdul-Halim Al-Nimer and Hikmat Al-Masri. Even members of the Al-Husayni and Anabtawi families, staunch opponents to the Hashemites, accepted ministerial posts. Other leading opponents, such as Musa Nasir, Hana Atallah and Qadri Toukan, served as foreign ministers (Bailey 1984: 17).

It must be stressed that this policy has been successful because of its coinciding with the beginning of the decline of the ideology of Arab nationalism which was precipitated by the failure of the two attempts at unity between Egypt and Syria, and Egypt, Syria and Iraq. The plausibility of Arab unity was increasingly diminishing and seen as fraught with immense difficulties rendering it 'well-nigh'. The 1967 Arab defeat came only to confirm this and to increase frustrations and disillusionment of Arab masses, but on the other hand helped in increasing the legitimacy of the ruling class in Jordan and it became

clear that parochial political interests of individual Arab states override any other concern including Palestine.

The events of the mid-1950s revealed the effectiveness of the military as well as its significance as one of the most important instruments for protecting the interests of the ruling class. This also became very clear to the United States, who in May 1957, just after the clampdown on the opposition movement provided the military with a $10 million emergency grant for the purchase of American weaponry and for increasing army salaries, followed by another $20 million at the end of June, and a further $10 million in November (Smith 1984: 109), in addition to the signing of the technical and economic assistance agreement of July 1957. The year 1957 marked the beginning of a long and close relationship between the United States and the Jordanian ruling class at the expense of both Palestinian national rights and the majority of Jordanians, whose livelihood increasingly became dependent on a state obliging to US foreign policy objectives in the region.

The Jordanian regime-PLO confrontation The 1970-1 confrontation with the PLO represented the second most important occasion in which the military was brought onto the political stage as the ultimate recourse for restoring ruling class legitimacy and hegemony. The 1967 Arab defeat and the loss of the rest of Palestine dealt a blow to the legitimacy of Arab states, in particular those that have been championing the cause for more than two decades: Egypt, Syria and Jordan. The crystallisation of the independent Palestinian national movement, precipitated by this defeat, with its ideology of armed struggle, further challenged their legitimacy, and, more importantly, it provided an alternative base of appeal and legitimacy to Arab masses. The Fedayeen movement and its operations against Israel inspired and rallied the support of the Arab masses as well as raised much hope for the restoration of Arab honour, especially after the battle of Karameh in March 1968. The Palestinian commandos and the 'local' command of the Jordanian military in the area withheld an Israeli offensive, despite huge losses.

Following this, the prestige and popularity of the PLO skyrocketed. At the outset the PLO numbered a few hundred, but by 1969 its membership had risen to 12,000. Their training sites and supply and operational bases were

spread in the Jordan valley and the outskirts of major cities, including Amman, Ajlun, Salt, Irbid and Jerash, in addition to having headquarters in the refugee camps in Amman and Zarqa. Besides the building of the military side of its operations, the PLO was developing separate Palestinian social and political structures and institutions. In other words, it sought to establish a territorial base where the majority of the population are of Palestinian origin, with the aim of achieving national self-determination for the Palestinian people on their own land Palestine. These developments with general sympathetic support, including that of the military, which the Karamah battle exemplified, heightened the challenge of the PLO to the ruling class in Jordan and increasingly threatened its security and authority, not to mention the fear of that what happened at Karamah might reoccur. A placard displayed in Amman in the name of the 'Unified Fedayeen Forces' affirmed the unity of the Fedayeen and the Jordanian army and praised the bravery of the two sides (Pollack and Sinai 1977: 51). Following that, Hussein in a broadcast was impelled to emphasise that 'we are all Fedayeen,' while fears grew among the Israelis, the Americans and the ruling class that they were losing control over the military (ibid.).

At the same time, the PLO was undermining the possibility of a negotiated peace settlement. The United States, Egypt and Jordan were involved, since the 1967 defeat in pushing for the Rogers peace plan, which called for a negotiated settlement with Israel based on UN Security Council Resolution 242 of 1967 (Kerr 1977: 131), in spite of the rhetoric of the Khartoum Summit, held following the 1967 war, and its famous 'three nos': 'no' to peace with Israel, 'no' to recognition of Israel and 'no' to negotiation with Israel. The PLO's adamant stand against this process - which stood in sharp contrast to Palestinian national aspiration, and the very ideology of armed resistance - as well as its increasing legitimacy, made its containment and the reduction of its effectiveness an imperative requirement for a political settlement along the lines of Resolution 242. The September confrontation was the first of a series of events aimed at achieving that objective, including Camp David, Syria's intervention in Lebanon in 1976, the Israeli invasion of Lebanon in 1982 and, more recently, the Gulf War.

The ruling class in Jordan bought time with a series of agreements on controlling and regulating PLO activities and presence in Jordan until the right moment arrived. That was when Nasir announced Egypt's acceptance of the

Rogers plan in July 1970. Jordan followed suit and the preparations for the final showdown accelerated. The Palestinian-Jordanian division was heightened through the intensification of a propaganda campaign that succeeded in narrowing the implications of the conflict and presenting it as a Palestinain take-over, especially within the army. This had been immensely facilitated by some of the strategic mistakes of the PLO. In the first place, it lacked a clear policy towards Arab states, and its vague slogan of 'no interference in internal Arab states' was not helpful, particularly not in Jordan, considering the historical ties of the two populations, the majority of the population being Palestinian and the historical role of the ruling class in Jordan towards the Palestinian issue. Secondly, its pursuit of the 'Palestinisation' of the cause, brought about its failure to capitalise on the general sympathy and support that was widespread especially after the Karamah battle (*Hamlat Aiylul* 1971: 26). Add to this some practices of the PLO such as checking people's identity cards, confiscating cars and interrogating people, in other words resisting all state control and assuming all towns and areas to be battlefields. These, in combination with the intensive propaganda campaign of the government alienated large segments of the population and made the mobilisation of the military possible without risking a popular uprising or encountering civilian resistance.

In August the government raised the salaries of army personnel, and in September a military government was appointed, headed by General Mohammed Daod, of Palestinian origin. Other appointments were made to the army and security forces to secure the presence of reliable officers and state personnel. The expected split in the army which all factions of the PLO banked on did not materialise; only a very limited number of army officers sided with the PLO and disobeyed orders (ibid.: 20, 42). The military stood solidly behind the Jordanian ruling class, in addition to the public security service and the intelligence service. The army attacked both the Fedayeen strong-points and Palestinian population centres in general, especially the slum areas around Amman crowded with refugees. Zarqa City suffered similar attacks, while the fighting in the northern cities of Salt, Jerash and Irbid was less intensive (Kerr 1977: 149).

The acquiescence of the Arab states facilitated the task immensely and exemplified the fact that the interests of the Palestinian national movement and

the Arab states are mutually exclusive and inherently diametrical. Thus it is understandable that the Iraqi force of 12,000 troops stationed in Jordan not only failed to intervene but was called back to Iraq, while the Syrians withdrew an armoured column that crossed into the border near Irbid after a few days (Bailey 1984: 58). The dispatching of the American Sixth Fleet to the Mediterranean and Israel's reinforcement of its army at the Syrian border played a role in the withdrawal of the Syrian force (Nyrop *et al.* 1974: 152). The Cairo summit in September 1970 did not pass any formal censure on Jordan and its efforts were very slow in stopping the fighting and observing the truce. The suspension of aid to Jordan by Kuwait and Libya was only a gesture to appease Arab public opinion.

Thus, despite the Cairo agreement fighting continued, particularly in Amman, Jerash and Irbid, until July 1971. By then the military had completely rooted out any presence of the Fedayeen in the country and had achieved its objective of destroying all their bases and totally eliminating commando presence. Nevertheless, the PLO's political influence, which has been rising steadily during the 1970s, culminated in the Rabat summit officially conferring on it its role as the sole legitimate representation of the Palestinians, but increasingly becoming under the tutelage of the Arab states especially the Gulf states. Despite the Rabat resolution, the rivalry between the PLO and the Jordanian regime continued to be a source of internal conflict. It was, however, subdued by a strong intelligence service and suppression of political freedoms, in addition to the expansion of economic opportunities and benefits in the post-1973 period, as will be seen in the following chapters.

Once more the Palestine/Israel issue was at the centre of undermining the Jordanian ruling class legitimacy, and once more the military proved to be the most crucial force for maintaining the ruling class. The United States as a reward resumed its military and economic assistance, which has been kept at a very low level since 1967. Despite these two crucial events neither the PLO nor the nationalistic/progressive forces in Jordan were able to come up with a political programme that addressed the specific situation in Jordan without adversely affecting the Palestinian cause and the nature of a settlement with Israel. This worked very well to maintain the ruling class by maintaining *Al-Iqlimiyya*or regional division which debilitated the opposition.

The discussion so far had focused on examining how state structures were organised in order to create the legitimacy of the Hashemite family and its class alliance. To complete the analysis the following section will focus on the elucidating the emergent social structure of the society, emphasising in particular that the Hashemites did not rule supreme but through creating and maintaining a prosperous private sector and by attaching a large segment of the population to the state.

The Development of the Social Structure of the Society

The fact that the state and state structures preceded the development of the society, coupled with the concentration of capital in the hands of the state, attests to both the crucial role the state played in the formation of the ruling class alliance and to the evolution of the social structure of the society. This is not to ignore the influence of its pre-capitalist formation as well as its place within the international capitalist system economically and politically subservient to Western interests, a factor which kept its markets open for Western goods and maintained its strategic role in the region as part of the pro-Western axis. The following discusses in some detail the social structure that evolved since the creation of the state having in view the total effect of these factors, as well as highlights the fact that despite the close association of the state with the Hashemite family and irrespective how powerful state's political and economic structures, the Hashemites could not have ruled by being divorced from society and/or by resorting to repressive measures, although these have been very important. In other words the very process of establishing the authority of the Hashemites, necessitated the creation of social forces that have vested interests in the state.

The Local Bourgeoisie

The eminence of state institutions and enterprises and their influence on stimulating commercial activities, and the marginal development of the productive sectors, explains the dominance of the service sector and its contribution to domestic output (amounting to 70 per cent of the GDP in 1973), and illustrates clearly the intermediate nature of the economy. In other words,

the process of growth and development has been stimulated by state expenditure and funded by external resources, reflecting the circulation and accumulation of capital rather than the creation and expansion of domestic productive facilities. Hence, this process largely stimulated the emergence of the commercial bourgeoisie as the most important private sector interest, as well as the state bourgeoisie tied to the preponderance of state structures and their substantial economic role. Although, state bourgeoisie represent an awkward stratum in terms of its power not being rooted in private property and of its being incapable of reproducing itself, nevertheless it derives its power from access to state funds and its control over them (Richards and Waterbury 1990: 214-8). The other significant propertied class that emerged as an important part of the ruling class alliance is landowners, who were able, through state land registration and privatisation policy in the early 1930s to register large plots of land in their names, and hence enhance their position in society.

The extension of the state economic role during the 1950s and 1960s through the initiation of development planning, coupled with the increased human and financial resources (Palestinian businessmen and capital, the increased level of foreign assistance, the expansion of state enterprises and the population increase), provided further stimulus for the commercial class to expand into new fields such as banking, real-estate and contracting, and an opportunity for the landed class to become either prosperous farmers or land traders, while increasing the power of top executives, managers and directors due to increased resources and expansion of state agencies. The following is a more detailed discussion of the development of the propertied-class. Although they are classified primarily by their major field of activity, one must bear in mind that the core of the local bourgeoisie represents a small clique whose activities extend to all these fields, concentrating power in a few hands.

Merchants

Merchants became one of the most significant social groups, whose prosperity, and subsequently vested interests, played a major role in building the legitimacy of the state. The economic benefits of the initial period of the commercialisation of the economy have been seized predominantly by the

Syrian community that settled in Amman during the 1920s and 1930s and the Palestinians, who had trade links with the area prior to the creation of the state. Their experience in money-market and trading practices gave them an advantage, in addition, British and Hashemite policy was geared towards cultivating special links with these merchants (Robins 1988: 301). It was during this time that Syrian families such as the Taba'a and Bdair made their initial wealth and established strong links to the Hashemites, in addition to them having established a chamber of commerce as early as the 1920s. This chamber remained dominated by them until the beginning of the 1950s, when Palestinian merchants started to compete with them (ibid.: 306).

The enlargement of state area, population and resources after 1950 augmented the wealth of the key families that have dominated the sector, but also provided new opportunities for certain families among the Palestinian élite, especially those that supported and facilitated the annexation of the West Bank in order to strengthen their economic status and power. These families include the Toukan, Nashashibi, Jarallah, Al-Dajani, Abdul Al-Hadi, Tannous, and Al-Jaiyyusi. Thus import and wholesale trade had been dominated by a few leading families who monopolised the various foreign agencies, dealing mostly in consumer goods as well as state supply contracts. Usually these families have a wide range of commercial interests examples being the Taba'a, whose interests encompass items from luxury automobiles to heavy mining machines and surveying instruments, and tiles, and the Ka'awar family, with interests ranging from clothing to shipping and tourism. Thus, these prominent merchants became increasingly linked to the international capitalist market, trading on behalf of foreign capital rather than being associated with the developments of domestic production - hence the epithet 'compradore' bourgeoisie.

The lopsided trade pattern that emerged dominated by imports with exports making an insignificant contribution is, therefore, not surprising. Imports grew from a few thousands in 1936 to over JD10 million by 1950, while exports for the same year were JD1.5 million. The trend continued with vigour during the 1950-73 period, imports growing from the 1950 level of JD10 million to JD108 million by 1973, amounting to a tenfold increase. Although export earnings improved from a level of JD1.5 million to JD14 million for the same years,

reflecting the increased exports of agricultural produce in addition to exports of phosphate, the gap between the two remained huge (Table 3.7).

Table 3.7 Trade pattern for the period 1936-1973

(JD million)

	Imports	Domestic exports	Trade balance
1936	0.7	0.2	-0.5
1938	1.3	0.4	-0.9
1940	1.4	0.7	-0.7
1942	2.1	0.7	-1.4
1944	3.1	1.4	-1.7
1946	8.7	2.0	-6.7
1948	12.6	0.7	-11.9
1950	10.7	1.5	-9.2
1952	17.3	1.2	-16.1
1954	19.8	2.4	-17.4
1956	27.8	4.3	-23.5
1958	34.0	3.1	-30.9
1960	42.9	3.4	-39.5
1962	45.6	4.8	-40.8
1964	56.5	7.0	-49.5
1966	68.2	8.7	-59.5
1968	57.4	12.1	-45.3
1970	65.8	9.3	-56.5
1971	76.6	8.8	-67.8
1972	95.3	12.6	-82.7
1973	108.2	14.0	-94.2

Source: (Statistical year book 1973: 154-155).

The high rate of commercialisation of the economy is reflected by the heavy reliance of the tax system on indirect taxes, the share of which by 1952/3 was 50 per cent of total domestic revenues, increasing to 61 per cent in 1970 and to further 65 per cent in 1973 (Saket 1985: 17; Central Bank of Jordan 1989). It also indicates the bias of the tax system towards protecting landowners and/or merchants, whose wealth has actually been tax exempted through the exemption of tax on capital gains (shares, dividends, and interests), urban and rural property, and agriculture income. Although in the seven year development programme 1964-70 specific recommendations have been made to improve the tax system and shift the burden from low income brackets to high income brackets, since indirect taxes tend to be regressive, they have not been adopted since any such shift will influence the affluent families who benefited mostly from the present structure.

A major contributing factor to the expansion of trading activities had been the dominance of government consumption expenditure, being on average more than 80 per cent of total government expenditure during the period 1950-1973 (Al-Hindi 1976: 51). State reliance on imported goods and the rising levels in the purchasing power of the population have accelerated the establishment of a consumer-commodity market heavily dependent on foreign goods, especially considering the neglect of rural areas and agriculture, as well as domestic manufacturing - not to mention the fact that the state has not imposed any kind of regulation or control on the ever-increasing levels of imports. On the contrary, its policies have actually encouraged and supported the expansion of consumerism and facilitated the merchants augmentation of their wealth.

These policies included the monetary policy, which kept the currency value high: in fact the dinar was revalued in 1973 by 11 per cent from an equivalent to $2.80 to $3.11. Neither values reflect the strength of the economy but rather the abundance of external resources. As rightly pointed out if it 'were not for the large inflow of aid Jordan has been receiving for over two decades, the exchange value of the Dinar would have been much lower' (Mazur 1979: 138). This policy made imports extremely competitive, stunting the development of domestic production, and allowed for the high level of consumerism and improved living standards way above the capacity of the domestic economy. No restrictions on import licences or higher taxes prioritising the needs of the society were imposed, despite the fact that the seven year development programme (1964-70) recommended the imposition of a luxury tax to curb luxury consumption. Furthermore, the state totally exempted its imports from customs and duties, including all its agencies - government departments, public institutions, municipalities, universities, as well as the military establishment and its associated Consumer Corporation, the intelligence service, and the public security service without even invoking a discussion concerning the effects of such a policy on the domestic economy. Consumption, both government and private far exceeded GDP reaching a level of 139 per cent in 1973 (Table 3.8).

Commercial activities were not confined to trade in goods and services, especially in the aftermath of the 1948 war, which was followed by the annexation of the West Bank. The influx of Palestinian refugees and the overnight tripling of the population of Jordan induced a significant increase in

Table 3.8 Uses of gross domestic product for the period 1954-1973

(JD million)

	1954/55*	1964	1966	1968	1970	1971	1972	1973
Consumption expenditure	60.4	155.7	188.8	183.3	211.5	222.1	245.7	263.1
Government	46.2	31.1	37.3	55.9	58.7	60.4	68.3	80.1
Private	14.2	124.7	151.5	127.4	152.8	161.7	177.4	183.1
Gross capital formation	5.5	18.8	27.7	27.1	25.2	30.7	36.3	47.2
GDP (at factor cost)	n.a.	135.5	149.6	138.2	154.7	166.1	182.8	188.9
Share of total consumption to GDP	-	114.9	126.2	132.6	136.7	133.8	134.4	139.2
Share of capital formation to GDP	-	13.9	18.5	19.5	16.3	18.5	19.8	24.9

* Taken from (Aresvik 1976: 47)

Source: Based on (Central Bank of Jordan 1989: 58,59).

demand in the real-estate market, which had the consequence of raising rents and land values. Thus it substantially expanded the sphere of activities of the commercial bourgeoisie and landowners into trading in land and real-estate, not to mention the benefits accruing to the intermediate stratum of real-estate agents and commission agents. Another reason for the real estate boom has been the growth of state capital outlays from a level of only JD2 million in 1950 to JD41 million in 1973, more than twentyfold increase, and its concentration on infrastructure projects as well as mining facilities. The expansion in the housing sector and state's projects has been reflected in the increased contribution of the construction sector to GDP. This grew from 2.5 per cent in 1954 to 8 per cent in 1973.

Bankers

The end of the British mandate in Palestine and the annexation of the West Bank marked the expansion of a new stratum of commercial businessmen, namely bankers. Prior to that, banking activities had been concentrated in the hands of the British mandatory government in Palestine. The monetary unit was the Palestine pound issued by the Palestine Currency Board, which was created in 1926 and whose members were appointed by the British government in London. There was also the Ottoman Bank - a British entity, established in 1925 in Amman to act as the fiscal agent of the government and its commercial bank (Hayek and Zreikat 1976: 1-7). Only one private bank was

operating in Jordan, the Arab bank, owned by the Palestinian Shoman family. It opened a branch in Amman in 1936 and following the war of 1948 moved its main office from Jerusalem to Amman. A Jordanian Currency Board which exchanged Palestinian pounds for Jordanian currency was thus established only in 1950, but it was not until 1964 that a central bank of Jordan was established, replacing the board and handling the monetary system. These institutional changes, coupled with the increased state resources and the assets of a large number of Palestinian refugees that were brought to Amman estimated at around JD20 million prompted a marked growth of investment in banking (Hilal 1974: 71). Most of the banks operating in Jordan were established during the 1950s and 1960s. By 1973, the commercial bank sector consisted of four Jordanian banks with thirty-three branches, while foreign banks consisted of five banks with twenty branches (Table 3.9).

Table 3.9 Commercial banks and their branches for the period 1964-1973

	Jordanian banks		*Foreign banks*	
	Number of banks	Number of branches	Number of banks	Number of branches
1964	4	13	6	18
1965	4	16	6	18
1966	4	21	6	20
1967	4	22	6	22
1968	4	23	6	22
1969	4	23	6	24
1970	4	25	6	32
1971	4	25	6	32
1972	4	28	7	34
1973	4	33	7	40

Source: (ibid.: 4-5).

Commercial banks have been the most important source of funding for the commerce sector, which had enjoyed the lion's share of the bank's credit facilities, amounting to approximately half of total credit advanced in 1964. Although this share declined to 41 per cent in 1973, commerce still has the highest share (Table 3.10). By comparison the share of the agriculture sector has been insignificant in terms of absolute value or relative share, amounting to less than 3 per cent in 1964 growing to only 3.3 per cent in 1973, while the industrial sector has been better off, with a share of 11.4 per cent in 1964, declining to 9.5 per cent in 1973 despite an increase in absolute value. Access

to this credit has been monopolised by key families because the loan conditions, especially that 60 per cent of collateral be personal, can only be met by those wealthy families (Fanek 1965: 55). Commercial banks played a key supportive role for contractors as attested by the growth of credits to the construction sector, whose share increased from 8 per cent to 23 per cent.

Table 3.10 Sectoral distribution of outstanding commercial credit for the period 1964-1973

(JD million)

	Total	Commerce & trade	Construction	Industry	Agriculture	Others
1964	29.27	14.41	2.24	3.33	0.86	8.44
1965	33.30	17.08	2.45	4.32	0.68	8.77
1966	38.98	20.33	3.27	4.72	0.61	10.05
1967	38.89	17.35	5.02	4.23	0.77	11.51
1968	41.00	17.08	6.09	4.01	0.65	13.17
1969	45.39	19.06	7.10	4.05	0.72	14.46
1970	45.55	16.89	11.23	4.03	0.58	12.82
1971	46.93	18.96	10.51	3.92	0.80	12.74
1972	50.59	21.46	10.67	4.35	0.80	13.30
1973	61.82	25.08	14.44	5.87	2.06	14.36

Source: (ibid.: 17).

The expansion in trading and contracting and the general prosperity of the economy is reflected in the growth of the deposits of commercial banks, which increased fourfold and the growth of credits which increased sevenfold, for the period 1951-63. In the period 1964-73 deposits grew further, from JD49 million to JD86 million, and credits expanded from JD29 million to JD62 million. The banking sectors' contribution to GDP grew from only 1 per cent in 1960 to 11 per cent by 1973, while its utilisation of the labour force more than quadrupled (NPC 1973: 2).

The Arab Bank remained, throughout the 1950s and 1960s, the most influential of banks and developed a close network of prominent merchants and businessmen. These include Sulaiman Tannous, a member of the bank's board of directors, who established along with Farid Al-Sa'd and Abu Wafa Al-Dajani, all prominent merchants, Arabia Insurance Company with offices in many other countries. Fuad Saba, owner of Saba and Company, a leading auditing firm, has been the bank's auditor since the establishment of the firm in 1930, and Amin Shahin, who owned a large construction company, has been a partner to the Shomans in some of their diversified enterprises (Smith 1984:

132-3). The Jordan bank, established in 1960, was intended to countervail the economic power of the Arab bank which is seen as a Palestinian Bank, despite the very close relation of the Shoman family with the Hashemites and despite the fact that, since the annexation, the interests of the propertied bourgeoisie as well as the state bourgeoisie have became increasing shared by East Bankers and those of Palestinian origin.

Landowners

The landed class, or, more accurately its creation, has been an important constituent of the ruling class alliance. The policy of land registration and privatisation, which the British undertook at the beginning of the 1930s, although it was meant to create numerous small landowners and to disintegrate the *musha'a* system of land cultivation (which gives the leading family in the area immense power as a result of its control of the rotation and allocation of village land) as well as to erode the power of the tribal leaders and force nomads to settle, ended up having the opposite result by enhancing the existing local power structures of leading tribal figures and leading families in settled areas (Robins 1988: 269-271). Tribal leaders, especially in the centre and south of the country, augmented their power and established themselves as large landowners via the state, registering in the name of the sheikhs and/or the most prominent individual in the clan, such as Al-khraisha and Al-Faiz of the Bani Sakher tribe, large plots of land; or by selling land to leading families such as Al-Adwan's acquisition of large tracts of land in the Jordan valley and Balqa hills and Al-Faiz's other acquisition of 30,000 dunums at Jiza (ibid.: 284-5).

The position of these leading families was consolidated by the lack of interest on the part of the state, during the formative years, in improving rural communities; very little support was offered in terms of credit, extension services, or even organisation of the most scarce resource, water. It was only in 1948 that a law was passed to give the state the right to organise and control the water sector. The large landowners were able up until then to monopolise water resources at the expense of small farmers (Hourani 1978: 87). Pressures arising from the commercialisation of the economy and lack of support from the government helped to maintain agriculture concentrated in

rainfed highland areas, specialising in field crops with very little change in cultivating methods or improvement in technology, yet it was still capable of meeting the consumption needs of the population and exporting the surplus to Palestine.

The situation in the post-1950 period changed on two fronts, which created ample opportunity for the growth of a small rich stratum of capitalist farmers predominantly engaged in the production of fruits and vegetables. The first change was the tripling of the population (West bank population and refugees), in addition to natural population growth; the second the new focus of the government in support of the development of the Jordan valley. Although the new focus on the Ghor area was on the east side of the Jordan valley the generally conducive situation and the incentives provided by the government benefited the landed class and commercial bourgeoisie on both sides of the river. Such incentives included the 1951 income law, which exempted agricultural income from taxes and the Agricultural mortgage programme of 1950. Also, the decline in agricultural workers' wages, as a result of there being thousands of landless refugees, and the rise of food prices as a consequence of increased demand, greatly affected the profitability of the sector (Smith 1984: 42-3).

Despite this, the investments poured in the Jordan valley - which has been the largest investment undertaken by the government - remained the most important factor behind the profits accruing from the expansion in production of fruits and vegetables. Initially the East Ghor Canal project for the irrigation of the valley (planned by United Nations Relief and Work Agency) was part of the United States designs to settle the Palestinian refugees. The Americans were convinced that this project would reduce the desire of Palestinians to return to their lost lands and homes (Ameri 1981: 161). Land reform in Jordan, therefore, was carried out only in the Ghor area in order to maximise the number of benefiting refugees. Sizes of plots were limited between 30 and 200 dunums (Aresvik 1976: 255). A 1966 study concluded that 61 per cent of the population in the project area were Palestinians, but that the majority were sharecroppers (Kanovsky 1976: 144). Thus, large plots of land ended in the hands of absentee landowners, mainly merchants and government personnel (Ameri 1981: 162).

While the aim, therefore, had been to create family and owner-operated farming units predominantly for Palestinian refugees, the exact opposite happened which resulted in a sharp increase in land tenancy on the basis of either share cropping or cash rent. Land rent stood at around 39 per cent in 1961, increasing further to 59.3 per cent in 1973 (Ameri 1981: 163). Thus the agriculture development that was supported by the government and foreign funds was geared towards a small irrigated export sector, mainly of fruits and vegetables, hence furthering the interests of a small stratum of highly subsidised, rich farmers. As a consequence the value of cash crops exports from Jordan increased dramatically during the 1950s. The export value of vegetables, which stood at JD6,300 in 1949, increased by 1957 to approximately JD1.5 million. The value of fruits was JD31,000 and increased to JD827,000 over the same period (Smith 1984: 95). Fifty-one per cent of total agricultural production in 1959-61 came from fruit and vegetables and less than one-fifth from field crops. Subsequently, land cropping patterns had changed in favour of these crops (Table 3.11).

Table 3.11 Changes in cropping patterns in Jordan for the period 1956-1972

(% of cultivated area)

	1956	1961	1964	1965	1972
Field crops	93.4	86.9	85.1	80.8	83.0
Vegetables	3.0	8.5	10.4	12.1	10.0
Fruit tress	2.9	4.5	4.4	7.0	7.1

Source: (Aresvik 1976: 76).

The other group that had benefited from this development had been the export agents and middlemen - basically those who control the domestic and regional markets. With this growth of cash crops the need for improving marketing facilities became very important and the government established three Central Wholesale Markets, the Amman market in 1966, the Irbid market in 1968 and the Zarqa market in 1972, yet left the actual operation of the markets in the hands of the middlemen allowing a few people to monopolise the market (Arabiat 1985: 325). For instance, in the Amman market, where two-thirds of the trade takes place, nine middlemen handle 75 per cent of the trade (Aresvik 1976: 283-4). A similar situation exists in the other two markets. In Irbid five middlemen control 70 per cent of the total value of trade, while in Zaraq three middlemen organise most of the sales (Arabiat: 329-330). In addition, in other

smaller cities such as Salt, Karak and Ma'an smaller wholesale markets operate with few middlemen too. Furthermore, a large section of export trade bypasses the official markets, especially exports to Syria and Lebanon, which means a loss of 4 per cent of municipal fees levied by the municipal authorities (Aresvik 1976: 284).

The monopoly of the fruit and vegetable market by a small number of middlemen making huge profits accounts for a large part of total revenues in the wholesale and retail trade (Mazur 1979: 73-4), thus making a significant contribution to the growth of commerce and, subsequently, the service structure of the economy. In the same way that the monopoly of import trade attributes to the large size of commerce so does the monopoly in marketing cash crops in agriculture. This is why merchants, large farmers, middlemen, lorry owners etc., either overlap or enjoy close alliances which allow them to squeeze immense profits. In other words a few have control of more than one of the essential processes entailed in agricultural production and marketing.

The development of the Jordan valley and trading in fruits and vegetables was affected by the 1967 war and turmoil during the period 1970-1, a large part of the infrastructure was destroyed, in addition to the population fleeing the area. But this was quickly reversed in the post-1973 period by the huge sums of investments poured in to the valley coinciding with rising living standards in Jordan and high demand in the Gulf. This promoted lucrative markets for cash crops, which further enhanced the wealth of large farmers in the valley.

The Petty Bourgeoisie

The petty bourgeoisie will be used here in its broad definition (Longuenesse 1979) to include the two social groups that the term encompasses, the 'new' and the traditional. The 'new' petty bourgeoisie refers to the professional, technical and salaried strata whose emergence has been directly brought about by the establishment of the state and the growth of its institutions as well as the spread of education. Since mandate period and beyond, the state sector provided the most important channel for the growth of this class and consumed a large share of state funds, especially in comparison with other sectors. Thus, central government employment averaged 44 per cent of total

employment for the period 1968-73, while accounting for two thirds of those employed in the service sector (Table 3.12).

Table 3.12 Government share in employment for the period 1968-1973

(thousands)

	1968	1969	1970	1971	1972	1973
Total employed	251.6	255.3	258.9	267.8	276.9	296.0
Service sector	147.2	153.5	160.8	169.8	179.2	189.4
(of which)						
Social services, administration and defence	(104.4)	(108.9)	(114.5)	(120.3)	(126.0)	(130.3)
Percentage employed						
Government / service sector	70.9	70.9	71.2	70.8	70.3	68.8
Government / total employed	41.5	42.7	44.2	44.9	45.5	44.0

Source: Based on (Ibrahim 1989: 62).

The 'new' petty bourgeoisie do not represent a coherent social group with similar political and class consciousness. The social backgrounds of its constituents vary considerably and they occupy a variety of positions in the state apparatus with different salary levels, privileges, prestige and power. Yet, this incoherence does not preclude it from having vested interests in the state (Al-Naqeeb 1988: 41-2), especially considering its dependence on state employment. That by itself had imposed a particular political consciousness although it does not preclude the development of opposition within this class. Thus this class represents both a very important pillar of the regime's stability and potentially the most important source of instability if state expenditure levels are affected and state's ability to meet the needs of its various constituents especially the educated stratum is undermined. One of the important ways, during the boom years, that helped in reducing pressure on the state as a result of its salaries and wages being not that high especially by comparison with the private sector was moonlighting after the official working hours which is prohibited under the civil service law. The state ignored that primarily because of the vested private interests of most of the top level state management. Yet this helped many especially at mid to lower level structures of the state echelon to have the security of a state job and to venture into small business and/or to have another job in the service sector.

Although the growth of the state and state agencies have been the main reason for the development of this class other factors have contributed too, including the expansion of the private sector into modern sectors such as construction, finance and other business services, as well as social services, which created a high demand for qualified people. Although in Jordan part of the growth came as a response to these new demands in the economy, a large part of the growth came as a consequence of the annexation of the West Bank, and the influx of refugees into Jordan. The Palestinian population was more urbanised, and highly educated and skilled, especially in comparison with the East Bankers. Naturally, the expansion of education and the accelerated pace of urbanisation have been levelling off these differences.

Accordingly, the numbers of those classified as professional, technical, administrators and clerks stood at a level of 31,600 in 1968 to growing further to 46,200 in 1973 (Ibrahim 1989: 63). The highest growth occurred in the category of professionals and technicians, who within the same short period grew from 15,000 to 25,000, nearly doubling. This numerical strength has been accompanied by another very important factor relating to its organisational capacity. Professionals have been permitted by law to organise into professional associations. Indeed the law stipulates that they can not practise their professions without joining their respective association. This applies to those working in the state and private sectors. For some professions, such as doctors, dentists, nurses, veterinarians, geologists the state sector is the most important employer. The only professionals who the state would not allow up until present day to organise are teachers. In 1972/3 they amounted to 14,300 of whom 11,3000 are employed in the state sector (*Al-Urdun Al-Jadid* 1985: 73). Their sheer number and concentration in the state educational system has been the reason behind such a decision. They would become a very important and influential lobby especially since the scale of teachers' salaries has been among the lowest for any profession in the civil service. This is why the state tended to promote the secondment of teachers to Gulf states, where they can earn higher salaries, as a way to contain pressures. This secondment accelerated during the oil boom years.

Most of the professional associations were created during the 1950s and early 1970s, including those for lawyers, doctors, dentists, pharmacists, engineers, journalists, veterinarians, nurses, midwives and geologists (*Al-Urdun Al-Jadid*

1989: 23). In the absence of political organisations and given the ban on political parties, professional associations became extremely important as political channels. The political vacuum created by the absence of opposition politics, especially after the withdrawal of the PLO in 1971, and by state repression and the curtailment of political activities further helped in concentrating attention on these associations as alternative political channels.

Capitalist development has been associated with a decline in the traditional petty bourgeoisie; shopkeepers, artisans, and traditional handicrafts, in other words the self-employed and those with small amounts of capital and employing few workers. Yet in Jordan no less than with the 'new' petty bourgeoisie, the traditional petty bourgeoisie emerged as a result of the establishment of the state and the commercialisation of the economy. At the time of the formation of the state Jordan was primarily a subsistence economy, and the handicrafts that were predominant were associated with local needs such as grain mills, olive pressing, and weaving (Hourani 1978: 163-4). Thus an expansion and some mechanisation was introduced following the creation of the state. Further growth took place after 1948 as a result of the influx of large numbers of landless Palestinians and semi-skilled and skilled labour, the population increase itself, as well as the increased demand on a variety of services. This induced those with small amounts of capital to engage in what is known as *Al-mihan Al-hura* (independent trading), including a wide range of personal and household services such as barbers shops, repair workshops tailoring, dressmaking, laundry services, etc. Moreover, the expansion in trade provided an opportunity for a wider segment of the population to benefit, especially the Palestinian population, which was manifested in the growth of retailers, distributors and small shop owners in towns, villages and major cities. In general, the pronounced presence of the Palestinian population in commerce and trade is partly explained by their numerical strength and partly by the tendency of East Bankers to seek state jobs.

Another important reason for the growth of the petty bourgeoisie has been the structure and size of manufacturing firms, the majority of which have been in light industries, family owned and managed with very little hired labour. Ninety per cent of industrial enterprises in 1970 were small, employing fewer workers than five and accounting for a small share of the value added in industry. The industries that emerged included food and beverages processing (bakeries,

confectionery, grain mills, olive oil presses, soft drinks and beer, etc.) woodwork, clothing, footwear, weaving, stone cutting and quarrying, pottery ceramic and glass, tire retreading, soap and detergents, metal working shops and goldsmiths. These industries were of a handicrafts nature with low technology, and their capacity to develop has been limited by the structure of the industrial sector which the state promoted during the 1950s and 1960s based on a small number of modern capital-intensive industries, including phosphate, petroleum refinery and cement:

> The bulk of production....is produced by a relatively few establishments which also employ more people and contribute more to production and value added that would be warrant by their actual number. (Ameri 1981: 182)

The state was directly involved in this process. It set up these firms by commissioning feasibility studies, equity participation, and arranging finances from domestic and foreign sources, in addition to granting monopoly rights, for instance in the case of phosphate and cement. These measures, in particular the equity participation, made investments in these firms attractive and lucrative for private investors, especially key economic élite. By subsidising these industries the government was in effect subsidising a few wealthy businessmen who have assets and concerns in trade, real-estate and agriculture. Just as the investments in agriculture furthered the interests of a few private businessmen while putting at a disadvantage the majority of peasants, farmers and sharecroppers, the same happened in industry. The majority of small investors had no access to government funds or incentives. In fact they were penalised. The Encouragement of Investment Law is biased towards providing very generous exemptions and incentives to large scale investors, including foreign firms. Thus,

> investors with small projects generally did not apply at all, perhaps partly because they were deterred by the application requirements and partly because it was evident to them that very small projects were unlikely to be given exemptions. (Mazur 1979: 225)

Another reason that made the climate less encouraging for small investors is the ambiguity of the Encouragement of Investment Law concerning the criteria

for determining the awarding of exemption. It is left to the discretion of the committee of Encouragement of Investment Law and the Council of Ministers who have to ratify the decisions taken by the committee. This ensured favouritism and, as many critics in Amman claimed, it gave incentives to investments that were to be undertaken with or without this law. The penalising of small investors while promoting specific investors was also undertaken via the licensing policy. Licensing was used to restrict the number of enterprises established, on the grounds that the sector was saturated. This in effect led to monopoly power being held by a few and to excess profits.

Although at the end of 1972 this policy changed and the market was open to all investors, the sectors that were considered 'saturated' were given less exemptions (ibid.: 220). The owners of similar establishments formed monopolies and employed the most common and effective way in controlling the market, namely, by limiting supplies of their commodities and raising prices (Ameri 1981: 188). In addition, the influx of high quality imports stunted the development of local competitive production units. These imports were cheaper and of a better quality because of the adverse effect of the government's currency exchange policy, as mentioned before, which supported compradore merchants at the expense of local producers. Hence the economic élite were provided with an opportunity to invest with a guarantee from the state, while the small manufacturers struggled to survive the hard competition of imports. The industrial sector in 1974 comprised 7,467 establishments, of which 7,000 were small scale (Ameri 1981: 190).

The Marginalised Classes and Social Groupings

The process of social change and economic development has either marginalised some existing social strata such as peasants, nomads and semi-nomads or created new disadvantaged social groupings, such as waged labour. Also, political events have had an influence, primarily in the creation of a large segment of Palestinian refugees who came to the East Bank in two waves; the first as a result of the creation of the state of Israel in 1948, and the second following the 1967 war and the occupation of the rest of Palestine.

As mentioned before, the government's focus on the creation of an export capital intensive agriculture, coupled with the lack of support for traditional field crop production in general, had a detrimental effect on peasants and small farmers, since its policies resulted in making farming lucrative for those with large plots of land and capital who were able to exploit the situation effectively and increase their profits as well as use their accumulated funds for investments in improved agricultural technology. This caused growing disparities between a few rich large farmers and smallholders, who constitute the majority of the farming community. The agriculture census of 1965 noted that 70 per cent of the total land holding are less than 50 dunums while 36 per cent are less than 10 dunums (Development Plan 1973-5: 59). These small land holdings are further fragmented among a number of owners making these plots economically unfeasible.

Yet the government did not attempt any land reform or land consolidation, except in the Ghor area. The majority of these farmers were caught in a vicious circle of decreasing incomes: their low income does not allow them to invest in new modern methods such as machinery, improved seeds, fertilisers, etc., to increase their productivity and competitiveness, and their inability to employ these methods keeps them economically none viable. This disadvantaged position is further aggravated by the lack of access to government credits, since institutional credit is concentrated among a limited number of well-to-do farmers and the agriculture credit co-operative does not cover all small farmers:

> Only a small number of the small farmers in Jordan are touched by institutional credit. ACC [the agriculture credit co-operation] is not reaching those farmers who own less than two hectares in land area (who constituted about 25% of East Bankers total number of holdings in 1965) in addition to not reaching non-owner operators(sharecroppers and renters). (Aresvik 1976: 281)

As a result they resort to borrowing at high rates of interests from middlemen, (who become important not only for marketing but for providing the bulk of non-institutional credit) as well as from landowners, businessmen or merchants in the area. Low incomes have also forced many small farmers to either augment their income by selling their labour or to leave rural areas completely, hence

either joining the urban poor or finding a state job at the lower echelon of the state. The population of rural areas decreased between 1961 and 1971 from a share of 48 per cent of total population to 27 per cent. Consequently waged labour in agriculture stood at 27 per cent in 1961, increasing to 32 per cent in 1967, and by 1975 it stood at 63 per cent and the owner operated or family operated farming declined too from 73 per cent, to 68 per cent to 37 per cent for the same period (Ameri 1981: 151). Despite the increase in land tenancy as the prevalent pattern of cultivation the important question of regulating the relation between landlords and tenants has not been addressed and no legislation has been enacted. The relationship between tenant and landowner has been largely conducted through personal agreement, without any written lease; furthermore, these leases are usually for short terms (Aresvik 1976: 262). Hence the relation is not equal and is temporary in nature precluding any incentives on the part of tenant to invest or to have a sense of security. The government, aware of this constraint on farmers, proposed in the three year plan 1973-5 the 'enactment of laws to organise the relationship between landlords and tenants or sharecroppers, and to secure adequate incentives for tenants to invest more in agriculture' (Development Plan 1973-5: 66). Yet up until now this has not come into effect.

Similarly, nomads and semi-nomads were adversely affected. Although the British undertook one significant economic measure during the mandate period by registering and privatising land, this was neither accompanied nor followed by any other supportive policies on the state's part to convert the nomads to settled agriculture or to enhance agricultural production in rural areas in general. Also, landowners tended to use Palestinian peasants to work the land and did not use the nomads or semi-nomads, especially since they look down on this activity (Robins 1988: 282-7).

Although the development of industry and manufacturing had been very limited, it did not preclude the growth of a working class in Jordan as the second marginalised group in the society. Although there is no data for the period pre-1950 indicating the number of workers, since most of the growth that occurred in mining, light manufacturing and construction took place during the 1950s and 1960s it is safe to assume that these numbers were then insignificant. There are still no separate statistics indicating the growth of a working class but the overall growth of the share of labour in industry and

construction might give an indication of its growth. The work force engaged in industry stood at 48,200 in 1968, growing to 58,400 in 1973, with equal share for both mining and manufacturing, and construction. This is significant growth considering that this was the period of turmoil and adjustment after the 1967 war and the 1970-1 confrontation with Palestinian commandos in Jordan. Despite that, the fragmentation of the industrial base into small units with few workers dispersed over a variety of subsectors, precluded any effective organisation that could press for improved working conditions and pay. There is no minimum wage in Jordan and very little protection in terms of health, injuries at work, etc. Consequently it is no surprise that there have arisen a number of workers' associations amounting to thirty-six in 1955. Of these, only twenty-five associations were part of the General Labour Union. Membership grew during the period 1958-68 from 9,566 to 26,400, reaching 40,000 in 1970, the members being dispersed among forty different associations (*Al-Urdun Al-Jadid* 1984: 21,33).

As for the Palestinian refugees, their distinct political and socio-economic situation has been recognised by both the government and the international community. The UNRWA was created especially to deal with the refugee problem in the wake of the 1948 war, while the government established a Ministry of Refugees in 1949, and a year later changed its name to Ministry of Development and Reconstruction. This ministry had a political significance rather than an economic one, since the burden of the refugees had been carried predominantly by the UNRWA. Also, its status kept on changing from being a separate ministry to being connected to a variety of other ministries. Thus, it had been associated with ministries as diverse as agriculture, health, public works, defence, commerce, transport, foreign and communication.

While the government acknowledges the distinct status of the refugees, in some important areas it treats them in a manner that attempts to blur their distinctiveness. For instance, the population census does not treat them as a separate group; hence no accurate statistics exist on their numbers, and they have been granted Jordanian citizenship just like the rest of the Palestinians. Also, the election law, while granting special status to other social groups who do not suffer any grievances, such as the Circassian and the Christian community as well as the Bedouins, does not grant the refugees such a privilege. Thus although the refugees constitute approximately a quarter of the

population in Jordan, not one single camp member has sat in the cabinet or the parliament (Nyrop *et al.* 1974: 86). It is evident that these inconsistent policies are politically motivated. While the refugees' domestic influence had to be curtailed, it is imperative to emphasise and maintain their distinctiveness in order to use them as a bargaining chip during a negotiated peace settlement with the Israelis as well as to extract resources from Gulf states, under the pretext of alleviating their conditions.

Although it is difficult to arrive at an accurate number of refugees, the official figures of the UNRWA indicate that there were 536,000 Palestinian refugees registered with its offices in the East Bank in 1971, including 227,000 who came after the 1967 war. Not all of these were living in the camps. Amman government sources put the figure for those living in camps at around 208,000, approximately half of the total number of refugees, while the rest live in cities and rural areas, and continue to receive aid from UNRWA (Kanovsky 1976: -147-8). Naturally, one can expect low living standards and poverty associated with living in camps, and since permanent settlement of the refugees is a very sensitive and controversial political issue, neither the UNRWA nor the Jordanian government wants to be implicated in any such attempt. Yet some means of relieving their harsh conditions could be found without effecting the ultimate solution of the Palestine question. UNRWA has provided the bare necessities of schooling, health facilities and employment. As to the non-camp refugees they have been engaged in a variety of menial jobs or owned small workshops, shops, etc. Camps and refugees in general represented, naturally, the strongholds of the PLO, and hence a source of tension and careful weighing by the government.

Conclusion

The discussion in this chapter has attempted to provide a critical account of the political economy of Jordan during 1921-1973. It focused in particular on how the state's power and its structures were organised in order to legitimate the rule of the Hashemite family and its class alliance of commercial bourgeoisie, state bourgeoisie and the landed class. The most important factor for that has been the concentration of economic power in the hands of the state, due to its being based on external resources, which underpinned from the outset the

ability of the Hashemite family to create vested economic interests in the state, in addition to link a large part of the livelihood of the population in the state via the military, the civil administration, and other state institutions and enterprises.

The entreatment of sub-statal traditional forms of affiliations and loyalty, and their perpetuation in the society, formally through state institutions and informally through ideology (the prevalent political culture, values and sentiments), helped to represent the Hashemite rule as the unifying force of the society, above these cleavages, and to ingrain the idea that without their 'unifying' and 'neutral' role chaos will reign. This established patterns of social and political interaction which are highly personalised, not to mention the politicisation of social structures such as the tribe and the family. Most significantly it masked the fact that economic interests and class interests play a role in state power and its actions and policies, as well as restricted the possibility of the propertied class posing a political alternative to the Hashemites.

This also explains why the process of state-building precluded the development of a civil identity and/or a national Jordanian identity, except in a very parochial sense and one which equates such a national identity with allegiance and loyalty to the Hashemite family. Furthermore, the centrality of the Palestine-Israel question after 1948 and the strong identification of the politicised elements of the society with the Palestinian struggle combined with the regime's continuous provocation and incitement of the regional division of Palestinians-East Bankers, accentuated the situation. On the one hand, it submerged the nationalistic and/or progressive Jordanians within the ideology of pan-Arabism and later, under the umbrella of the PLO, who were foremost concerned with the Palestinian national struggle, hence, undermined the development of an independent Jordanian national movement and relegated to the background the voicing of concerns over the specific socio-economic problems of the Jordanian society. On the other hand, the overriding concern with the Palestinian issue maintained the struggle with the regime centred around this, giving the state an edge in containing and/or persecuting opposition elements, and making the Palestine issue a central theme in the legitimacy crisis of the regime and in fragmenting social forces. Thus, the Jordanian ruling class was able to create legitimacy based on the dominance of the state over society in both spheres the economic and the political,

subordinating the private domain to the state. Against this background what the period of the 1970s produced, as will be seen from the forthcoming chapters, was increasing tensions in the essential parameters of the political economy of Jordan which by 1989 led to a serious economic and political crisis necessitating dramatic changes in both domains.

Notes

1. For more details see the work of Jamil Hilal (1974) *Al-Daffa Al-Garbiyya: Al Tarkib Al-Ijtima'iy wal Iqtisadiy 1948-1974* (The Socio-economic Development of the West Bank 1948-1974) and Pamella Ann Smith (1984) *Palestine and the Palestinians 1876-1983.*

2. The names of all political figures in this section are taken from *Al-sijil Al-Tarikhi li Majalis Al-wuzara`, Al-Barlaman, wal Al-Majlis Al-Istishari 1920-1990* (The Recorded History of the Council of Cabinets, Parliament, and the National Consultative Council 1920- 1990).

3. The seeds of the military establishment was sown prior to the emergence of the state. In 1920 the British mandate government sent Captain Brenton to Amman to establish a military force, and thus the first regiment was created in July 1920.

4. For more details see Youssi Melman and Dan Raviv (1989) *Behind the Uprising* and Adam Garfinkle (1992) *Israel and Jordan in the Shadow of War.*

5. On 25 April 1957 an agreement was reached between Golda Meir and the American ambassador in Tel Aviv to allow the aircraft of the sixth American fleet to use Israel's air space and to allow the movement of American Marines from Lebanon to Jordan if that was necessary to rescue the regime.

6. The unpublished memoirs of Shaher Abu Shahout, a member of the 'Free Officers' movement, indicate that Ali Abu Nowar was distrusted

and disagreement emerged among the officers as to whether to permit him to join the movement.

7. Shaher Abu Shahout indicates in his memoirs that both Egypt and Syria, when approached by the 'Free Officers', were not supportive.

Chapter Four

The State's 'Development' Role in the Wake of the Oil Boom

The discussion will turn, now, to analysing the political economy of Jordan in the wake of the oil boom starting off with the analysis of the effects of the accelerated accumulation of oil wealth on the consolidation of the state's economic power, in particular its 'development' role and development structures. One of the most influential consequences of the quadrupling of the oil price in 1973/4, was the strengthened significance of Jordan's strategic location in the security and stability of the Gulf, as well as the use of its labour force in order to overcome the severe labour shortages, in particular in Saudi Arabia and Kuwait. Consequently, remarkable expansion in economic linkages took place and, which due to their intensity and nature, it became common to describe Jordan as 'an oil economy without oil'. What it meant was that Jordan was 'living off' the oil wealth through its increased and substantial dependence on remittances and financial assistance, which at the same time implied the vulnerability of its development. These resources provided prosperity and growth without a concurrent development in the productive facilities of the domestic economy establishing living standards and social mobility that were beyond the means of the domestic economy to either generate or maintain.

This was not a novel situation, and, as shown in the previous chapter, state dependence on income accruing from abroad had been a major feature of the political economy of Jordan since the very inception of the state, and migration for employment purposes had been evolving as a characteristic of the domestic labour market since the early 1950s. Yet, significant change occurred on the level of the transfusion of financial resources, bringing about an expansion of the state's 'development' role and a general expansion in economic opportunities. Moreover, oil wealth underlined the emergence of a sharply variant regional setting through consolidating the changes that had been seen to evolve during the 1950s and 1960s. These changes consisted of firstly, the decline in the threat from the ideology of Arab nationalism and its replacement with the notion of Arab 'nation' states; and secondly, tendency towards

accommodation with Israel and containment of the independence and scope of action of the PLO.

Thus, the oil wealth provided a unique chance for the ruling classes, both in Jordan and in other Arab states, to enhance their legitimacy and increase the state's central control over resources, which underpinned the high economic growth rates experienced during the 1970's and early 1980s and which gave a new significance to state-sponsored development. Illustrating the substantial strengthening of the state's economic power in Jordan and emphasising that it was underlined by the increased influx of capital resources from the Gulf will be the focus of the first section of the chapter. The second section will show how, firstly, the state increased its capacity to expend and to broaden its economic role, in particular its 'developmental' role and secondly how its development policy was geared towards augmenting the existing economic interests as well as enhancing its own power.

The Consolidation of the State's Economic Power

Following the two upsurges in the price of crude oil, the first in 1973-4 from £3.011 per barrel to £11.651, and then, in 1979-80 the further surge to $30 per barrel, massive oil surplus-revenue accumulated in the Arab oil-exporting states. In 1974 their total revenues stood at $67 billion compared with $9 billion in 1970, and it further increased to reach $205 billion in 1980 (Gerner 1985: 3). Although since then a slow decrease in revenues replaced the steady upward turn of nearly a decade, the total revenues were still substantial. In 1981 it decreased to $185 billion and by 1985 it stood at a level of $79 billion. This large accumulation of revenues had been accompanied by frantic expenditure programmes in the Gulf as well as huge transfers of money resources to the 'Third World' in general, and to the Arab world in particular, not to mention the increased level of expenditure on arms, investments in the West and the huge levels of imports. It is within this new context of the search to realise the surplus revenues as well as to guarantee the stability of the region, that the twin movement in opposed directions of labour and capital among the Arab states can be understood. Jordan's export of labour reached considerable levels and it received substantial amounts of capital in return, in the form of workers' remittances, as well as financial assistance. The following

discussion is an elaboration of the magnitude of these transfusions and their implication for strengthening the state's economic power. Each of these resources will be treated separately.

Financial Assistance

The post-1973 period represented the second phase in the shift of financial sponsorship of the Jordanian state, this time to the Gulf sheikhdoms, in particular Saudi Arabia. In contrast to the previous shift, from the initial British sponsors to the Americans, which was a by product of the decline of the British empire, this shift was associated with the strengthening of the US-Saudi Arabia alliance and the augmentation of Saudi Arabia as the leading political force in the region. Actually, the shift had been evolving prior to the oil boom, when Arab oil-states pledged financial support to the three 'front-line' states of Syria, Egypt and Jordan, during the Khartoum summit, in the aftermath of 1967 war as discussed in the previous chapter.

The vast and rapid accumulation of oil-revenues gave a new impetus and dimension to this support, incomparable with previous periods. The reasons behind this are primarily twofold. Firstly, since the very ambitious development plans of the Gulf states were not enough to invest oil-surpluses, non-oil Arab states, in particular 'front-line' states, became one of the important channels for the realisation of this surplus revenue, substantially increasing regional aid programmes and official capital transfers. Secondly, and equally important, was the contribution of these capital transfers to the political stability of the region. This became particularly significant and was essential in maintaining the supply of oil to the West and preserving the pro-Western ruling families of the Gulf, who presided over the 'black gold'. The region enjoyed increased levels of economic prosperity accompanied by the spread of political apathy among the vast majority of the population, in striking contrast to the 1950s and 1960s. This, coupled with the 1967 Arab defeat which epitomised the failure of Nasirism, and followed by the evacuation of the PLO from Jordan in 1971, facilitated the imposition of the new political orientation propagated by Saudi Arabia, of 'co-operation' among 'independent' Arab states and the relegation to the background of the ideology of Pan-Arabism and the very idea of Arab integration. More importantly, the liberation of Palestine, a key component of

pan-Arabism, was substituted with the over riding concern of the security of the Gulf (Ibrahim 1982).

Within this changing environment and the new parameter of the oil-security of the Gulf, the traditional role of the state in Jordan became even more valuable. The unprecedented economic growth of the Gulf and the increase in demand for goods substantially expanded transit trade through Jordan, which explains the high investment of the state in the transport sector (roads, the port of Aqaba, free zones, etc.). Besides being the inland route to the Gulf, Jordan's continued ability to subdue the Palestinian element of the population and prevent the development of a Palestinian and/or a progressive alternative to the Jordanian ruling class further contributed to the security of the Gulf. This was in addition to its maintaining ties with the Occupied Territories through the aid-programmes of the Joint Palestinian-Jordanian committee, established in March 1979. This committe has been dressed up as a development enterprise for helping Palestinian steadfastness in the face of Israeli occupational polices, whereas in effect it was a tool of the competing allegiances between the PLO and those supporters of a substantial role for Jordan in a future peace settlement. For the period 1974-8 Jordan's usual levels of financial support to the West Bank were cut drastically as a response to the Rabat summit, conferring sole legitimacy on the PLO in representing the Palestinians and as a pressure card on the new radical mayors to co-operate with Jordan. The West bank municipal elections in 1976, reflecting the upsurge in PLO allegiances and influence, gave a decisive victory to the national blocs representing radical candidates, PLO supporters, communists, and former members of the Arab Nationalist parties, replacing many of the traditional allies of Jordan. In Hebron, for example, Fahd Al-Qawasmeh replaced Mohammad Ali Al-Ja'bari; in Nablus Bassam Shak'a replaced Ma'zouz Al-Masri; in Ramallah and Tulkarm mayors Karim Khalaf and Hilmi Hanun, staunch supporters of the PLO, were re-elected (MECS 1976-7: 209).

The PLO found a way around the financial squeeze Jordan was applying through the 'twin cities' arrangement, whereby mayors could obtain grants from any Arab city approved by the PLO, but Jordan circumscribed that by insisting on the depositing of the funds in the Arab Bank in Amman. This effectively maintained Jordan's control over their release as well as its ties with the mayors - who will have to travel to Amman for these funds (Bailey 1984: 103).

The joint Palestinian-Jordanian committee proved to be an effective mean for both the PLO and Jordan to pursue their respective policies promoting and maintaining a constituency in the Occupied Territories.

Thus, the huge amounts of aid were motivated by these specific considerations, in addition to the above general ones, for which it was necessary to secure the hegemony of the ruling class, in order to maintain their important political role in support of the stability of the Gulf regimes and as an important party in the pro-Western-Arab axis. The extraordinary level of this financial support is illustrated in Table 4.1. Arab aid in 1973 did not exceed JD24 million but by 1983 it reached a level of JD258 million. Its highest level was in 1981 with a contribution of JD395 million. The increase between 1978 and 1981 was due to new commitments made at the Baghdad summit in 1978, following Sadat's visit to Israel. An Arab 'Support Fund' was set up, which would for ten years make annual allocations to 'front-line' states, of which Jordan's share was $1200 million, around JD300 million (Seccombe 1984: 3). Of total disbursements to 'front-line' states Jordan received 14 per cent during 1974-8. It grew to a level of 41 per cent during 1979-1983, the period in which aid to Egypt was severed due to its peace treaty with Israel (Porter 1988: 193). This excludes military support, which quantitatively far exceeded these levels, but about which little information is available.

Table 4.1 Official transfer payments to Jordan for the period 1973-1983

(JD million)

	Total aid	Arab	US	Other
1973	61.09	23.66	30.83	6.60
1974	84.43	46.60	25.31	12.52
1975	138.01	105.65	22.44	9.92
1976	122.75	77.59	26.13	19.03
1977	166.94	132.31	15.62	19.01
1978	102.63	66.26	18.56	17.81
1979	318.05	299.66	4.59	13.80
1980	390.85	370.43	6.15	14.27
1981	415.33	394.92	0.00	20.41
1982	363.72	335.83	0.00	27.89
1983	290.06	258.31	0.00	31.75

Source: (Hammad 1987: 17).

Such high levels of support were not to continue for long. The recession of the regional oil economy in 1982 caused a 35 per cent reduction in aid between 1981-3 from its level of JD395 million in 1981 to JD258 million in 1983 (see previous table), and since then a fluctuating flow of aid replaced the steady and rising previous levels. Although the Gulf states were not the only source of assistance, they were the major and most significant donors, providing by 1983 around 90 per cent of the total aid, as compared with only 39 per cent in 1973. That most of the official aid was in grant form given as budget support to the government, is quite indicative of the intrinsic relation between the inflow of these funds and the maintenance of the Jordanian ruling class. This very fact has made the economy

> almost unique in world terms as a recipient of external budgetary assistance. IMF statistics indicate that world average for grants to central government between 1972-1983 was about 0.25 per cent of the value of the GDP. In the Middle East (including Jordan) grants were higher than elsewhere, at about 3 per cent of the GDP. Singling out Jordan one finds an astonishing level of external grant support averaging 20.2 per cent between 1974-1983. (Findlay 1987: 3)

The overall picture of the strengthened economic position of the state is incomplete without addressing the increasing significance during this period of loan capital. Although the economic implication of such capital is different, in that it carried financial obligation and was a burden on the economy, while financial transfers (remittances and grants) were additional income 'free of charge'. The volume of loans had increased substantially especially when compared with previous periods. As seen from Table 4.2, loans stood at JD91 million in 1972, growing to more than a billion within a decade. This spectacular growth was directly connected to the huge financial reserves piling up in international banks after the 1973 oil boom, causing an international shift from official or government commitments in giving assistance to 'developing' countries to a more prominent role of the private sector (Marcussen and Torp 1982: 11-26). Thus the share of private bank lending, of total loan to Jordan, had increased from 8 per cent in 1972 to 29 per cent in 1982 (Tarief 1984: 41).

Table 4.2 Total foreign loans contracted by the government for the period 1972-1985

(JD million)

	Loans	Debt service	Outstanding debt	Outstanding debt / GNP %	Outstanding debt / GDP %
1972	91.048	3.166	61.227	27.7	29.5
1973	125.264	3.617	68.306	28.3	31.3
1974	146.006	4.777	79.842	28.6	32.3
1975	183.716	6.384	108.007	28.7	34.6
1976	248.268	8.364	132.582	23.6	31.4
1977	409.828	12.969	193.067	29.2	37.5
1978	536.399	17.277	244.449	31.3	38.7
1979	624.121	18.333	306.264	33.2	40.7
1980	840.522	40.461	382.742	32.2	38.9
1981	954.311	73.713	507.737	34.2	43.6
1982	1042.567	70.723	602.188	36.0	45.6

Note: GNP and GDP at market price.
Source: Based on (Tarief 1984: 42, 55, 59).

What that meant was a much harder terms for lending and a heavier debt burden. The average interest rate from official sources was around 5 per cent compared to 9 per cent for the private sector, while the maturity date had been 24 years for the former and 9 years for the latter (ibid.: 25). Loans were not exclusive to the West, and the different development funds set up by Gulf governments also played a major role in funding joint projects in mining, industry and agriculture. Thus, debt service (principles and interest) in 1972 did not exceed JD3.2 million, but increased to JD70.7 million in 1982. Outstanding external debt in 1982 was ten times the level of 1972, increasing from a level of JD61 million to JD602 million, while its share to the GDP increased from a level of 30 per cent to 46 percent for the same period. The problem was exacerbated by the manner in which loan capital was utilised, since the majority of loans were contracted to finance infrastructure projects, in particular those associated with the transport sector, and industrial projects that brought limited economic returns, thus weakening the state's ability to service its mounting debts. In addition, the reduction of grant capital since 1982 was compensated for by a huge increase in loan capital, which by 1989 resulted in a sever debt crisis.

The total external financial support available to the state had been remarkable. As seen in Table 4.3 it grew from a mere JD80 million in 1973 to more than

JD495 million by 1981, approximately a sixfold increase. That figure excludes the large military assistance in terms of grants and loans. As a share of the total revenues, external finances averaged around two thirds of total government revenues. Even with this level of external support, revenues did not keep pace with expenditures, resulting in a rising overall budget deficit, which was financed by further foreign borrowing, not to mention increasing levels of domestic borrowing. The failure of domestic revenues was largely due to an ever-expansion in extra-budgetary expenditure and a structural weakness in the tax system which depended on indirect taxes, and no serious effort was taken to tax more heavily those who were benefiting from the 1970s boom.

Table 4.3 Relative importance of external revenues to total government revenues for the period 1973-1985

(JD million)

	External revenues	Domestic revenues	Total revenues	External / Total %	External / GDP %	External / GNP %
1973	79.92	46.18	126.10	63.38	36.61	33.09
1974	99.50	65.74	165.24	60.22	40.23	35.62
1975	170.70	82.63	253.33	67.38	54.69	45.40
1976	238.17	107.59	345.76	68.88	56.49	42.35
1977	168.71	142.24	310.95	54.26	32.81	25.56
1978	391.75	158.49	550.24	71.20	61.97	50.16
1979	479.39	187.90	667.29	71.84	63.66	52.03
1980	562.36	226.15	788.51	71.32	57.13	47.25
1981	494.49	309.20	803.69	61.53	42.47	33.35

Source: Based on (previous tables).

Remittances

In response to the expansion in economic opportunities in the Gulf, in terms of both job availability across a wide range of skill levels and high salaries and wages, the labour migration movement increased substantially. Prior to 1973 labour from Jordan migrated primarily to seek employment as a consequence of the political and economic upheavals created by the 1948 and 1967 wars and the displacement of the Palestinian population with their loss of livelihood [1]. With the new levels of wages and salaries creating an enormous gap between labour-sending and labour-receiving states in the Arab region, pecuniary motives became as important as seeking a job (Sakat 1983: 3). For

example, an engineer could double or triple his salary by going to Kuwait, while managers and administrators could double their earnings in Saudi Arabia. Such differences or even greater existed for unskilled workers too. Another significant change was that migration was not only exclusive to Palestinians from Occupied Territories or those living in Jordan - increasing numbers of East bankers were attracted too. Consequently the outflow of labour, the majority of which went to the Gulf states, reached quite a proportion. In 1973 it stood at 152,000 workers and within a decade it more than doubled, accounting for more than two thirds of the labour force, (Table 4.4). Jordan ranked third after Egypt and Yemen among Arab labour-exporting states, and its labour provided above average shares in professional, technical, managerial and clerical occupations (Share 1987: 33).

Table 4.4 Relative importance of Jordanian migrant worker's to labour force for the period 1970-1985

(thousands)

	1970	1973	1975	1977	1979	1981	1982	1984	1985
Labour force	299.90	332.80	355.40	379.50	402.30	435.40	451.20	484.70	502.40
Migrant workers	103.50	152.90	198.40	235.80	280.20	312.30	317.80	334.30	339.30
% Labour force	34.51	45.94	55.82	62.13	69.65	71.73	70.43	68.97	67.54
Average growth rate	8%								

Source: (Ibrahim 1989: 50, 74).

Given the new scale of out-migration, and the levels of salaries and wages the volume of remittances grew spectacularly from a mere JD15 million in 1973 to JD403 million in 1985, (Table 4.5). It reached its high peak in 1976 with an increase of 156 per cent, but from then on the steady rise experienced between the years 1972-6 was replaced with a fluctuating rate during 1977-85, varying between 44 per cent and a negative rate of 15 per cent in 1985, despite the continued growth in absolute numbers. This data should be considered with caution since it includes only formally recorded remitted earnings, that is, only those passing through the banking system and the amounts declared and classified by licensed money-exchangers as remittances. Remittances carried through informal channels such as being sent with friends, trusted agents or with migrants during home visits or upon

repatriation, in addition to undeclared or unclassified transfers by the money exchangers, were unknown. Thus, formal data underestimates the real size of these capital inflows.

Table 4.5 Growth of inflow of remittances for the period 1970-1985

(JD million)

	Inflow of remittances	Rate of annual increase %
1970	5.5	-19.9
1971	5.0	-9.1
1972	7.4	48.0
1973	14.2	91.9
1974	24.1	69.7
1975	53.3	121.2
1976	136.4	155.9
1977	154.8	13.5
1978	159.4	3.0
1979	180.4	13.2
1980	236.7	31.2
1981	340.9	44.0
1982	381.9	12.0
1983	402.9	5.5
1984	475.0	17.9
1985	402.9	-15.2

Source: (Central Bank of Jordan 1989: 26, 29).

Some sources have suggested that official figures underestimated the flow by 30 per cent (Zaglool 1984: 32). Others have put the figure as high as 50 per cent (Banawi and Abu Al-Sha'ar 1982: 26). Given these varying estimates it is difficult to say accurately how much official data underestimates the actual size of remittances, but it is clear that a much higher proportion was remitted. Another constraint on official figures was the fact that it lacked data indicating the amounts that were destined for the West Bank. This has been estimated at around 20 per cent of the total official remittances (Zaglool 1984: 38). The balance between what is included and what is excluded still meant that Jordan received a much higher volume of remittances than the official data indicated.

The fact that a large part of remitted earnings entered the economy unrecorded led to what Choucri termed the 'hidden economy', that is, the structures of transactions generated by unrecorded capital flows (1986: 700). Thus the importance of unrecorded remittances is much more significant than just arriving at the accurate figure. It had a wider implication for the whole

economy and the government. In Jordan money-exchangers were the most important financial intermediary for informal flows of remittances. Perhaps contrary to the experience of other states, these were pampered by the government and had very little control imposed on them, until the economic crisis of 1989. The government then cracked down on them ordering the closure of their businesses and accusing them of currency dealings and blamed them for the plummeting of the value of the dinar. In other words, they were used as a scape goat for a very complex economic situation.

The inability to establish the accurate size of the remitted income, together with the dimension of the hidden economy, limits the usefulness of conventional indicators and, as stated by Choucri requires new methods of investigating remittances in order to disclose their full impact on the economy. However, in view of the absence of such methods, comparisons of remitted earnings to major macro-economic variables provide some insight into the significance of remitted income to state and society. As seen from Table 4.6 remittances

Table 4.6 Relative importance of remittances to national and domestic income for the period 1970-1985

(JD million)

	Remittances	Remittances / GNP %	Remittances / GDP %
1970	5.5	2.9	3.2
1971	5.0	2.5	2.7
1972	7.4	3.3	3.6
1973	14.2	5.9	6.5
1974	24.1	8.6	9.7
1975	53.3	14.2	17.1
1976	136.4	24.3	32.4
1977	154.8	23.5	30.1
1978	159.4	20.4	25.2
1979	180.4	19.6	24.0
1980	236.7	19.9	24.0
1981	340.9	23.0	29.3
1982	381.9	22.8	28.9
1983	402.9	22.8	28.3
1984	475.0	25.6	31.7
1985	402.9	21.4	25.1

Source: Based on (Central bank of Jordan 1989: 26-29, 58)

contributed, on average, 20 per cent of the national income, high by any standards. Although remittances do not contribute directly to the GDP, since

they count as income derived outside its activities, and in excess of the domestic output, it is essential to see their correspondence. On average they equalled 24 per cent of the GDP. When compared to exports and imports their importance is further highlighted. The share of remittances to imports in 1973 did not exceed 13 per cent, but by 1985 it stood at 38 per cent with an average share for the period 1973-85 of 25 per cent. As for exports the magnitude is even greater as the value of remittances in 1973 exceeded that of exports and by 1976 it was nearly threefold. Its importance declined by 1985 and stood at more than one and a half that of exports, see Table 4.7.

Table 4.7 Relative importance of remittances to imports and exports for the period 1973-1985

(JD million)

	Remittances	Remittances / Imports	Remittances / Exports (Merchandise)	Remittances / Exports (Merchandise & services)
		%	%	%
1972	7.4	7.8	43.5	14.2
1973	14.2	13.1	58.8	18.5
1974	24.1	15.4	48.4	21.1
1975	53.3	22.8	109.0	28.7
1976	136.4	40.2	198.5	41.0
1977	154.8	34.1	188.6	39.1
1978	159.4	34.7	175.3	36.2
1979	180.4	30.6	149.2	33.0
1980	236.7	33.1	138.1	31.8
1981	340.9	32.5	140.5	32.8
1982	381.9	33.4	144.4	34.0
1983	402.9	36.5	191.3	36.5
1984	475.0	44.3	163.4	37.8
1985	402.9	37.5	129.6	33.0

Source: (Central Bank of Jordan 1989: 26-29).

The apparent pivotal position remittances acquired in the economy was reflected in the state's policy - although remittances, as against grant and loan capital, did not accrue directly to the state, and although a large part was captured by the 'hidden economy' - which promoted labour as Jordan's major export item. In addition, the state was directly involved in seconding both its military and civil servants to Gulf governments. In accordance with that, remittances were seen as a return on investment in human-capital and were recorded as factor income from abroad. This method is in contrast to IMF standard procedures, which are accepted internationally, to record such flows

as 'unrequited private earnings' in the balance-of-payments statistics (ibid.: 700). In recent IMF structural adjustment programme only 10 per cent of remittances are recorded as factor income from abroad in order to take into account the migrant labour that stays less than a year. Although the difference in the recording will not change the positive effect of remittances on the overall account of the balance of payments, it will give a more accurate picture of the development of the economy, illustrating that such inflows were but private transfers of individuals to their families contributing very little to long term development and the productive capacity of the economy.

Therefore, the foremost concern of the government was to guarantee a continuous inflow of remittances, which necessitated not restricting the outflow of labour and also devising various mechanisms for increasing the amounts remitted. These included favourable bank policies which allowed commercial banks to open non-resident accounts in foreign currency, (in 1974 their share of total bank deposits was only 3.2 per cent, growing to 17.3 per cent by 1984). Another mechanism was the issuing of development bonds and, since 1979, the allowing of dealing in these on the Amman financial market. This very liberal policy was maintained despite the shortages witnessed by the domestic labour market since the mid 1970s, which created a unique situation in Jordan whereby it became both an exporter and importer of labour, that is, both a recipient and a sender of remittances.

The expansion in the domestic economy, especially in the construction and service sectors, increased the demand for unskilled and semi-skilled labour, which Asian and Egyptian labour markets provided in abundance. They provided cheap and alternative labour to Jordanians, willing to take wages 30-60 per cent lower than those demanded by local labour. However, many people, including government officials, attributed the imbalances of the labour market to the emigration of labour, although an examination of the occupational structure of imported labour suggests that this was not the case [2]. The imported labour was predominantly semi-skilled and unskilled labour, filling shortages in the agriculture sector, construction, and services, especially in households, restaurants and hotels, with a very small proportion replacing migrants in skilled and technical occupations, whereas the emigrant labour was predominantly skilled. It is beyond the scope of this research to analyse the domestic labour market, but it is important to make this distinction and to point

out that the problem was more complex, caused only partly by emigration and mainly by a configuration of several factors including internal migration, the wage structure and the educational system. Consequently, the huge inflow of remittances coincided with a growing movement in the opposite direction beginning in 1976. This year showed for the first time an outflow of remittances which was still small, especially in comparison to the inflow, but which was increasing substantially over the years. It constituted on average 15 per cent of the total remittances for the period 1976-85, (Table 4.8). However, despite the growing outflow of remittances, net remittances remained very high, which further encouraged the state to leave labour migration open both ways, into the country and out of the country.

Table 4.8 Outflow of remittances for the period 1976-1985

(JD million)

	Inflow of remittances	Outflow of remittances	Net remittances	Outflow / Inflow %
1976	136.4	6.8	129.6	5.0
1977	154.8	15.0	139.8	9.7
1978	159.4	20.0	139.4	12.5
1979	180.4	24.0	156.4	13.3
1980	236.7	46.0	190.7	19.4
1981	340.9	52.0	288.9	15.3
1982	381.9	62.4	319.5	16.3
1983	402.9	72.8	330.1	18.1
1984	475.0	97.5	377.5	20.5
1985	402.9	92.9	310.0	23.1

Source: (ibid.).

The state also maintained a very liberal policy towards the usage of remittances and lacked a strategy or mechanism to influence investment patterns. This took place in spite of the assertion by government officials of the wasteful effects of remittances as well as their influence on fuelling the consumer market and the ever growing dependence of this market on imports. A survey carried out by the Jordanian Royal Scientific Society, described the investment behaviour of migrant workers as 'the outstanding sour note from the perspective of development has been the discouraging picture of savings and investment behaviour' (1983: 159-160). Still the state put in little effort to

resources away from consumption and into what it considered important alternative investment channels.

This might suggest that remitted income did not have these negative effects as the government claimed, but rather improved the welfare of a large section of the population and covered their basic needs. As indicated by the very survey that laments the wastefulness of remittances, remitted income was spent on essential household items and maintenance in general, in addition to basic services such as education, health and securing land to build houses and/or purchase houses. Such data confirms that the large chunk of remitted income had alleviated social problems and reduced levels of poverty for many people in rural and urban areas, while enriching a small minority that was able to maintain special contacts with the ruling families in the Gulf or some powerful business communities. Moreover, the channelling of remittances into productive sectors would have challenged the dominance of the commercial bourgeoisie and the subservient role of the commodity market to foreign goods. Another significant contribution of migration was its alleviation of unemployment. In 1973 unemployment stood at 11 per cent. This was reduced to 4 per cent by 1981 after which it started to grow, reaching 6 per cent in 1985, and more than doubling by 1989 (Ibrahim 1989: 80). Interestingly those who were hit hardest by rising unemployment were the educated stratum such as engineers, doctors, etc., in other words, those who were in high demand prior to the decline in the oil economy.

Jordan's total external resources available during this period were remarkable, providing exceptional levels of support to the state and society, especially, when considering the small size of the population. They grew from a level of 39 per cent of the GNP in 1973 to 72 per cent in 1979, and have declined since then to a level of 56 per cent in 1981, (Table 4.9). A large part of the increase in the gross national product therefore was due to these huge capital receipts and not a result of domestic activities. Thus, the remarkable expansion of Jordan's foreign exchange reserves from a level of JD98 million in 1970 to JD730 million in 1983, and stagnating around JD781 in 1985, was predominantly due to the grants and remittances and not to improved production and the export capacity of the economy. In the next section I will explore how these resources expanded the development structures through which local capital prospered.

Table 4.9 Relative importance of total external resources for the period 1973-1985

(JD million)

	Remittances	Total loans & grants	Total external resources	Total external / GNP %
1973	14.20	79.92	94.12	38.97
1974	24.10	99.50	123.60	44.25
1975	53.30	170.70	224.00	59.57
1976	136.40	238.17	374.57	66.60
1977	154.80	168.71	323.51	49.01
1978	159.40	391.75	551.15	70.57
1979	180.40	479.39	659.79	71.62
1980	236.70	562.36	799.06	67.14
1981	340.90	494.49	835.39	56.34

Source: Based on (previous tables).

The Augmentation and Broadening of the State's 'Development' Role

The unprecedented amount of external financial assistance and the concomitant political stability of the region gave further strength to the state's control and management of the economy under the aegis of development planning. Through that very effective mechanism, the state was able to broaden its own activities and create or expand state structures, in particular, those of 'development', which resulted in its enhanced ability to determine who would benefit, in other words enhance the state's ability to promote and nurture private sector interests, while maintaining their subordinate and dependent position on the state. The following discussion will focus on illustrating the enlargement of the state sector and its expenditures through the mechanism of development planning which underpinned this enhanced ability to distribute benefits to key economic interests.

'Development' Planning

In contrast to the two attempts in the previous period - the world bank development programme in the 1950s and the seven year plan of the 1960s - the period 1973-85 witnessed the preparation and execution of three consecutive plans: a three-year development plan 1973-5 and two five-year plans in 1976-80 and 1981-5. The first three-year plan noted, in answering the question 'why plan', that the aftermath of the 1967 war and the 1970-1 confrontation with the Palestinian commandos, together with the meagerness

and scarcity of natural resources, the reliance on foreign aid and the need for foreign currency made it necessary to plan in order to adjust and to revitalise the economy and also restore the development momentum (Development Plan 1973-5: 18-9). The second plan indicated that its aim was to further the momentum established by the implementation of the first one, while the third aimed to capture the positive response to investment of the Arab states, the international funding agencies and the private sector in Jordan (Development Plan 1981-5:). The government throughout these plans maintained its original position concerning its role as a facilitator, with a development strategy based

> on free enterprise and private initiative. Within this framework, the government has played a pioneering role by participating with the private sector in implementing large-scale industrial projects and providing incentives and an appropriate entrepreneurial climate for private investment. (Development Plan 1981-5: 2)

The participation of the private sector in the process of preparation, elaboration and finalisation of the plans was taken as an indicator of this unique and efficient co-operation between the private and state sectors (World Bank 1983: 24).

Yet behind this rhetoric a different reality existed. In the first instance the plans were merely expenditure programmes, lacking an integrated development strategy. The most important element of these plans was the projects which were divided according to economic sector and were presented to funding agencies and various Western governments for approval and endorsement. However, the government could not just provide a list of nationally desired projects, although that's what the whole process boiled down to; it needed to present a 'plan' document with a frame and overall objectives in order to make the process more polished and legitimate (*Al-Urdun Al-Jadid* 1988: 85-6). Many projects were undertaken when and if funds were forthcoming, and preference depended greatly on the priorities set by these funding agencies, in addition, to the power wielded by a ministry/minister or enterprise, which in many instances reflected the connection of the head of the enterprise to funding agencies or to the ruling class. Accordingly, the 1973-5 plan was 43 per cent dependent on foreign funds, while the 1976-80 was 42 per cent (ibid.: 85).

Moreover, the plans were further undermined by the lack of a consistent link with the annual budget: that is, there was no functional integration between the plans as expenditure documents and the annual budget, which highlights the government's dependence on external funds and its inability to predict either their level or availability. Additionally the unchanged particular classification of the government budget - whereby the division of its outlays was guided by the source of the revenue rather than the function or purpose of the activity indicates the high significance placed on guaranteeing the funds from abroad rather than focusing on the purpose of the outlay (Al-Hindi 1976: 43). This from a development perspective limited the ability to asses economic performance and to provide accurate indicators for decision-makers to arrive at appropriate development policies. Also the persistence of the fragmentation of the state budget and lack of augmented accounts including all state tiers, severely restricted the assessment of the overall impact of the state's 'development' role in terms of the size of the state sector, the share in the formation of domestic product and the share in gross investment. Most statistics refer only to central government, which substantially underestimates the actual size of state involvement in the economy as well as making it very difficult to assess the structural orientation of the state sector. Although the Central Bank classifies expenditure according to function it still includes only central government, and development expenditures are not classified by sector.

All these elements point to the fact that the adoption of development planning and the production of these plans was the most appropriate mechanism for dispensing with the huge resources, as well as for soliciting funds, without actually engaging in proper planning procedures that necessitated a qualitative change in data and information-gathering and analysis in order to arrive at appropriate economic polices and strategies. As a result it is understandable the reiteration of essentially the same overall objectives in these plans: the reduction of dependence on external assistance and the diversification of the economy by increasing commodity production; in addition to the reiteration of the same specific sectoral objectives as well as the organisational and procedural measures.

The inability to deliver this did not happen, as some would like to suggest, as the result of a lack of administrative and technical expertise. To have

implemented these objectives of reducing dependence on external resources and of creating a more productive economy would have entailed a fundamental reorganisation of the power structure of the state. In other words, it would have undermined the economic prominence of the social groups that give legitimacy to the state and would have been in sharp contrast to the process engendered by the oil wealth; that of giving further impetus to the ruling classes in the Arab region and not altering the raison d'être of Jordan and its ruling class as an important pillar of the status quo in the area in favour of Western interests.

This illuminates the constraints of the state's economic role even when controlling the access to investment capital, since it could not embark on a path that would undermine its own legitimacy. The role of the state subsequently was beyond that of a mere facilitator who enjoyed a unique co-operative relationship with a dynamic private sector. It provided the channel for extracting the necessary capital and for its allocation and disbursement in a manner that maintained the existing domestic power structures. In other words, it significantly enlarged the state sector and broadened the scope of its activities, which aimed at increasing the proportion of these dependent on the state. Simultaneously, it enhanced state capacity to influence the prosperity of the key participants in the private sector. This meant the increased legitimacy of the state and its ruling class under the umbrella of supporting the development effort and through these structures that legitimated the very process of development and planning. Therefore, private sector participation in plan preparation had been but an exercise in lending legitimacy to the state's development project while being in fact the major beneficiaries. Those that participated in the various preparation committees of the plans represented the powerful interests in the economy, hence no serious discussions ever arose about structural problems but only concerning differences about technicalities and sectoral investment shares, etc.

Broadening of 'Development' Structures

Consequently, development planning extended the boundaries and the influence of the state through the flourishing of its various layers and the expansion of its levels of expenditure. Although there is no consensus on how to delimit the boundary of the state sector, the criterion used here is based on

the subordinate relation of these layers to central government. That is firstly, they are capital dependent on central government not only in terms of financial transfers but also advances, grants and the guaranteeing of domestic and international loans. Secondly, they are centrally controlled regardless of the different forms and organisational structure that each possessed (autonomous semi-autonomous, etc.) or their different functions. Thirdly, central government enacts rules and regulations as well as laws that directly affect their status, organisational structure as well as expand or curtail their privileges and benefits.

Based on this definition the different tiers that constitute the totality of the state sector are, besides central government, the local councils, the autonomous governmental enterprises, and the public share-holding companies, or what is more commonly known as the mixed sector, (Table 4.10). These were as important as central government in terms of expenditure, creation of jobs and economic activities. It is this very fact that made the government reluctant to either integrate their accounts together and/or with central government accounts, since that would have stood in sharp contrast to its proclaimed role as a facilitator and supporter, and its priding itself on a thriving private sector, and would have illustrated the significance of the state sector as the base of the economy and the major creator of economic opportunities.

Thus, the proliferation of local authorities, autonomous enterprises and public share-holding companies, and the governments' presentation of them as being separate from the central government, was very important in giving validity to the development effort, whereby the state was seen as a supporter of institution-building as well as to show that there were substantial developmental changes. Moreover, this process gave these enterprises, especially those that yielded huge resources such as the Jordan Valley authority, the Water authority, the Royal Jordanian Airlines, to name a few, immense power and influence to dispense favours and contracts to maintain the existing power structures.

There follows a more detailed discussion of these four tiers of state agencies that will show the increasing importance of 'development' structures. The first three tiers reflect the common dimension of state involvement in the economy,

Table 4.10 Classification boundary of the state sector

Central Government	*Local Governments*
* Covered by Budget Law and include the following: - Public Administration, Monarchy, Parliament, Prime Ministers' Office, Council of Ministers Audit Department, Civil Service Commission and Ministries. * Others include semi-autonomous departments within line ministries such as; - Higher Education Council - Natural Resource Authority - Broadcast Corporation - Television Corporation - Jordan News Agency - Jordan Valley Authority	* Have their own annual budgets * Totalled 572 councils in 1985, of which 150 municiple, 375 village and 50 joint councils. * They have a direct impact on central government expenditure. * The government provides one of their most important sources of revenue in the form of a share of fuel tax and it carries the burden of their indebtness.
Autonomous Enterprises	*Mixed sector*
* Have their annual budgets * Receive financial support from the government and it guarantees their loans. * Among the most important are the following; - Jordan Electricity Authority - Water Authority of Jordan - Amman Municipality - Royal Jordanian Airlines - Public Transport Corporation - Aqaba Authority - Civil Employees Consumption Corporation	* Joint private and state * Recieve substantial governemnt transfers and guarantees its loans * Recieve substantial preferential treatment such as tax and Custom exemption

Source: Based on (World Bank 1991: 28).

namely the provision of social services and social infrastructure which were the predominant type of state outlays, contributing to the heavy service orientation of the economy. The last tier reflects the direct participation of the state in production, which had been increasing, but was still of much less significance.

Central Government

The role of the central government took on a new dimension manifested in the new levels of expenditure as well as in the expansion of its apparatus. In 1973 it consisted of sixteen ministries and thirteen semi-autonomous departments related to particular ministries. By 1985 it grew to twenty-one ministries and

twenty-three semi-autonomous departments. This was in addition to its other administrative units, such as the monarchy, parliament and prime minister's office, as well as the expansion experienced in the military and security apparatus. Its total expenditure increased from a level of JD119.5 million in 1973 to JD805.7 million in 1985 amounting to a sixfold increase in a decade, (Table 4.11). Up to the beginning of the 1980s the annual increases had been substantial but after that the strain of the economic decline in the region was reflected in decreasing rates of growth. The year 1982 showed for the first time a negative rate of increase of about 1.2 per cent. As for the significance of this expenditure to the GDP, the share of central government expenditure had been on average more than two-thirds. It reached its highest share of 77 per cent in 1977 and 1979.

Table 4.11 Structure of central government expenditure for the period 1973-1985

(JD million)

	Grand total	Social services	Physical infrastructure	Economic development	Total	Total / Grand total %
1973	119.50	10.9	2.6	27.9	41.4	34.67
1974	146.90	18.4	3.1	31.5	53.0	36.05
1975	204.90	23.9	8.0	49.6	81.6	39.82
1976	262.50	31.7	15.7	43.8	91.2	34.73
1977	337.80	35.5	17.8	97.6	151.0	44.70
1978	361.50	40.9	21.2	106.9	169.0	46.75
1979	515.70	56.1	35.6	115.0	206.7	40.08
1980	563.10	63.7	32.6	142.1	238.4	42.34
1981	617.10	85.3	30.4	151.4	267.2	43.30
1982	693.60	83.2	31.8	151.1	266.1	38.36
1983	705.30	86.9	31.9	145.9	264.7	37.54
1984	720.80	87.8	29.0	136.8	253.5	35.17
1985	805.70	95.2	24.2	159.6	278.9	34.62

Source: Based on (Central Bank of Jordan 1989: 47, 48).

Consequently, a marked increase occurred in government expenditure in a variety of sectors, most notably the social services and physical infrastructure. The expenditure on social services increased from a level of JD10.9 million in 1973 to JD85.3 million in 1981, an eightfold increase. But then it increased to only JD95.2 million by 1985, as a result of the decline in total financial assistance, similar trend was seen in the provision of infrastructure services. In 1973 its expenditure did not exceed JD2.6 million, increasing to JD30.4 million

in 1981; a twelvefold increase but decreasing to JD24.2 million by 1985. The education sector, accordingly, expanded in terms of the number of teachers, students and its various levels of educational institutions, including schools, universities, colleges, vocational centres, etc. Health facilities grew immensely and the numbers of clinics hospitals and various support facilities expanded. Moreover, central government expenditure on what was grouped under the term 'economic development' increased, but at a lower rate, from JD27.9 million in 1973 to JD151.4 million in 1981, a fivefold increase. This then fluctuated reaching JD159.6 million in 1985, (see previous table). Unfortunately, this item of expenditure was not sub-divided to reveal its sectoral distribution.

However, despite these remarkable expenditures and the improvement and expansion in social and infrastructure services, the benefits did not accrue across the various areas of the country. Regional disparities were one of the most striking characteristics of the development of Jordan, where most of the improvement tended to concentrate in Amman. Secondly, the quality of the services, especially in health and education left a lot to be desired. In addition, a significant part of the expenditure went largely on salaries and wages. More importantly, the military and security apparatus remained the major item of expenditure, consuming on average a third of government expenditure, (Table 4.12). This share was, in effect, much higher, since these figures included only the current expenditure of the military and an insignificant part of the capital outlays of the security apparatus. What was notable in this period was the increased importance of the security apparatus, namely the police and the intelligence services. Accordingly, the expenditure on the security apparatus increased significantly from a mere JD6.4 million to JD43.2 million, a sevenfold increase.

The abovementioned indicators should be considered as showing the structural trend of state outlays rather than an accurate assessment, since the imprecise distinction of current and capital expenditure persisted. Items that fit under recurrent expenditure were often reported under capital in order to lessen the inflation of current expenditure. In addition, there was no accurate distinction between expenditure of capital development and capital non-development. Hence, a sectoral distribution of development expenditures is not available (World Bank 1991: 44). Even in the plan documents the sectoral distribution of

investment is indicated by using 'capital' expenditure without specifying precisely whether it is 'development' expenditure.

Table 4.12 Total government expenditure on the military and security apparatus for the period 1973-1985

(JD million)

	Total government expenditure	Internal order and security	Military	Total security & military	Security & military / Total government expenditure %
1973	119.500	6.384	42.013	48.397	40.50
1974	146.900	8.071	44.475	52.546	35.77
1975	204.900	10.034	48.300	58.334	28.47
1976	262.500	11.473	93.363	104.836	39.94
1977	337.800	14.419	82.563	96.982	28.71
1978	361.500	16.638	88.914	105.552	29.20
1979	515.700	23.034	114.866	137.900	26.74
1980	563.100	24.687	118.184	142.871	25.37
1981	617.100	30.222	138.000	168.222	27.26
1982	693.600	34.718	156.630	191.348	27.59
1983	705.300	36.022	168.000	204.022	28.93
1984	720.800	36.842	168.000	204.842	28.42
1985	805.700	43.184	190.200	233.384	28.97

Source: (ibid.).

Local Governments

Despite the increase in importance and influence of local governments at three different levels - regional, municipal and village - the manner of their development during this period attests to the fact that they were used as political channels to maintain state leverage and loyalty by dispersing funds to rural and disadvantaged areas, rather than as a means for creating more economically viable communities and self administered ones. Central government exercised a strong hold on the regional level which was divided into five governorates, Amman, Irbid, Balqa, Karak and Ma'an through its control of the appointment, dismissal or transfer of the governor[3]. Most significantly, these governors fell under the responsibility of the Ministry of the Interior, hence emphasising their political role. Accordingly, the most important qualification of a governor was his proven loyalty (Nyrop *et al.* 1974: 141). These governors in turn controlled the various municipal, village and joint local councils, and most significantly could interfere in their elections by having the power to annul them and appoint councils which replaced the elected ones for a period of two years. In 1979 the government attempted to pass an

amendment to the Municipalities Law in order to increase the period to four years. This prompted criticism and opposition from what was then the National Consultative Council which viewed it as a further marginalisation of the only elected body in the county (MECS 1978-9: 629).

Thus, these councils which were in principle, the 'agencies for public participation in local government in order to meet the needs of local communities, including public services and basic facilities and mobilise resources for development' and by law were supposed to be administratively and financially independent non-government bodies (Development Plan 1981-5: 332) had been to all intents and purposes subordinated to and controlled by central government both through the governorate office and by the Ministry of Municipal & Rural Affairs & Environment, or MR&AE. The exception to this arrangement was Amman Municipality which operated under the tutelage of the prime minister's office. This arrangement was partly due to Amman being the largest population conglomeration and hence to the importance of its having direct links to the cabinet. Subsequently, the wide range of activities and broad powers designated to local councils by law 29 in 1955 had been eroded by the continuous enactment of new laws and regulations by the central government, enhancing its omnipresence and restricting the development of local councils (World Bank 1990: 18). Most of the local activities and responsibilities were carried out and/or controlled by the MR&AE and the respective ministries responsible for public services. Revenue sources were defined and rates, charges and fees stipulated in laws and regulations by the central government. Moreover, the fuel tax - composed of revenue from custom taxes, motor vehicle licenses and taxes on petroleum products and distributed according to a formula that favoured small municipalities - remained for the majority of small councils their most important source of revenue.

In addition, their economic viability and dependence on central government had been aggravated by the reduction of the population threshold of local councils, which accounted for part of the increase in the number of local councils. The number of local councils increased substantially from 158 village and 86 municipal councils in 1973 to 90 village, 240 municipal and a few joint councils by 1979. At the end of 1985 there were 150 municipal, 340 village and 50 joint services councils (ibid.: 19). However, this was seen by the

government as part of a process of 'upgrading the sector and supporting its activities' (Development Plan 1981-5: 332).

In what appeared to be a means of increasing their efficiency and viability, the government in 1979 replaced the Development Fund of Municipalities and Villages with the Cities and Villages Development Bank, or CVDB. It was supposed to provide local councils with financial assistance for development purposes, and financial management advice and training, in order to create income-generating projects, and to increase their economic viability and independence. In fact, similar objectives had been reiterated in the development plans but to no avail. Nevertheless the need to effectively upgrade local councils' abilities became pressing, with the economic and social disparities widening between the various regions and the small, far-reached areas, and aggravated further by the high level of migration to cities. Ironically, instead of upgrading local councils' effectiveness the CVDB affected them adversely. They were encouraged, by the CVDB - the institution that was supposed to make them into viable development units - to expend on services and infrastructure projects which limited their ability to generate funds and create employment opportunities. In its first two years the CVDB granted two thirds of its loans for the construction of roads and schools (Development Plan 1981-5: 332). Moreover, funds were not dispersed according to economic feasibility or profitability, and there was the widespread practice of spending loans on personal items rather on the purpose the loan. By mid 1980s most of the local councils had become insolvent. The description of the board of directors of the CVDB, therefore, as 'a largely political body who approved loans for municipalities which did not meet its lending criteria' is extremely accurate (World Bank 1990: 8).

The persistence of deficits, combined with a continuous readiness on the part of the government to bear the brunt of the indebtedness of local governments, worsened the situation and it became a habit of Central Government to intervene to bail them out. In 1987 it repaid JD13 million in outstanding debt, as well as rescheduled their loan repayments for ten years. Still the problem persisted and in 1989 the government again repaid JD13 million in outstanding debt. This further attests to the importance of local governments as political channels to control rural and far reached areas, simultaneously tying their material existence to the central government. Yet, after the culmination of the

national debt problem, an internal memo of the CVDB emphasised the necessity 'to carry out feasibility studies for all projects funded by the Bank' (CVDB Internal Memo 1987). It also amended the law of the Bank by stipulating that, besides local councils, 'any institutions whose objectives are to provide basic services to local communities' would be eligible for loans. This meant a move towards the private sector which fitted into the new framework, promoted by the World Bank, of reducing the role of the public sector role, rather than improving the efficiency of local authorities.

Autonomous Governmental Institutions

This layer became the most significant structure in terms of development expenditure and for validating the state's 'development' effort. In 1985 it consisted of 29 institutions, representing a wide range of agencies across a variety of sectors. They included both sellers of goods and services, such as the Jordanian Electricity Authority, the Water Authority, the Royal Jordanian Airlines, and the Civil Service Consumer Corporation, in addition to those with a promotional developmental role, such as the Free Zones Corporation and Aqaba Ports Corporation. Although they prepared their own budgets and set personnel and pay policies, they were, in principle, part and parcel of central government budget, since their surpluses and deficits had to be integrated with the central budget. Starting 1979 the budget department had been publishing an annual budget document for these enterprises entitled 'Budgets of Autonomous Governmental Institutions for the fiscal year...', in an attempt to control these enterprises and emphasise their linkage to the central department.

Yet, the document had been inadequate as a mechanism of assessing their developmental role as well as to control them. In the first place, it only covered some of the enterprises since a number of them did not need the approval of the Ministry of Finance to pass their budgets, and the audit department still needed a special mandate from the cabinet for submitting any of them to departments' control, in accordance to article 4 of the law of the department. Secondly, no effort was made to present the data in a unified form which would allow for comparison and interpretation, and even those that made their expenditures and revenues available had not been either consolidated together nor within the central government budget. Their growing eminence should

have been a strong motivation for a more accurate and consistent presentation of both their expenditures and involvement in the economy, but it was precisely this lax environment that made it possible for nepotism and favouritism to flourish.

The power wielded by these institutions varied depending on the interests tied up with these institutions and their projects, rather than on economic priority. For instance, large sums were diverted to air transport - Royal Jordanian Airline, Arab Wings, and Jordanian Airline for Air cargo - because key individuals were making fortunes out of the various contracts. The same was true for the many capital-intensive projects involving very high commissions. Some believed that many of the high costs of projects had to do with the high commissions. Moreover, the duplication of the responsibilities among central government and these enterprises blurred accountability and created inefficiencies, while, most importantly, providing numerous channels through which to distribute the largesse. For example the transport sector - the largest in terms of investments - had been divided between two ministries: Public Works and Transport & Communication, and several other autonomous institutions: Aqaba Railway, Port of Aqaba, the Civil Aviation Authority, the Royal Jordanian Airlines, the Public Transport Corporation, the Telecommunication Department, and the Postal Department.

I will make a tentative attempt to illustrate the significance of their expenditure as permitted by the available data. Table 4.13 includes only four out of the 29 autonomous enterprises and shows that in 1979 their expenditure amounted to JD98.6 million, growing to JD208.2 million in 1982. If these figures are added to the total government expenditure for those two years, it would increase the state share in the GDP from 77 per cent to 92 per cent and from 55 per cent to 77 per cent respectively. This supports the estimate provided by Luciani, and which puts the contribution of the state at around 85 per cent (1990: 74). Thus, one can deduce the actual effect of all these enterprises, and say quite safely that state expenditure had been the economy and the circulation of the state's funds were the source of the growth of the economy.

The growth in loans guaranteed by the central government-mostly contracted by these autonomous enterprises was another important indicator of the latter's

Table 4.13 Total expenditure for selected autonomous enterprises for the period 1979-1985

(JD million)

	Amman Municipality	Water Authority	Electricity Authority	Royal Jordanian Airlines	Total
1979	8.7	16.4	8.3	65.2	98.6
1980	13.8	34.4	15.9	92.2	156.3
1981	17.9	10.5	54.7	107.1	190.2
1982	13.6	13.7	52.8	128.1	208.2
1983	6.3	38.9	67.1	-	-
1984	16.5	51.2	73.4	-	-

Source: Based on (Annual budget document of autonomous enterprises 1980, 1981, 1983, 1986).

increased importance. Loans guaranteed by the central government grew from a share of only 8 per cent in 1972 to more than 33 per cent in 1980, and while dropping to 29 per cent in 1982, they still showed more than a threefold increase within a decade, (Table 4.14). Most of these loans were invested in the transport followed by mining (Tarief 1984: 50-1). The expansion of these two sectors were close tied, since many of the large investments in transport were geared towards meeting the needs of mining industries.

Table 4.14 Relative importance of loans guaranteed by central government for the period 1972-1982

(JD million)

	Total loans	Loans guaranteed by government	Loans guaranteed / Total loans %
1972	91.05	7.45	8.18
1973	125.26	8.79	7.02
1974	146.01	13.28	9.10
1975	183.72	22.55	12.28
1976	248.27	29.33	11.81
1977	409.83	92.12	22.48
1978	536.40	132.78	24.75
1979	624.12	151.07	24.20
1980	840.52	280.98	33.43
1981	954.31	297.26	31.15
1982	1042.57	302.35	29.00

Source: (Tarief 1984: 42).

Consequently, their indebtedness grew significantly, especially the largest among them, such as the Water Authority, the Electricity Authority, and the Royal Jordanian Airline, which was passed to the government. This excessive

borrowing coupled with their inefficient running were the major causes behind the financial difficulties they have been experiencing since mid 1980s. An example of the seriousness of this situation can be seen in the Water and Sewerage Authority, which according to World Bank estimates would have to increase its tariff rates by 140 per cent in order to cover its annual cash gap and foreign debt (1991: 55). Government support also included financial transfers. To give an indication of this Table 4.15 provides a rough estimate of part of these transfers as far as the available data allowed. The government transferred around JD21 million in 1979, increasing to more than JD42 million in 1982, and around JD37.5 million in 1985.

Table 4.15 Central government financial transfers to autonomous enterprises for the period 1979-1985

(JD million)

1979	1980	1981	1982	1983	1984	1985
21.2	18.6	33.7	42.4	36.5	34.1	37.5

Source: Based on (Annual budget document of autonomous enterprises 1980, 1981, 1983, 1984, 1985, 1986).

The Mixed Sector

The fourth tier that illustrates the growth and total dimension of the state 'development' role consists of the public share-holding companies, more commonly known as the mixed sector. It reflects the state's direct participation in the production of goods and services as well as its active involvement in the promotion of the private sector. Considering the significance of this layer, it is strange to see that it has been completely neglected in one of the most recent studies of the World Bank on public expenditures (World Bank 1991: 44). Perhaps partly because this tier complicates the structure of state sector and makes it hard to delimit its boundaries, since ownership of companies is shared by the private and state sectors. The most common criterion that had been used in delimiting the state sector is to include those enterprises for which the government held 51 per cent of the voting stock, that is, a controlling bloc. Although, in practice, the government tended to support financially and other wise, even those for which it did not have a voting bloc. Hence, it expanded its responsibility way beyond what was legally required in order to validate its economic achievements as well as guarantee a profitable environment for local

bourgeoisie. Another reason behind the reports' neglect is possibly the fact that the inclusion of the mixed sector would reveal the actual size of the state sector and undermine the image of an economy based on a thriving private sector.

As discussed in the previous chapter, state initiative and capital were the most important factor behind stimulating commodity producing sectors either through infrastructure support, as the case in agriculture, or through the expansion of public companies. In 1973 the government contributed to twenty-seven public share-holding companies with a total of JD36 million paid up capital of which the state put a quarter, JD12 million. Of these, seventeen were in the industrial sector while the rest were in commerce, finance, and tourism (Royal Scientific Society 1975: 12,14). By 1984 these increased to thirty one, and although numerically this increase was not substantial, the expansion in investment was considerable. The total paid up capital of these firms increased to JD294 million in 1984, more than an elevenfold increase, while the ownership trend shifted further towards the state, (Table 4.16). In comparison with a 37 per cent share in 1972, the state share increased to 41 per cent while the private sector share decreased from 60 per cent to 37 per cent. Foreign participation, which was predominantly Arab, increased markedly from a level of only 3 per cent to 22 per cent.

Table 4.16 Capital growth of public share holding companies for the period 1972-1984

(JD million)

	Paid up capital	*Ownership share %*		
		State	Private	Foreign
1972	22.0	36.8	60.0	3.2
1975	46.0	29.8	63.6	6.6
1980	173.0	40.3	30.3	29.4
1984	294.0	41.1	37.3	21.6

Note: See end of the chapter notes number 4.
Source: Based on (Dalgamouni 1987: 81-82).

The pattern of concentrating state investments on resource-based industrial firms continued with more vigour and without due consideration for commercial profitability let alone the overall effects on the economy. Accordingly, the biggest share of capital was concentrated in six major companies as follows;

the Potash JD63 million, Fertilisers JD55 million, Petroleum refinery JD32 million, Fuheis Cement JD22.4 million, Phosphate JD20 million and Rashiddiyya Cement JD19.9 million (Smadi 1984: 79). However participation in equities represented only a small part of state's role. Other supportive mechanisms included, firstly, the provision of grants, advances and loan guarantees. (Dalgamouni 1987: 87). Secondly, there were the tax exemptions, custom exemptions and the exemption of the state from taking profits from its equity shares, if profits were less than 10 per cent. Thirdly, there was the indirect participation of the government through either its fully owned agencies such as the Pension Fund and Social Security Corporation, or those for which it held majority shares and which in turn held shares on behalf of the government. This, as a result, created a complex network within the mixed sector dominated by the government. In such an environment the reluctance of the government to allow any firm to go bankrupt is understandable, and this caused the diversion of scarce resources to support either ailing ventures or those that were economically unprofitable.

For example, the Industrial Development Bank (IDB), which is a joint venture, held shares on behalf of the government in a variety of firms, and, more significantly, it acted as a major supporter to state enterprises through its credit policy, although the objective of the bank, created in 1965, was to support and expand private sector activities in order to establish a dynamic and diversified industrial base. By 1982 the proportion of credit lent to large public industrial and tourist companies, reached 74 per cent while the proportion of small scale industries did not exceed 4.4 per cent. A very negligible proportion one might say. The bank's support extended also to participating in underwriting operations of the public companies' shares and bonds. In 1982 the bank participated in underwriting the operations of four industrial companies. At the same time the bank enjoyed the same aforementioned special benefits of public sector firms of guaranteeing its loans, the value of its shares and a minimum level of profit, in addition to its exemption from customs and duties. These generous benefits meant effectively a state subsidy to the private shareholders of the bank, namely, the commercial banks who were the primary private shareholders. Because of this extensive support given by central government to public firms, the government appointed most of the general directors and deputies of these firms as well as government representatives on the boards of directors. These posts, consequently, were monopolised by a

few who either rotated among these firms or actually headed them for years. For instance the IDB until recently had been headed by the same person, Ziad 'Anab, since the 1960s.

The major problem with the concentration of investment capital in a few large industrial firms and the extensive government's support was the fact that their contribution to the economy was limited. Some of these enterprises had been a continuous liability where the government had to intervene to bail them out and the rest were not proving to be economically viable or commercially profitable. Total loss of these companies increased from approximately JD8,000 in 1974 - accounting for the losses of one firm - to more than JD13 million in 1982 - accounting for the losses of nine firms of which the Potash losses alone accounted for JD11 million. Others such as the weaving company had been running at a loss since they were established (Smadi 1984: 109-110). Ironically by 1986 the government was forced to merge those running at huge losses with commercially viable ones, bringing about the merger of the Rashadiyya Cement Company with the Fuheis Cement Company and the Fertilisers Company with the Phosphate Company, in addition to raising funds to salvage the Potash Company.

The contribution of the mixed sector to the economy was in terms of a balance sheet a huge burden. A look at Table 4.17 illustrates the declining rates of their ability to contribute to domestic revenues. In 1973 they contributed 44 per cent of total income tax, while in 1984 that share just exceeded 20 per cent, and more importantly, 86 per cent of the tax revenue came from only three companies: the Phosphate, Cement and Petroleum Refinery. Also, in 1973 the profits of the industrial companies constituted 95 per cent of the total profits of the mixed sector while the financial enterprises accounted for only 3 per cent. By 1984 that situation was reversed: the contribution of the industrial companies was reduced to 13 per cent while that of the financial enterprises increased to 80 per cent (Dalgamouni 1987: 141-144). Thus, in those companies that consumed huge amounts of capital and accumulated huge debts, profitability was declining to unacceptable levels.

Another important indicator is a comparison of how much these companies were able to pay for imports which reveals their very limited contribution. As seen from Table 4.18, although their contribution nearly doubled from a share

of 7 per cent to 14 per cent, it still covered a small fraction of total imports. Part of this huge import bill was the increasing share of food imports, yet very little

Table 4.17 Relative importance of income tax on public share holding companies for the period 1973-1984

(JD Million)

	Income tax	Taxes of companies	% of taxes
1973	3.85	1.68	43.60
1974	5.39	4.36	80.90
1975	9.28	3.64	39.20
1976	9.34	4.35	46.60
1977	13.24	5.25	39.70
1978	18.56	6.18	33.30
1979	22.38	8.31	37.10
1980	26.78	11.38	42.50
1981	39.98	9.84	24.60
1982	43.67	6.99	16.00
1983	46.02	9.16	19.90
1984	48.70	9.85	20.20
Average annual growth rate for income tax		23.50%	
Average annual growth rate for company tax		15.90%	

Source: (ibid.: 133).

Table 4.18 Relative importance of exports of industrial companies to imports for the period 1973-1984

(JD Million)

	Exports of industrial companies	Relative importance to imports %
1973	7.2	6.6
1974	25.06	16
1975	25.28	0.8
1976	23.67	7.0
1977	22.14	4.9
1978	24.44	5.3
1979	32.15	5.5
1980	52.95	7.4
1981	66.05	6.3
1982	69.36	6.1
1983	91.78	8.3
1984	145.52	13.6

Source: (ibid.: 139).

had been done in terms of encouraging food production. This structure had to do with the overall place of Jordan within the international capitalist market but also with the domestic configuration of the political power base. Thus,

interestingly enough, within this very unfavourable situation private shareholders' interests were maintained by the combined effects of government's insistence on bailing them out, reducing tax burdens and giving priority to the distribution of share profits to private holders while the government conceded on taking its profits. Its total profits in the period 1973-1984, were around JD32 million, most of which came from Phosphate and Cement. It grew from less than half a million in 1973 to JD5 million in 1984 (Dalgamouni 1987: 149).

Yet, the private sector remained reluctant to participate in many of the new ventures promoted by the government. For instance, the government ended up being the sole owner, in ventures where it was supposed to participate with approximately 50 per cent share. These included companies such as the Jordan-Syrian Company for Land Transport, the Jordan-Iraq Company for Land Transport and the Jordan Syrian Industrial Company. In other ventures where the government share was supposed to be only between 1-4 per cent, it also ended up being sole owner, such as in the case of Arab Mining, the Livestock Development, the Arab Company for Maritime Transport and the Jordan Mineral Company (World Bank 1983: 79).

Conclusion

The most significant effect of the oil boom and the new levels of capital accruing to Gulf states was the search for ways to realise this surplus, and the need to maintain the stability of the region and the ruling classes in the Gulf presiding over these remarkable oil revenues. In this context Jordan's traditional role as an important party for maintaining the status quo and Western interests in the region was further emphasised. Moreover, the ability of Jordan's labour market to respond to the needs of the Gulf market added another crucial dimension to the expanded economic linkages to the Gulf. Subsequently, the huge capital inflow of loans and grants increased state's control over financial resources and augmented its economic power, while remittances provided income, to a large segment of the population, in excess of the domestic capacity, hence contributed significantly to the stability of the state.

The increased access of the state to external funds allowed central government to broaden and expand its economic role, in particular its development role and development structures and increased its control over who benefits. Yet its economic activities and economic policies did not affect a change in the production capacities of the economy and/or creating the basis for sustained economic development, and its development plans and development structures reflected their usefulness as channels to strengthen the ruling class as well as to increase stability by widening the spectrum of benefiting social groups. This, on the one hand, undermined the very basis on which the state's development role could be argued - that is it can act in the general interest of society-, while, on the other, attested to state's restricted ability to divorce itself from the economic interests that lends it legitimacy, as well as its external linkages that underpinned this new enhanced economic power. The following chapter will focus precisely on showing how the state's economic role is tied to specific class interests.

Notes

1. The existing data do not distinguish between those emigrating from the West bank and those emigrating from Jordan.

2. See Ian Seccombe (1984), *International Labour Migration and Skill Scarcity in the Hashemite Kingdom of Jordan,* Geneva, International Labour Office.

3. During the preparation of the 1986-1990 development plan the governorates were expanded to seven as follows: Amman, Zarqa, Irbid, Mafraq, Balqa, Ma'an, Tafeilah.

4 Dalgamouni's study includes the following twenty, most important, mixed sector companies: Phosphate, Potash, Mining, Textiles, Tanning, Paper and Carton, Petroleum, Pharmaceutical, Fertilisers, Rashadiyya Cement, Fuheis Cement, Glass, Irbid Electricity, Hotel and Tourism, Arab International Hotels, Jordan Tourism, National Marine, Industrial Bank, Housing Bank, Television and Cinema Production.

Chapter Five

The State's 'Development' Role and Class Interests

To complement the analysis of the previous chapter, attention will now focus on elucidating specifically the impact of the expanded state's development role on the transformation of the social structure of society in order to show how the state, despite the concentration and centralisation of economic power in its hand, was unable to implement the task it took upon itself in restructuring the economy, through development planning and a process of state's control over resources, towards a more productive one and less dependent on external funds. As seen from the previous chapter state dependence on external funds increased substantially and the service structure of the economy as will be seen from the discussion of this chapter has been further consolidated. Hence the state augmented the prosperity and wealth of its class alliance of commercial and state bourgeoisie and the landed class while increasing the stability of the regime via the expansion of the 'new' petty bourgeoisie. This attests to the fact that the state could not escape the particular configuration of its power base which provided its legitimacy, that is, economic and class interests play a major role in determining state actions and policies. Furthermore, although state development strategy was geared towards nurturing and promoting private interests and creating a thriving private sector, this promotion remained limited by the tension that laden state's role between the ruling family and private interests.

Consequently the interests of the Hashemite ruling family meant that the state promoted and nurtured private sector interests but these remained subordinate to and dependent on the state. Thus the prosperity of the propertied class continued to be primarily reliant on state expenditure and, more importantly, on the ability of the state to muster funds from abroad, and although the period witnessed a further enmeshing of economic interests, which cut across the sub-statal affiliation and in particular the division of the Palestinians-East Bankers, the propertied class remained permeated with personalised relations of kinship, familial, ethnicity, religion, etc., hence its coherence and ability to capture the state for its own interest was undermined. Similarly, the state

bourgeoisie, whose control over resources increased their power and influence were not in a position to capture the state either since their fate is 'politically determined' (Waterbury 1991: 13). Even those state bourgeoisie who are themselves influential businessmen their access to state powerful positions is also determined politically. The king could dismiss any of the most senior figures when the legitimacy of the ruling class is threatened. The recent and most classic example of this was the dismissal of Zaid Rifa'i in 1989 - who was not only one of the most enduring of Jordan's prime ministers, but a personal friend of King Hussein - as a result of intense popular objections and bitterness towards the government's handling of the economic recession. Thus, the Hashemite family continued to appear as holding the balance between fractured and rivalled social groups while maintaining the dependency of both the bourgeoisie and the top management of both civil and military apparatus on its ability to extract the necessary funds from outside to maintain prosperity and stability.

The following discussion will illustrate, besides the strengthening of the existing powerful economic interests, the overall changes in the class structure emphasising the expansion of the 'new' petty bourgeoisie whose improved livelihood has been a major reason behind the stability of the regime. It will also highlight the growth of the marginalised groups or those left at a worsened situation and the widened income disparities and living standard gaps among the various social groups.

The Consolidation of the Local Bourgeoisie

The increased interdependency between the state bourgeoisie and the propertied class has been one of the most significant developments of the oil boom period. The remarkable expansion in the economic role of the state increased the power of the state bourgeoisie in both the civil and military and security apparatus via controlling access to lucrative contracts and the means for prosperity of the property-owning class, which also provided them with the channel and opportunity to accumulate wealth and power. High commission fees, discretionary powers and nepotism thrived which largely explains why unjustified increases in project costs occurred frequently and the widespread corruption and misuse of public funds. This was the case prior to the oil boom

but with the new levels of state expenditure this aspect was intensified, in addition the level of richness that accrued has been incomparable to previous periods.

Subsequently the state resorted increasingly to drawing some of its top management from the ranks of economically influential businessmen. For instance, five out of eight members of the board of directors of the Central Bank, which is appointed by the cabinet, were eminent merchants and bankers who directly participated in setting up the overall frame of the working of the economy. The cabinet included ministers who were wealthy bankers or merchants. Most notable was the rotation of the post of Minister of Trade and Industry among the three leading commercial families the Mu'asher, the Taba'a and the Asfour. Two of the Prime Ministers of Jordan during that period were influential businessmen, Mudar Badran and Zaid Rifa'i, not to mention the prevalence of prominent businessmen in the boards of directors of most if not all public institutions as well as in the posts of general directors.

The prosperity of local bourgeoisie, therefore, did not result just from the expansion of economic opportunities but was facilitated by the augmentation of the alliance of the property-owning class with state top management. Simultaneously competition for resources depended not on economic priority but on differences in the power that various figures wielded, in addition to who benefits from the high commissions entailed in the numerous projects and the projects themselves. Most of the important institutions such as the Jordan Valley Authority, the Ministry of Planning (previously the National Planning Council), and the Royal Jordanian Airlines had been highly centralised and run by one strong man; Munther Haddadin, Haneh 'Odeh and Ali Gandour respectively. Such concentration and centralisation of power made it easier for the clique to operate and for the system of nepotism and favouritism to thrive, especially with the absence of any sort of accountability. Thus the rivalries, disagreements and conflicts that existed among the propertied bourgeoisie and state bourgeoisie and/or between them had been oriented towards the accessibility and disbursement of state resources as well as the incumbency of top level positions of state apparatus, rather than being ideologically or politically motivated. This is further emphasised by the fact that the investment levels of the plans were set by the cabinet and accordingly the role of the budget department tended to be of a negotiator among the various ministries,

institution and enterprises on their investment shares. That's why it was the power that a minister, a director, etc., wielded that counted and not the institution per se and/or its function or economic priorities.

Most important about this alliance is that it preserved the dominant place of propertied bourgeoisie in its principle economic activity: commercial and business services, while expanding the scope of its investments in fields that were just emerging in the pre-1973 period. These include banking and finance, transit trade, real-estate and export trade particularly high value cash crops of fruits and vegetables. Subsequently the unusual service orientation of the economy was further entrenched, generating two thirds of domestic output and absorbing two thirds of the labour force. The share of service sector, as seen from Table 5.1, ranged between its highest of 70 per cent and its lowest of 61 per cent. It also absorbed on average more than two thirds of the labour force and its share had increased from the level of 64 per cent in 1973 to 70 per cent in 1985, see Table 5.2. Even in comparison with states of similar income levels the ratio is too high where service sector does not contribute more than 40 per cent of GDP and does not absorb more than 30 per cent of labour force (Al-Nashrah Al-Igtisadiyya 1983: 8). The contribution of the enlarged size of state sector and its consolidation as the major source of employment was the second reason which gave further impetus to the service orientation of the economy and accounted for the growth of the 'new' petty bourgeoisie, as will be seen later in the discussion.

The augmentation of the service orientation of the economy happened despite the growth shown in commodity producing sectors, since their growth was underlined by the massive state investments in social services and physical infrastructure including the huge investments in the irrigation sector of the Jordan Valley as well as the infrastructural support of resource-based industries. Moreover, as seen from the previous chapter the massive investments in industry were economically unprofitable in addition to their nature contributing very little to manufacturing, therefore, a structural change in the economic base did not take place. The expanded opportunities in the commodity producing sectors were captured by the commercial and business community already at an advantage either by diversifying activities into new fields notably contracting, agriculture and light manufacturing.

Table 5.1 Relative importance of economic sectors for the period 1973-1985

(%)

	1973	1975	1978	1980	1982	1984	1985
Commodity Sector							
Industry	11.2	18.5	17.1	18.7	19.6	19.0	16.4
Agriculture	9.3	8.6	10.6	7.7	7.0	7.5	8.3
Electricity & water	1.5	1.0	1.3	1.9	2.2	2.5	2.6
Construction	8.0	6.3	9.3	10.9	10.4	9.7	9.2
Total Share	30.0	34.4	38.3	39.2	39.2	38.7	36.5
Tertiary Sector							
Commerce	20.2	22.1	18.6	18.6	18.0	18.4	18.8
Transport and communication	9.5	8.2	10.8	9.0	10.6	11.0	11.2
Finance & real-estate	11.1	9.9	12.2	11.9	11.1	11.0	11.6
Government services	24.7	21.5	17.2	19.1	18.7	18.1	18.9
Others	4.5	3.9	2.9	2.2	2.4	2.8	3.0
Total share	70.0	65.6	61.7	60.8	60.8	61.3	63.5

Source: Based on (Central Bank of Jordan 1989: 47).

Table 5.2 Relative importance of employment in the service sector for the period 1973-1985

(JD thousands)

	1973	1975	1977	1979	1981	1983	1985
Total employed	296.0	338.1	371.0	391.1	418.4	445.3	472.3
Service sector	188.0	218.9	244.7	259.1	284.5	311.1	328.4
% in Services	63.5	70.4	66.0	66.2	68.0	69.9	69.5

Source: Based on (Ibrahim 1989: 62).

Following the same methodology used in chapter three a separate discussion is warranted of the various social groups that make up the propertied class, similarly without giving the illusion that they represent divergent groups especially that many of them are engaged in more than one type of investment. In fact the boom era provided ample opportunities for the most prominent businessmen to invest capital in more than one activity cutting across economic sectors.

Merchants

Trade continued to be one of the principle economic activities dominating the private sector and lending further support to the position and influence of

merchants. It was precipitated by two major factors which provided ample economic opportunities for growth. The first was the substantial increase in the demand for goods and services in both the private and the state domains coupled with the continued liberal state policies. In other words, the enhanced purchasing power of the state and society, due to the abundance of remittances and aid, pushed consumption to unprecedented levels. The second was the increase in transit trade as well as the improvement in domestic exports. Accordingly, the contribution of the trade sector to the GNP was staggering and rose steadily. In 1973 the import/export sector contributed 52 per cent to the GNP, with the predominant share held by imports at around 45 per cent while the exports' share was a mere 7 per cent. By 1985 export/import sector contributed 71 per cent, 57 per cent to imports and 14 per cent to exports (Central Bank of Jordan 1989). Thus, although compradore merchants - those trading on behalf of foreign capital - still dominated, an increase took place among those trading with domestic items, especially agricultural produce and light manufactured goods, destined primarily to the Gulf in particular Iraq and Saudi Arabia.

The sector's activities and profits remained concentrated in the hands of the old clique of leading merchant families. According to the 1985 study of wholesale and retail trade, out of 28,155 trading enterprises, only 425 were wholesalers, of which more than two thirds were located in Amman. Wholesalers therefore did not exceeded 1.5 per cent of the total commercial enterprises. Moreover they also tended to be the major importers. This monopoly was facilitated by the fact that importers required substantial amounts of capital, usually 25 per cent of the value of imported goods, in order to open import letter of credit and they tended to get exclusive agencies for particular lines of products in order to avoid competition (Nyrop et al. 1974: 193). The holding of the leading families onto their monopolistic position is illustrated in their continued domination of both the Amman Chamber of Commerce and the Union of Chambers in particular the Taba'a, Bdair, Asfour, Abu Hassan, Mango, Mu'asher, Darwaza, Ka'war, Barakat, and Toukan families. In addition they represented the sector on the various state committees, most importantly the plan preparation committees as well as being heavily involved in the various boards of directors of key public companies and institutions. One example is Mohammad Bdair, who was simultaneously on the boards of the Phosphate, Potash and Oil

Refinery Companies, besides owning a majority share of the Jordan Electricity Company and acting as its director.

The extent of the consumer behaviour that the 1970s engraved on both the private and state sector alike, can be revealed by looking at the usage of domestic output. Consumption expenditure averaged one and a half times domestic output reaching its peak in 1979 with a share of 143.2 per cent of the GDP. From then onwards it declined, reaching a level of 130 per cent, which was still very high, (Table 5.3). Correspondingly Jordan's import bill reached an unprecedented level. It grew at an average annual rate of more than 20 per cent, constituting four times the exports in 1985, (Table 5.4). That was not due to the population growth, nor to the rate of inflation, but rather to a real increase in consumption levels. In spite of the improvement of exports, indicated by a growth rate of 27 per cent and the decrease in the gap between imports and exports from sixfold to fourfold for the period 1973-85, this discrepancy remained very large.

Significantly the consumption fetish and its ever growing dependence on foreign goods was directly encouraged by the state. In the first instance, the growth of the government's own demand was met increasingly through imports, considering the size of its consumption expenditure, representing around a quarter of the total consumption for the period 1973-85, one can envisage the impact of this on the economy, (Table 5.3). It also made the supply contracts of the state a very lucrative business for key merchants, especially with the widespread nepotism and preferential treatment. An important example of that is the state's supply contracts for some basic food items. The government in 1974 established the Ministry of Supply with the aim of providing basic consumption food items at controlled prices. Contrary to public belief then, that the government would import these items directly, hence preventing a monopoly by key merchants, it reverted instead to subcontracting to those key merchants (Fanek 1982: 25). Thus, in addition to providing them with a profitable business, the government transferred the costs of providing appropriate warehousing facilities and any financial risks to the government. The contracts for wheat for instance were controlled and divided predominately between the Al-Talhouni and Tamari families (ibid.).

Table 5.3 Growth in consumption levels for the period 1973-1985

(JD million)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Consumption expenditure	263.1	297.5	405.5	518.5	627.1	757.9	957.9	1073.1	1339.1	1545.6	1696.4	1750.8	1806.9
Government	80.1	97.7	110.1	155.9	156.6	190.0	235.3	243.8	285.9	326.1	348.3	376.9	405.2
Private	183.1	199.8	295.4	362.6	470.5	560.4	722.6	829.3	1053.2	1219.5	1348.1	1373.9	1401.7
Gross fixed capital formation	47.2	63.2	87.9	138.0	197.0	229.1	294.5	397.8	564.8	597.3	502.8	485.6	473.1
GDP (at factor cost)	188.9	242.4	303.1	378.4	439.9	551.2	668.6	893.2	1041.1	1169.6	1242.3	1315.0	1390.6
% Total consumption to GDP	139.2	122.7	133.7	137.0	142.5	136.1	143.2	120.1	128.6	132.1	136.5	133.1	129.9
% Capital formation to GDP	24.9	26.0	29.0	36.4	44.7	41.5	44.0	44.5	54.2	51.0	40.4	36.9	34.0

Source: Based on (Central Bank of Jordan 1989: 58-9).

Table 5.4 Growth of imports for the period 1973-1985

(JD million)

	Imports	Domestic exports	Exports / Imports %
1973	108.3	14.0	12.9
1974	156.6	39.4	25.2
1975	234.0	40.1	17.1
1976	339.5	49.5	14.6
1977	454.5	60.3	13.3
1978	458.9	64.1	14.0
1979	585.7	82.6	14.1
1980	716.0	120.1	16.8
1981	1047.5	169.0	16.1
1982	1142.5	185.6	16.2
1983	1103.3	160.1	14.5
1984	1071.3	261.1*	24.4
1985	1074.4	255.3	23.8
Average annual growth rate of imports	21%		
Average annual growth rate of exports	27%		

Note: * - The upsurge in exports had been due to substantial increase in the exports of chemicals especially fertilisers and pharmaceuticals.
Source: (ibid.: 32-3).

Furthermore state's customs and duties policy played a central role by allowing the proliferation of exemptions of state agencies from virtually all principal duties and taxes. These exemptions not only eroded the tax base and marginalised domestic revenues, but more importantly encouraged imports and reduced the profitability of local producers since,

> it places the domestic manufacturer at a significant disadvantage vis-à-vis imports within a large portion of his market, in effect reducing the size of his market substantially. (World Bank 1988: 23)

Given Jordan's exchange rate policy, it further raised the profitability of the import sector, impeding local industries and saturating the domestic commodity market with foreign products. The value of imports, for instance, not paying any tariff for the year 1985 was about half the total value of imports. Of these nearly 25 per cent competed directly with local producers, thus the exemptions enjoyed by state sector effectively reduced the market for local producers by 25 per cent (ibid.). In addition the lack of a general consumption tax has also

fuelled the consumption orientation of the society in particular the live styles adopted by the rich stratum. It has been precisely these two elements that the recent deliberation of the government on addressing the present economic problem found most pressing and were marked as the essential structural problems of the Tax System in Jordan (World Bank 1989: 4).

Finally the very liberal import licences' policy permitted the import of a wide range of goods particularly consumer and luxury goods. Jordan's commodity market became flooded with a wide range of goods, of various brands, such as cars, clothes, electrical equipments, cosmetics, etc. State's defence of its policy is that it was necessary to fuel the economic growth by providing essential equipment and machinery and raw materials. At face value the structure of imports evidence that, but a more critical scrutiny reveals that consumption oriented items had the largest share. For instance the largest part of the increase in raw material was crude oil and a significant part of that supported the increase in transport. In 1981 Cars and transit trade consumed 50 per cent of total energy consumption (Abu Al-Sha'ar 1983: 97). The number of registered cars in 1975 was approximately 29,000 increasing fivefold in 1985 to 145,000, while trucks and pickups were 8,000 increasing to 55,000, a sevenfold increase for the same period (Development Plan 1981-5: 179; Khatat Al-Tanmiyya 1986-90 Plan: 405). Secondly many items under capital goods do not contribute directly to an expansion in the production facilities of the economy such as transport equipment, spare parts and so forth, hence a large part of the increase had been geared towards contributing to services and commercial activities.

The accelerated boom in transit trade was the second reason behind establishing trading as the most dynamic sector, which further emphasised the crucial role of Jordan as a major conduit to the Gulf especially after the Lebanese civil war and the closure of Beirut port, the reopening of the Suez canal and most significantly after the eruption of the Iran-Iraq war. With the closure of Basra and Umm Qasr ports, Iraq's dependence on Aqaba grew significantly and further accentuated with the closure of its border with Syria. Thus the new political alignment between Jordan and Iraq was motivated primarily by economic concerns on the part of Iraq and by political concerns on the part of Jordan, in particular due to the fear of an Iranian victory and the mullahs anti monarchist ideology. Crown Prince Hassan had indicated that if

Iran and Syria secured any land link across Iraq, Jordan's security would be seriously effected (MECS 1982-3: 644).

This alliance, nevertheless, proved to be of immense economic significance to Jordan. A whole set of commercial businesses were established catering for transit trade and substantially dependent on the demands in the Gulf market, in general and the needs of Iraq, in particular. A strong pro-Iraqi lobby developed in Jordan headed by Amin Shukayr and based on the dependence of approximately 160 commercial and industrial firms on Iraq (Baram 1991: 58). As seen from Table 5.5, Gulf markets absorbed 38 per cent of the total exports in 1973, growing to more than half by 1982 and dropping slightly to 47 per cent in 1985. The most important items of export were foodstuffs in particular fruit and vegetables, as well as light manufactured goods specifically geared towards Iraq. Subsequently, Iraqi imports from Jordan in 1977-78 came to $8-10 million annually and the figures soared to $47 million in 1978-9, $104 million in 1979-80, $214 million in 1980-1 and back to $209 million in 1981-2. Iraqi exports to Jordan were insignificant prior to 1984 but they jumped to $173 million in 1985 and then declined to $168 million in 1986 (ibid.: 57,58).

Table 5.5 Relative importance of domestic exports destination for the period 1973-1985 (JD million)

	1973	1975	1977	1979	1981	1983	1985
Total domestic exports	14.0	40.1	60.3	82.6	169.0	160.1	255.3
% to Gulf	38.0	26.0	38.0	48.0	56.0	50.0	47.0
% to Asia	23.0	35.0	29.0	25.0	16.0	30.0	34.0

Source: Based on (Statistical year book 1973: 158-160; 1976: 164-167; 1983: 104-109; 1987: 328-331).

The total volume of transit trade increased also from a level of 608,000 tons in 1979 to 4.2 million tons in 1985 - an average growth rate of 38 per cent - most of which passed through Aqaba port destined predominantly for Iraq and secondly for Saudi Arabia, (Table 5.6). The movement of people was also impressive. In 1979 around 7,000 people arrived at and departed from the port and by 1988 the figure had reached more than 823,000, most of whom were Egyptian workers heading to Iraq. This was apart from the significance of Aqaba for Iraqi military imports (ibid.: 57).

Table 5.6 Growth in transit trade for the period 1979-1985

(tons million)

	1979	1980	1981	1982	1983	1984	1985
Transit through Aqaba	0.161	0.941	3.031	4.166	2.937	3.220	4.008
Other transit	0.447	1.193	3.190	2.393	0.666	1.729	1.827
Total transit trade	0.608	2.134	6.221	6.559	3.603	4.957	4.190
Annual changes	-	251.0	191.5	5.4	-45.0	37.5	-15.5
Average annual growth rate				38%			

Source: (Statistical year book 1983: 114; 1987: 138, 146, 148).

In this respect it is understandable that the government placed a strong emphasis on providing the necessary infrastructure to support transit trade. Hence there were heavy investments in the development of Aqaba which involved the expansion of freight berths, warehouses, docks, equipment and machinery to handle the increased cargo, in addition to the development of the road network to Iraq and Saudi Arabia. Iraq contributed to that effort by providing Jordan in 1980 with a $189.2 million loan and a grant of $58.3 million, as well as, by establishing an Iraqi-Jordanian Land Transport Company, which by 1985 had 750 trucks and 6 passenger carriages (Development Plan 1981-5: 178; Khatat Al-Tanmiyya 1986-90 Plan: 406). The creation of free zones came as part of this new emphasis, catering for transit trade and encouraging the development of export industries. So far the two free zones - at Aqaba and Zarqa - handle predominantly transit trade. The profits of companies that had offices within the zone areas were exempt from taxes for the first twelve years. Finally there was the creation and or/expansion of institutions associated with the sector such as the Free Zone Corporation, the Ports Corporation and the Aqaba Region Authority.

Although the profits of the transit and export trade were concentrated in few hands, the livelihood of many people became increasingly dependent on the demand of the Gulf markets. The slow down in the region, in particular Iraq's capability to import and to pay for Jordanian exports, greatly affected the economy. This was further exacerbated by the Gulf war. Hence it is understandable that Jordan's compliance with the UN sanctions on Iraq were described as 'suicide', since it directly affected the three main dimensions of the new expanded economic ties with Iraq: the port of Aqaba, exports, and oil

imports. By mid 1990 around 70 per cent of the imports and 25 per cent of the exports through Aqaba were still in transit, and most of these were destined for Iraq (Baram 1991: 67-8). This is quite indicative of the close economic ties built during those years.

Bankers

The remarkable expansion and growth of the commercial bankers was one of the particular features of the oil boom period. The overflow of external capital and the huge profits accumulated in the economy as a result of the expansion of commercial activities, provided stimulus for traditional leading bankers, as well as for new investors, with new opportunities to strengthen their position in the economy. The importance of this community and the state's unquestionable support was indicated clearly by Prime Minister Ahmad 'Ubaidat in 1984 :

> we believe that the banking system is fortunate and unique among economic sectors with its stable and solid environment, and this is the one sector which we will not allow to go bankrupt, to lose or to recess in times of difficulty. (Al-Bunuk fil Urdun 1984: 10)

The specific ways in which the government sponsored and nurtured the financial community, in particular the bankers, were many, the most important of which were the numerous tax exemptions allowing for high profits. This policy caused some concern even within the establishment itself most notably the Central Bank. The governor of the bank expressed this when he said :

> despite the high tax rate on banks, its exemptions lead to reducing the ratio of what they pay to a level much lower than what is desired by the Finance Ministry, or what the law promulgates, or even in some instances banks do not pay taxes at all due to the many exemptions. (Al-Malki 1988: 214)

Another factor that contributed significantly to the increased profits of the bankers was the concentration of credit in trading activities, which were less risky and more profitable. In connection with this tendency, 'overdrafts' were

encouraged as the main credit instrument. Although Central Bank law gave it the authority to organise credit facilities in terms of quantity and quality, in addition to organising the total domestic and external investments of commercial banks, unfortunately its authority was not used to control this major problem associated with the way in which the banking system works to the benefit of traders. The share of 'overdraft' credit amounted to more than 54 per cent of the credit advanced during the period 1979-82 (Al-Nimri 1984: 36). Besides being a misuse of the instrument, which was supposed to be used by banks in order to cover a customer's emergency and temporary deficits, and be reviewed annually, the banks in Jordan were using it as an alternative to extending loans and it became a constant feature of major clients accounts, annually renewed without revision.

Another significant implication of using this instrument as the predominant form of credit facilities to the economy was the concentration of economic activities and wealth among asset owners. In this system the only bank guarantees that clients could offer were land and real-estate assets, which discriminated and penalised those without wealth. Under a system where loan credit was encouraged, credit would be given on the merit of the project. Also in comparison with loans, it was difficult to know where the capital was being invested making it extremely difficult to direct credit to commodity producing sectors and limiting the banks' ability to supervise credit and to plan their liquidity, thus imposing further restrictions on their contribution to the development effort. Because of this, the sectoral distribution of credit was inaccurate and most probably the share of commerce was higher than indicated by official statistics. According to Table 5.7, the share of the commerce sector fell from 40 per cent in 1973 to 25 per cent in 1985, followed by construction with a share of 26 per cent, while industry's share was 15 per cent and agriculture 2 per cent. The industrial credit went predominantly to fund state industrial enterprises, while the very low share of agriculture was not even geared towards farm production but went rather to fund merchants trading in the import and export of agricultural inputs and outputs:

> It is not possible to obtain details from commercial banks on the distribution of their credit facilities by occupation of beneficiaries or purposes and terms of credit; yet it is evident that these facilities are obtained for purposes other than farm production, by non-farming

borrowers such as merchants dealing with the import and export of agricultural inputs and outputs. (Taquieddin 1985: 322)

Table 5.7 Sectoral distribution of commercial banks credit facilities for the period 1973-1985

(JD million)

	Total	Agriculture %	Industry %	Construction %	Commerce %
1973	61.817	3.30	10.10	23.40	40.60
1974	84.950	4.40	12.30	22.90	35.70
1975	126.744	2.80	11.90	24.80	40.50
1976	207.091	2.50	10.70	24.20	39.40
1977	244.055	3.40	11.00	27.00	33.40
1978	332.799	3.80	11.50	30.20	30.20
1979	465.059	3.70	13.00	32.50	28.90
1980	563.856	3.10	15.20	32.10	29.60
1981	721.317	2.70	12.40	27.90	31.30
1982	887.171	2.80	12.70	24.40	32.10
1983	1030.922	2.50	13.50	26.30	26.80
1984	1184.825	2.20	14.30	27.40	25.00
1985	1274.416	2.10	14.80	26.00	24.20

Source: Based on (Central Bank of Jordan 1989: 17).

The state not only supported the bankers by not interfering in credit arrangement even when it was necessary, but also participated directly in the growth of the banking facilities. It established the Housing Bank in 1974 and became its major shareholder with the participation of the governments of Qatar, Kuwait, Abu Dubai and Iran. The bank was managed from its inception by the same person, Zuhair Khoury, a former staff member of the Central Bank. It enjoyed many privileges, most important of which was accepting deposits of all kinds, although it was created as a specialised credit institution for housing, in particular to disadvantaged social stratum. On that account it failed miserably, since housing for low-middle/low income groups remained a major problem. But as a bank it grew within a very short time to second place, competing with well established banks, such as the Arab bank and the Amman-Cairo bank. Naturally the backing of the government was the main reason behind its success. According to Khoury 'the special advantages and privileges have been utilised by the bank to service government employees, public sector, and military and public security recruits' (Al-Malki 1988: 262).

But the bank also serviced the private sector well. Its tax exemptions made it a very attractive place for other banks to have accounts (ibid.: 267). Moreover

the government did not take its profits unless they exceeded 10 per cent, which in effect meant a state subsidy to private share holders, and it helped as well in financing luxury housing and providing credit to those who did not qualify as 'priority or needy target' groups. In defence of this policy, Khoury stressed that the strategy of the bank was to increase the supply of housing irrespective of the type, which, according to him would eventually solve the housing problem and reduce costs and rent (ibid.). It was an unusual logic considering the experience of rising building costs and rents as well as the abundance of empty expensive apartments.

A very important factor behind the state's unequivocal support of the banking community was its importance for extending credit to the state sector. This grew considerably, as seen in Table 5.8, and constituted additional income for financing state expenditures. In support of this the Central Bank imposed a ceiling on the extension of commercial credit, except for credit extended to the public sector and public companies - where no ceiling applied. Through that the state tapped funds to support its ailing state enterprises and to finance its consumption expenditure. Credit advanced to the public sector increased from a level of JD21 million in 1973 to JD346 million with a growth rate for the whole period 1973-85 of 27 per cent per annum. The claims of the Commercial sector on the state grew from a share of 43 per cent to 73 per cent for the same period. According to a leading banker around 100 clients monopolised credit, these being the state sector and a handful of private individuals (Al-Malki 1988: 307). What this also signified is that the state budget was increasingly suffering deficits, despite the huge external resources, and it attested to the government's unwillingness to affect the prosperity of the powerful economic interests through taxation. Within this web of interconnected interests between the private and public sector, it is understandable that the aforementioned supportive sentiments would be expressed by government officials about the banking system.

The particular aspects of the sector's growth were manifested on many levels, one of which was its size. The number of Jordanian banks grew from four to eleven with branches growing from 33 to 237 for the period 1973-85. Foreign banks increased from 5 to 8 with branches growing from 20 to 35 for the same period. This brought the total growth of banks from 9 to 19, more than double,

Table 5.8 Relative importance of commercial credit to state sector for the period 1973-1985

(JD million)

	Credit to municipalities	Bills and bonds	Total	Claims on state	%
1973	3.67	16.94	20.61	47.90	43.0
1974	5.46	14.91	20.37	51.41	39.6
1975	7.28	24.48	31.76	60.27	52.7
1976	12.26	23.03	35.29	80.64	43.8
1977	17.92	32.85	50.77	108.92	46.6
1978	24.02	68.60	92.62	148.50	62.4
1979	27.76	73.82	101.58	155.28	65.4
1980	31.85	59.81	91.66	208.30	44.0
1981	45.00	80.78	125.78	264.85	47.5
1982	64.50	102.78	167.27	338.57	49.4
1983	65.43	147.22	212.66	389.31	54.6
1984	85.06	208.51	293.57	424.84	69.1
1985	117.19	228.29	345.48	472.55	73.1
Average annual growth rate of commercial credit		26.50%			
Average annual growth rate of total claims on state		21%			

Source: Based on (ibid.: 12, 16, 17).

with branches amounting to 272, as seen in Table 5.9. It is worth noting that this expansion took place between 1974-79, since when the state has ceased granting licences to new banks. The remarkable size of the branches which were concentrated in major cities, particularly in Amman, was primarily motivated by the heavy competition for deposits, reflecting the growth and accumulation in money-capital.

Table 5.9 Growth of commercial banks and their branches for the period 1973-1985

	Jordanian banks		Foreign banks	
	Number of banks	Number of branches	Number of banks	Number of branches
1973	4	33	5	20
1974	5	47	6	23
1975	5	53	7	26
1976	5	59	8	29
1977	6	63	8	29
1978	9	74	8	31
1979	10	89	8	32
1980	11	110	8	32
1981	11	140	8	34
1982	11	170	8	35
1983	11	198	8	35
1984	11	217	8	35
1985	11	237	8	35

Source: (ibid: 4, 5).

Thus, the size of deposits grew spectacularly including those of private non-resident accounts. As seen from Table 5.10, total deposits grew from a level of JD85.8 million in 1973 to JD1.7 billion in 1985, with an annual growth rate of 28.6 per cent. As for non-resident accounts, they grew by more than 50 per cent annually, from a mere JD2.1 million to JD294.3 million. This reflects the relative success of the state in attracting remittances through official channels manifested by the growth in the share of non-resident accounts from only 2.5 per cent to 17 per cent. One must keep in mind that this represented a very small proportion of what was actually flowing into the economy.

Table 5.10 Growth of deposits of commercial banks for the period 1973-1985

(JD million)

	Total	Private resident %	Private non-resident %	Public sector %
1973	85.754	85.49	2.50	12.01
1974	115.062	85.76	3.15	11.09
1975	168.714	85.11	5.12	9.77
1976	250.031	81.85	8.15	10.00
1977	314.841	84.95	6.02	9.04
1978	448.510	81.30	10.59	8.12
1979	593.136	78.46	11.31	10.22
1980	808.478	71.81	16.48	11.71
1981	977.648	72.25	14.68	13.06
1982	1169.479	75.54	14.67	9.79
1983	1397.821	74.07	15.50	10.42
1984	1603.087	72.97	17.27	9.79
1985	1747.168	72.94	16.84	10.22

Source: (ibid: 14-5)

Despite this expansion, capital remained concentrated in a few banks, namely the Arab Bank and the Housing Bank. The assets of the Arab Bank were worth JD605 million in 1985, having increased from a level of JD152 million in mid 1970s. To further its influence the bank established the Abdul Hamid Shoman Foundation in 1980, for the purpose of encouraging and supporting scientific and cultural life in Jordan. The Foundation established the first privately-owned public library in the country, a computer learning centre, publishing and translating facilities, granted awards to scientists, and held lectures, seminars, etc. The assets of the Housing Bank, the second bank in Jordan, were worth JD382 million, growing from a level of JD55 million, while the Petra Bank, which was established in 1978, became the third bank with assets worth JD243 million for the same period. These two banks in particular were meant to

compete with the Arab Bank. Ironically the Petra bank went into liquidation following its collapse in 1989 as a result of a large scale embezzlements and the misuse of its funds by the management of the bank. The rest of the banks owned assets worth less than JD130 million, although these assets had grown substantially. For example, the assets of the Amman-Cairo Bank grew from JD40 to JD129 million, those of the Jordan - Kuwait bank grew from a mere JD5.4 million to JD128.4 million, the Al-Ahli Bank assets valued at JD122 million, grew from JD49 and the Bank of Jordan's assets grew from a level of JD30 million to JD96 million for the same period, while those of the Islamic Bank, which was established in 1980 with assets of a mere JD15.5, grew to JD127 million by 1985 (Al-Bunuk fil Urdun 1986; Daliyl al-Bunuk 1982).

In addition to the expansion of commercial banks, financial investment companies, which were non-existent prior to 1973 except for one, specialising in real-estate, Refco, increased significantly. This was the result of the government's new thinking, encouraged by the continuation of the civil war in Lebanon, to establish Amman as a regional financial centre, and its aim of replacing Beirut as the centre for attracting foreign capital and Gulf capital. In the words of the governor of Jordan's Central Bank the government wanted to create a 'capital import' regional financial market (Al-Malki 1988: 190). Within the frame of this new direction, the Amman Financial market was created in 1979, followed by the establishment of the first financial company, the Arab Finance Corporation under the direction and sponsorship of the government with Saudi partnership.

Following that, six investment companies were established during 1979-84. These were the Arab Finance Corporation and the Jordan Securities Corporation (1979), the Jordan Finance House and the Islamic Investment House (1981), the Jordan Investment Corporation and the Finance and Credit Corporation (1982) as well as three more companies specialising in real-estate and housing: Darco (1982), Beitana and National Development and Finance (1984). The assets of the financial companies were very small in comparison to those of the commercial banks but they were expanding fast. The total deposits grew from JD7.1 million to JD131 million, during 1980-85, while the total credit facilities expanded from JD5.1 million to JD87 million for the same period, as seen from Table 5.11. Yet Jordan was far from creating a well-developed sophisticated financial market, as indicated by the small size of the

market and its inability to attract capital on the scale expected by the government.

Table 5.11 Deposits and loans held by financial investment companies for the period 1980-1985

(JD million)

	Financial companies		Real-estate companies		Grand total	
	Loans	Deposits	Loans	Deposits	Loans	Deposits
1980	3.5	6.1	1.6	1.0	5.1	7.1
1985	78.3	117.0	8.5	14.3	86.8	131.0

Source: (Central Bank of Jordan 1989a 16-7)

The growing awareness of the strength and importance of the banking and financial community led its leading figures to create their own association, even though the Law of Chambers of Commerce decrees that chambers of commerce represent all types of commercial interests. In 1978 the Association of Banks in Jordan was born with its own monthly magazine, Al Bunuk fil Urdun or Banks in Jordan. It became the focal point of regular meetings within the community and with the top management of the state, while its journal was used as a platform for expressing opinions and stands on issues concerning the sector and the economy in general. During 1978-1985 three management boards of the Association were elected and in each one the Shoman family of the Arab bank held the chairmanship. Such developments attested to the existence of class awareness and solidarity, but it was still undermined by the personalisation of economic relations and the clique identification, although as will be seen below, economic interests increasingly cut across the various forms of primary affiliations.

Jordanian banks are usually established by a group who form a sponsoring committee and who subscribe up to 75 per cent of the capital, the remaining part being offered to public subscription. Thus, a small group of shareholders control policies and constitute the management. For instance the Arab bank is controlled, as mentioned before, by the Shoman family, as well as the Palestinian Christian family of Tannous and the Palestinian family of Al-Masri, in addition to Al-Hariri of Lebanon. The Al-Ahli bank is owned by two Christian East Banker families, the Mu'asher and the Sukker, and the Cairo-Amman bank is owned by the Palestinian families of Sha'sha,' Al-Masri, Abu Ragab, as

well as the East Banker family of Al-Talhouni. As for the Jordan Islamic Bank, the first bank in Jordan operating on concepts of Islamic finance, it was established by three personalities from the northern part of the country Adel Shamaileh, Yousif Mbeidain and Naif Al-Hadid in partnership, ironically, with a wealthy Christian, Tawfiq Fakhoury. The same could be said about investment companies. The Mu'asher, Sukker and Abu Hassan families, all East Bankers families, control the National Financial Investment Company, while the Palestinian families, Jardaneh and Mango and the East Banker families, Shami and Al-Talhouni, control the Jordan Investment and Finance Corporation.

This discussion would be incomplete without referring to the prosperity that accrued to the money-exchangers, as a consequence of the growth of the remittance economy or the hidden economy, as well as the general increase in the level of foreign financial resources. Their role prior to this period was limited to the traditional activity of dealing in foreign currencies, but during the boom era they branched into fields that were restricted to them. These included attracting deposits by giving high interest rates, making advances to the public, funding trade from their own foreign accounts, so as not to disclose the true value of the imports, thereby, helping traders to avoid paying customs (Hadad 1990: 182-5). Finally they facilitated capital flight from the country, especially when interest rates are high in Western countries. These practices were common, particularly, among the influential ones who made huge profits. Seven out of fifty currency dealers in Amman made an average income of JD 1.25 million during the 1970's (Ameri 1981: 307). Throughout this period the Central Bank did not do much to curb these activities, although Law no (52) 1976 gives it the power to check their books and control their activities. But in 1989 when the value of the dinar plummeted, the government used them as a scape goat, accused them of currency dealing, and subsequently ordered the closure of their businesses, as mentioned before. This was similar to the situation of the Petra Bank which functioned under the supervision of the Central Bank for eleven years before the latter took action against the embezzlement and misuse of the bank's assets by the management. The chairman of the bank, Ahmad Chalabi, had connections at the highest levels of the government, which not only protected him for a long time, but also enabled him to flee the country at the right moment, while other staff in the bank were faced with criminal charges and a court case.

Landowners, Real-estate Agents and Contractors

The third social strata that emerged as a major beneficiary of the expanded economic opportunities were real-estate agents and contractors, as well as the direct beneficiaries, the landowners. The frenzied demand for land, caused by the high liquidity of the economy, and the expansion in state 'development' projects pushed the prices of land to unforeseen levels. Quick and sudden wealth for landowners and real-estate agents became common, and was further facilitated by the absence of any serious effort on the part of the government to tax their huge profits. Moreover, there was a large portion of fraudulent deals in terms of location and specifications because many were absentee investors, working in the Gulf. Hence, significant profits accrued to those middlemen and commission agents involved in these deals.

The value of land as an exchangeable commodity in the market became much higher than its worth as a source of productive income. It led to the selling of large agricultural areas that were close to the sites of various 'development' projects or at the outskirts of classified and zoned areas, or close to areas covered by social and infrastructure services, which resulted in the fragmentation and shrinkage of areas for agricultural use. Moreover, the real-estate boom caused a sharp increase in unfarmed agricultural land. Previously, land was left unfarmed in drought years, but more recently it was left unfarmed because it belonged to absentee owners who purchased it only to re-sell it at higher prices (Qasem: 1985: 391). This was further encouraged by the lack of a proper system for classifying and zoning city and village land. This problem was compounded by the uncontrolled expansion of villages and cities, and the use of zoning as a way of increasing the value of the land, since its value depended on whether it was included in the zoned areas, especially if classified as commercial.

Subsequently, economic motives, facilitated by lax and inappropriate organisational and procedural regulations, resulted in a considerable increase in the level of investment in real-estate, diverting crucial amounts of capital away from the commodity-producing sectors. Estimated investment for the period 1973-85, increased from over JD22 million in 1973 to JD239 million in 1985, with an average growth rate of 22 per cent per annum, as shown in Table 5.12. Its peak period was 1973-81, with an average growth of 35 per

cent, in particular for the years 1975 and 1976, after which it declined significantly and reached a negative growth rate of 3 per cent for the period 1982-85. This was the result of a decline in remittances, in state investment levels, and the subsequent slowing down of the economy.

Table 5.12 Estimated private sector investment in real estate for the period 1973-1985

(JD million)

	Number of transactions	Total investment *	Growth rate (%)
1973	77313	22.4	-
1974	64859	20.3	-9.0
1975	93262	53.6	164.0
1976	108518	92.8	73.0
1977	74084	60.4	-35.0
1978	86799	98.2	63.0
1979	101825	144.3	47.0
1980	117857	172.3	19.0
1981	125747	244.2	42.0
1982	125500	260.9	7.0
1983	123926	260.3	-0.2
1984	126505	260.7	0.2
1985	134678	239.2	-8.0

Note: * - Calculated on the basis that government revenues of land transactions are 10% of the value of land.
Source: (Lands and Surveys Annual Report: 1979: 47; 1985: 16).

The extensive demand for land was not exclusive to the private sector. The government was a major contributor and its quest for land expanded substantially in order to carry out its 'development' plans, which concentrated on the provision of social services and physical infrastructure. Although accurate and complete data is not available for the level of government's land possessions, Table 5.13 provides a good indicator of its important role, taking into account that it does not include hundreds of transactions undertaking by the Amman Municipality and other village and local councils all over the country, in addition to some of the purchases of public companies. The average annual compensation payments of the government to land owners were around JD7 million. The land possession budget prior to 1973 was allocated specifically for each respective ministry or institution and expended after being approved by the cabinet. This practice changed to a more relaxed one allocating a lump sum in state expenditure (Lands and Surveys Annual Report 1973: 56-57) which resulted in an intensification of the state's acquisition of land to a level exceeding its immediate needs. Although the

government's justification was that this was done in anticipation of higher prices, in effect it contributed to pushing prices up. In the end this benefited the key landowners, commission and real-estate agents. A comparison between what the government was spending in compensating land owners and the revenues it yielded indicates that its expenditures were on average 42 per cent of its revenues. Moreover, in the peak years of 1975 and 1976 government expenditure actually exceeded its revenues, (Table 5.13).

Table 5.13 Estimated government expenditure on land acquisition for the period 1973-1985

(JD million)

	Expenditure	No. of transactions	Revenues	Expenditure / Revenues %
1973	3.7	80	2.2	163.5
1974	1.1	65	2.0	51.7
1975	3.1	44	5.4	57.3
1976	10.5	155	9.3	113.3
1977	7.6	168	6.0	125.8
1978	3.2	103	9.8	32.6
1979	4.8	78	14.4	33.5
1980	3.1	60	17.2	17.8
1981	13.3	59	24.4	54.5
1982	6.4	84	26.1	24.4
1983	3.3	63	26.6	12.5
1984	6.0	124	26.1	23.0
1985	16.1	137	23.9	67.2

Source: (Lands and Surveys Annual Report for the years: 1973-85).

The real-estate spurt was understandably associated with a substantial growth in construction activities, which contributed on average 10 per cent of the GDP and was the fastest growing among the commodity-producing sectors. It enticed a large number of local businessmen to establish contracting firms and/or to expand existing ones. Thus, the number of local contracting firms in 1984 stood at around 1000, most of which were established during the 1970s and the beginning of the 1980s. Despite this relatively large number these contracting companies were considered small scale, in comparison with international or regional standards, with limited financial, planning and administrative capabilities. According to the domestic classification, which reflected the limited capacity of the local market, large firms were those with a paid up capital between JD200,000 and JD600,000 representing 3 per cent of the total firms. Therefore, the contracting market was controlled by a handful

of contractors, such as Sakat, Al-Hayak, A-Hudhud, Hajar and Shahin who subcontracted to the small and medium sized contractors, representing 97 per cent of the total firms (Al-Bitar 1984: 3-5).

The sheer size of the state's investments made it the key actor in the sector, in spite of the expansion in private sector investments. Hence local contractors were dependent on state contracts as their main source of income. The decentralised character of public contracts created ample opportunity for nepotism and commission fees to thrive, since each ministry, semi-autonomous enterprise, and public share-holding company had its own committee for tenders. State investments, as seen from Table 5.14, exceeded 55 per cent of the total investment, growing from a level of JD92.5 million for the period 1973-5 to a level of JD1.9 billion for the period 1981-5, that is, a thirteenfold increase. Public works accounted for two thirds of that,

Table 5.14 Total investment in the construction sector for the period 1973-1985

(JD million)

	Total public	Total private	Public works	Non-residential		Residential	
				Public	Private	Public	Private
1973-1975	92.5	64.2	72.7	16.0	14.5	3.8	49.6
1976-1980	625.0	440.6	492.6	79.8	72.5	52.7	368.0
1981-1985	1231.5	1036.3	681.6	438.4	208.2	111.4	828.3
Total	1949.1	1541.1	1247.0	534.2	295.2	167.9	1245.9
Grand Total	3490.2		1247.0	829.4		1413.8	

Source: Based on (Al-'Atoum 1988: 81, 93, 100).

reflecting the concentration of state's investments in the provision of social services and physical infrastructure. The bulk of that, exceeding a quarter of the total investment, around JD616.4 million, went to the transport sector over the period 1973-85 (Al-'Atoum: 1988: 102,108,117). This heavy concentration of investment in the transport sector attests to the new signifcance attached to Jordan's transit role in the region, especially following the eruption of the Lebanese civil war and the Iraq-Iran War. The other important type of state investment was in non-residential buildings, that is, state buildings such as ministries, governmental departments, universities, schools, hospitals and so forth. It is worth noting that private sector involvement was comparatively small

and did not exceed one third of the total investment, although there was an increase in the number of private schools, hospitals and commercial buildings.

The expansion in the state's investments in the social and physical infrastructure is generally considered to be one of the most important factors in stimulating commodity-producing sectors. However, this was not the case in Jordan as in many 'developing' countries. Rather it succeeded in supporting trading and service activities and in benefiting land speculators, commission agents and contractors. In other words it courted social groups that did not add to society's capacity to reproduce itself. In addition, despite the huge investment level, many of the needs of limited income groups - housing, schools, hospitals, roads- were not met and the quality of the existing facilities left a lot to be desired.

The only field of activity that was dominated by private investment was that of residential buildings. Investment levels in this field increased from JD50 million for the period 1973-5 to JD1.3 billion for the period 1981-5. Its share of total private sector investment was 81 per cent, which was in complete accord with the consumption drive associated with the increase in income and wealth of the local bourgeoisie, (Table 5.14). Luxury and large residential buildings became the second most favoured private sector investment after owning a luxury car. Hence the massive horizontal expansion of urban areas especially in Amman, often at the expense of agricultural areas. New residential areas in Amman erupted such as Shemisani, Abdoun, Tala' Al-Ali, Al-Swiefieyya, in addition to the expansion of well established areas such as Jabal Al-Hussein and Jabal Amman. Other main cities also experienced similar expansion. It is interesting to note the marginal role of the state in supporting the provision of accommodation for limited income groups. Its investment did not exceed 12 per cent of the total investments in residential buildings valued at JD168 million for the period 1981-5, (Table 5.14). This investment was carried out by three state agencies: the Housing Corporation, the Department of Urban Development and the Jordan Valley Authority. The Housing Corporation carried out 93 per cent of the investment for the period 1973-85, as the Urban Development Department was created only in 1980 (Al-'Atoum 1988: 77). Each one had a different target group; employees of the state sector for the Housing Corporation, the farmers of the area for the Jordan Valley Authority and the urban slum areas of Amman for the Urban Development Department.

Although the large size of state investments created expanded opportunities for local contractors to increase their wealth and eminence, the bulk of the profits and benefits accrued to groups external to the economy, since the foreign component of the sector was remarkable. Firstly, foreign contractors dominated the market with a share exceeding 50 per cent. This was due to the fact that foreign firms operated with the full support of their governments or of international institutions such as the World Bank, which insists on having contracts open for international competition. With Jordan's dependence on loans and grants from international institutions and foreign governments this meant that most, if not all the contracts for development projects were open to international firms. This, coupled with the exclusion of industrial companies - that are 51 per cent owned by the government - from the administrative and jurisdictional cover of the Public Works Regulation, enhanced the government's discretionary powers to commission, especially foreign firms. But since some of the key local contractors are sub-contractors to major foreign firms, the government still guaranteed some benefits to certain local contractors.

The extensive presence of international contracting companies was not new. They had had a strong footing since the formation of the state, in particular the British and the French. In the post-1973 period American and German contracting companies, followed by Asian companies, such as Korean, Chinese, Turkish and Indian replaced the British and the French. This redistribution was done at the expense of local and regional contractors. Asian contractors concentrated on projects with low-medium technological requirements, while the American and European companies concentrated on those projects with high technological requirements, such as communication and electricity networks, desalination plants, dams, etc. This certainly restricted the development of local expertise and the use of local resources (Al-Bitar 1989: 7-8).

Secondly, there was a lack of institutional support for promoting the local contracting industry, since the government did not allow for the emergence of a contractors association in the proper sense until after the boom years. In 1987 Law no (13) was promulgated and the status of the Contractors Association changed from a charitable organisation registered in the Ministry of Labour and Social Works to an association equipped with its own law.

Thirdly, there was an absence of local coalitions and a concentration of local contracting in civil works, since its technical and financial ability was very limited in comparison with that of foreign firms, and which remained so due to the absence of chances to increase their experience. These factors allowed for the prevalence of foreign firms with their monopoly of large, highly sophisticated and technologically advanced projects, whilst simultaneously precluding the development of local industry that could at least have met the domestic needs, if not competed regionally or internationally. To illustrate how serious the dominance of foreign contractors was and to translate that into figures, I will refer to the period 1981-5. The number of projects undertaken by foreign contractors was small, not exceeding 3 per cent, but the value of these projects was estimated at around 41 per cent of the total value of projects implemented during that period. The average value of a foreign project was JD4.6 million while that of a local contractor was JD204,000. If the year 1982 is taken separately, the figures are even more staggering. This represented the highest value of projects tendered to foreign contractors, which was approximately 55 per cent of the total value for that year and 72 per cent of the total value of projects during 1981-5. Also, 1982 was the year where commissioning had the highest share, with 70 per cent of the total projects implemented during the whole period. The reason given to justify this was the incapability of local contractors to deal with the size of projects, although the government could have resorted to various methods to support the local contractors and internalise the benefits (Ministry of Public Works 1986: 25-6). Such methods could have included sub-dividing the large tenders and/or allocating a certain percent to local firms, as other 'developing' countries were doing in an effort to encourage and protect local industries from the fierce competition of foreign firms.

Finally, the sector was heavily reliant on foreign labour, in particular Egyptians and Asians, causing a large outflow of remittances, but providing cheap labour with wages below the level of domestic labour. As illustrated in Table 5.15, of those employed in the construction sector, foreign labour constituted around 46 per cent in 1985, growing from a level of less than one per cent in 1973. In that year there were no more than 158 foreign workers, the figure increasing to a remarkable 44,000 by 1985. The construction sector was one the most important sectors for generating employment, of which half were foreigners. For the period 1977-85 foreign labour in construction remitted an estimated

JD163 million, that is 36 per cent of the total current account deficit. This, combined with the sector's heavy reliance on foreign material, equipment and machinery (estimated to be around JD886 million and contributing 14 per cent to trade deficit in the period 1973-85) constituted around 15 per cent of total trade and current deficit during the 1973-1985 period (Al-'Atoum 1988: 191).

Table 5.15 Relative importance of foreign labour in the construction sector for the period 1973-1985

	Foreign labour	Domestic labour	Total labour	Foreign / Total %
1973	158	28800	28958	0.5
1974	219	32500	32719	0.7
1975	941	36200	37141	2.5
1976	2023	39600	41623	4.9
1977	4111	43400	47511	8.7
1978	7914	47000	54914	14.4
1979	17336	50800	68136	25.4
1980	22371	50900	73271	30.5
1981	29378	52500	81878	35.9
1982	38579	52600	91179	42.3
1983	40661	52700	93361	43.6
1984	48449	52700	101149	47.9
1985	44330	51900	96230	46.1

Source: (Ibrahim 1989: 60, 62).

Agricultural Bourgeoisie

The focus of the state's agricultural policy continued to be the creation of a small capital-intensive export sector, which benefited a small clique of absentee landowners, as well as middlemen and commission agents, while proving detrimental to the larger farming community. According to a recent study, the estimate of those valley farmers who owned an economically viable unit did not exceed eight out of a total 6,000 farmers (Dar Al-Handasah 1987: 15). These eight were in effect the landowners who were able, through the broadening of the definition of family eligible for receiving farm units, to increase their land holdings, sometimes by five times the maximum allowed in the original land reform law of the valley (Ameri 1981: 162). In the light of this, not only was state policy biased against rainfed areas but also supportive of an extremely small number of influential businessmen who dominated the valley over the bulk of the farming community in the valley and the larger community of farmers in highland and rainfed areas.

The profitability of these farmers was enhanced and maintained by a wide range of arrangements. To start with, these were the high investments poured into the irrigation sector and the general development of the valley. During the three consecutive plans the total investment of the Jordan Valley Authority on the Ghor area exceeded JD270 million. It grew from a level of JD85 million for the period 1973-1980 to JD186 million for the period 1981-5 (Jordan Valley Authority: 1985). Thus the size of capital poured into the valley was phenomenal. Additionally, official agricultural credit organisations: the Agricultural Credit Co-operation (ACC), the Jordan Co-operative Organisation (JCO) and the Jordan Valley Farmers Association (JVFA), continued to support large farmers and those with assets by persisting in using collateral against the loan as the major criterion for credit-worthiness. This was predominant in both the valley and the highlands. Given the small contribution of the commercial banks in supporting agriculture, in addition to high interest rates, especially in comparison with these organisations, it becomes evident that the denied official credit was vital to small farmers. The interests rates of the commercial banks ranged between 10-12 per cent while official credit organisations offered loans at 6-8 per cent. Thus, it was no surprise that the indebtedness of large farmers was five times that of the small farmers.

The monopoly of official credit was facilitated by the fact that the top management of these credit organisations enjoyed discretionary powers and wielded great influence as a result of the political nature of their appointment. Hence their ability to affect decisions based on personal criteria and Wastah. Such a setting was most conducive to nepotism and the dispensation of favours. As subtly suggested 'boards of directors need to have more active members, particularly those with banking background and experience' (Taquieddin 1985: 318).

Another interesting aspect of the state's control of the operation of the farming environment, in general, and the credit facilities, in particular, is the control of the government over the JVFA which was established in 1974. Essentially it was supposed to be a private agency for all farmers in the valley to protect and improve their situation. However, the government had representatives on its board of directors as well as being its major source of finance. More significantly, the Jordan Valley Authority had to approve the by-laws of the agency as a condition for its ratification by the cabinet (ibid.: 309-313), which,

in effect, protected the interests of the large farmers and absentee land owners. Thus it lacked the legitimacy it needed to prove that it was actually an association for all farmers in the valley, and not another instrument manipulated by the government to protect and enhance the interests of the small clique of farmers. This was highlighted by the suggestion that it 'needs to expand its activities considerably to win the loyalty and co-operation of farmers (ibid.: 309). The consequence of this overall credit environment was that disadvantaged farmers, even in the favoured valley, resorted to traditional sources of credit. These sources included a wide range of groups such as landowners, middlemen, merchants and sometimes family. Some farmers, especially those of the Jordan Valley solicited funds from both sources, the result being a heavy loan burden, with defaulting on their repayments (Qasem 1986 :130). Unfortunately, information of the actual size of traditional sources of credit is not available, but its role remained significant.

Another major source of the state's support was seen in the water charges in the valley. From 1974 water charges were at a flat rate of 3 fils for one cubic metre. This covered less than a quarter of the operation and maintenance costs, let alone the capital investment costs of the dams, irrigation and distribution facilities carried out by the Valley Authority. In comparison, farmers in the uplands were fully responsible for the development and costs of irrigation. The average cost of pumping one cubic metre was 56 fils (World Bank 1988: 27-8). If with this much higher cost, highland farmers could still make a profit, it meant that inefficiency in utilising the resources of the valley was widespread and some of the Jordan valley farmers were making immense profits. The benefits of the tax exemption in agricultural income continued to be reaped by those large farmers, especially in the irrigated sector. In addition, the policy of exempting all agricultural imports, including machinery from customs, benefited those farmers who could afford to buy them, besides the merchants who specialised in importing them.

This remarkable support for the small capital-intensive export-oriented sector had detrimental consequences for the development of the national economy and in particular the agricultural sector, as it came at the expense of the highlands and rainfed agriculture, that is to say cereal and field crops. Hence, the food deficit grew from JD26 million in 1973 to JD153 million by 1982, that

is, approximately a sixfold increase. It then decreased to JD132 million by1985 as a result of a decline in agricultural imports of 8 per cent, (Table 5.16).

Table 5.16 Growth of food deficit for the period 1973-1985

(JD million)

	Foodstuff imports	Foodstuff exports	Net food deficit
1973	30.81	4.65	26.16
1974	42.74	9.56	33.18
1975	49.42	10.20	39.22
1976	81.37	16.37	65.00
1977	75.92	20.64	55.28
1978	87.56	16.33	71.23
1979	108.28	21.23	87.05
1980	118.78	23.49	95.29
1981	167.93	33.03	134.90
1982	191.92	39.14	152.78
1983	180.31	36.27	144.04
1984	184.31	41.76	142.55
1985	175.78	43.55	132.23

Source: (Central Bank of Jordan 1989: 34-5).

It is worth noting that in the 1950s and 1960s half of Jordan's wheat requirements were met by domestic production, whilst the foreign donation of wheat amounted to 25 per cent of the total needs. Jordan's imports were, therefore, only 25 per cent of total needs. However, from the 1970s Jordan's total direct imports rose to 70 per cent because production fell by 20 per cent and denotations fell to 10-12 per cent of the wheat demand (Hurani and Duwayri 1986: 62). Cereal items alone accounted for 26 per cent of the deficit, followed by sugar with 16 per cent and meat 13 per cent. Although the cereal deficit had been high since 1973, the meat deficit was only 3 per cent in that year (Haddad 1985: 52). Thus, despite the improvement in the earnings of the export of agricultural produce these earnings were so small that they covered only a fraction of the food imports, as seen from Table 5.16.

The total resources, therefore, that were poured into capital-intensive cash crops neither enhanced food self-sufficiency nor the ability to pay for food needs. Moreover, Jordanian produce became less competitive especially in comparison with Turkish produce. This was a prime reason behind losing the grip on the Gulf markets, and prompted even local export agents to move into the Turkish markets.

The 'New' Petty Bourgeoisie

The remarkable expansion of the 'new' petty bourgeoisie, with its wide range of professionals, technicians, managers, clerks etc., was one of the most noticeable and crucial developments of this period. It reflected the expansion of the state apparatus: the military and internal security, the civil administration, and the breadth of state agencies participating in production or the provision of services. The upturn of private sector activities requiring a broad spread of professional and technical personnel also contributed to the swelling of this class. Nevertheless, it remained predominantly concentrated in the state sector. As seen in Table 5.17, the employment capacity in the state sector substantially increased, allowing it to absorb around 50 per cent of the active labour force.

Table 5.17 Growth of state employment during the period 1973-1985

(thousands)

	1973	1975	1977	1979	1981	1983	1985
Total employed	296.0	338.1	371.0	391.1	418.4	445.3	472.3
Government administration Social services and defence	130.7	153.3	173.2	182.7	197.4	214.2	220.7
Share in total employed %	44.2	45.3	46.7	46.7	47.2	48.1	46.7

Source: Based on (Ibrahim 1989: 62)

Central government accounted on average for a third of total state employment, with its employment capacity increasing from 33,330 in 1973 to 77,705 in 1985, more than doubled (Zyood 1989: 146). Separate statistics on the employment generated within the autonomous institutions however, are not available. These institutions offered a higher salary than those on the civil list and became extremely attractive to professionals and the highly educated, Table 5.18 attempts to make an estimate of their contribution, and while it is an underestimation since not all these institutions are included, at least it shows the upward trend. In 1979 they absorbed 12,000 growing to approximately 20,000 in 1985. The military absorbed around 17 per cent of the active labour force, witnessing a large increase in the professionals within the army in response to the increased demand for engineers and technical people and also within its service facilities, particularly in the medical field. The Hussein Medical City, for example, became the focal point for a wide range of medical

staff including doctors, dentists, technicians, and nurses as well as the managerial stratum, and it was here that the most prestigious doctors in the private field gained their experience and training.

Table 5.18 Employment by state autonomous enterprises for the period 1979-1985

1979	1980	1981	1982	1983	1985
12260	13630	15080	17333	18856	19828

Source: Based on (Annual budget document of Autonomous Enterprises: 1981, 1983, 1986).

The growing importance of the state as the major employer explains why its expenditure on salaries and wages grew fast and remained the most important item of state outlays after military expenditure. On average, salaries and wages grew at 15 per cent, for the period 1978-85, while constituting 20 per cent of consumption expenditure for the period 1973-1985 (ibid.: 158). No doubt the benefits of this were not equal across the bureaucracy, and the lion's share remained concentrated in top management, with its higher salary scale in comparison to the middle and lower ranks. In fact the position of the lower ranks of the bureaucracy worsened due to inflation and the higher cost of living experienced during this period, especially as salaries and wages were not adjusted accordingly.

However, this factor was mitigated, as in the pre-1973 period, by the fact that the state sector provided secure employment and to many a prestige that made it so attractive. In addition the working hours, from eight till two, allowed quite a proportion to have another job, which increasing numbers resorted to in order to augment their income. Also, the benefits of state employment included housing, medical insurance, training courses abroad or secondment to the Gulf, and access to the highly subsidised Consumer corporations, the military and the civil one. Moreover, some of the higher ranks of the state sector were opened up to those who were not connected with the traditional élite and wealthy and prominent families. This was motivated by enlarging the proportion of East Bankers in state positions, and hence from the late 1970s, an increasing number of those in state management were drawn from a wide range of familial backgrounds. This chance increased the aspirations of a

large segment of the educated stratum to reach high positions, further emphasising the state sector as the most important channel for social mobility.

The substantial expansion in the pool of professionals, illustrated in Table 5.19, occurred, as a result of the overall situation produced in the boom era of expanded state capacity to employ, increased demand for skilled labour in the Gulf and the remarkable expansion in education. This was further encouraged by the state's consolidation of values stressing the difference in prestige, status and salaries between professionals in scientific fields, engineering, medicine, etc., and those in social sciences, as well as stressing the differences between professionals and those in technical and semi-skilled fields. Thus, while Jordan suffered shortages in some fields filled by immigrant labour, the market became over-saturated with qualified professional people in other fields. For instance, the number of doctors grew from less than a 1,000 at the beginning of the 1970s to more than 5,000 in the mid 1980s. They were concentrated in the state sector, both military and civil, which accounted for 60 per cent of those employed, the rest being engaged in private hospitals and clinics or working in the Gulf (Doctors Association).

Table 5.19 Development of the professional and management strata for the period 1973-1985 (thousands)

	1973	1975	1977	1979	1981	1983	1985
Total employed	46.2	58.5	71.4	83.6	87.8	91.2	95.7
Professionals	24.9	33.0	41.9	51.2	55.9	60.0	63.3
Administrators	3.7	4.7	5.8	6.6	6.5	6.5	6.6
Clerks	17.6	20.8	23.7	25.8	25.3	24.7	25.8

Source: Based on (Ibrahim 1989: 63).

More spectacular growth was seen in the engineering field. The number of engineers grew from around a 1,000 to more than 13,000 for the same period (The Association of Engineers). The ministry of public works represented an important channel of employment for the country's engineers, especially after the decline of economic opportunities in the Gulf. Moreover, the number of pharmacists grew substantially from 386 to 1,672, especially when compared with other countries in the region. Tunis with a population of 8 million, that is approximately treble the population in Jordan had 1,500 pharmacists while Iraq with a population of 16 million had 3,000 pharmacists (The Association of

Pharmacists). Although this profession was primarily private, the state helped in its growth by expanding the licenses granted for opening pharmacies. Between 1982-5 the government granted 369 licenses (ibid.). The high profits in this field were based on selling consumer items such as cosmetics, perfumeries and other accessories, which were made abundant through the open import policy. In addition, two pharmacy departments were established, one at Jordan University and the other at the Science and Technology University.

The stability and increased legitimacy of the state, therefore, stemmed particularly from its ability to provide employment opportunities, which tended to be politically motivated rather than an expression of economic need. Hence the productivity of the state sector was very low as it was over-staffed and lacked a clear cut job description. It was, however, able to absorb the expansion in the highly educated stratum as well as those leaving rural areas or those with very little qualifications. This class remained incoherent with a variety of strata manifesting different social backgrounds and political consciousness, while its attachment to the state continued to put it in a very contradictory and awkward position. On the one hand, its interests were tied to the state making it a pillar of stability, and on the other hand, a change in the state's ability to expend and employ made it potentially the most important source of instability.

The Traditional Petty Bourgeoisie

The expansion in the petty bourgeoisie was not exclusive to the 'new' stratum, but occurred also in the traditional petty bourgeoisie engaged in a wide range of commercial and service activities as well as light small-scale manufacturing. The growth of the economy and the high liquidity provided expanded opportunities for growth to retailers, shopkeepers, barbers, tailors, repair shops, restaurants, cafeterias, workshops, etc., in many towns and major cities. Moreover, the growth of residential areas and its sprawling into new areas as well as the expansion experienced in the traditional residential areas stimulated the emergence of many new commercial and service centres, not to mention the expansion of existing ones.

To use the figures of the Chamber of Commerce the number of those involved in commercial activities increased substantially, from approximately 13,000 in 1975 to 30,000 by 1985, more than a twofold increase, taking into consideration that a large number of traders especially small retailers do not register with the respective chamber of commerce, (Table 5.20). Disadvantaged cities and areas such as Aqaba, Tafeilah and Karak showed the largest increase in the number of traders which was more than fourfold, threefold and twofold respectively. That meant an acceleration of the process of commercialisation as well as the increased dependence of a larger segment of the population in rural areas on trading and service activities as a source of income. The capital, Amman, retained its number one position with a share of 44 per cent, but with a slower rate of increase of two and a half fold, as compared to the other faster growing areas.

Table 5.20 Estimated membership in the chambers of commerce in Jordan for the period 1975-1985

	1975	1976	1978	1980	1982	1984	1985
Amman	5193	5742	7465	7587	7651	8883	13067
Zarqa	4091	4412	5118	5710	6130	7134	7886
Irbid	1494	1978	2615	2428	2520	2733	2837
Salt	493	534	473	730	788	699	737
Jerash	n.a	222	352	475	598	636	655
Madaba	436	471	762	910	976	1101	1140
Karak	418	617	778	825	795	874	930
Ma'an	373	364	371	386	467	503	500
Tafeilah	165	153	196	207	220	232	597
Aqaba	279	344	472	607	815	1202	1252

Source: (Union of Chambers of Commerce).

The other significant factor contributing to the growth of the petty bourgeoisie was the unchanged structure of industry. According to the 1984 census about 80 per cent of industrial enterprises employ less than five people. Even though this represented a 10 per cent drop from the pre-1973 period, the petty structure of investors was still dominant. In addition, investors remained concentrated in either traditional handicrafts of artisan character such as stonemasonry, woodcarving, brass artisans and embroiderers or light manufacturing such as food processing, textiles and clothing, leather tanning, pharmaceuticals, etc. Nevertheless a growth occurred in firms which catered for the needs of the domestic and regional construction boom, particularly in Iraq and Saudi Arabia. These firms specialised in paints, aluminium profiles,

sanitary ware, doors, windows, tiles and so forth. The export of construction material, paints, sanitary ware, scaffolding furniture, fixtures, etc., grew fastest at a rate of 50 per cent during 1975-8. It then fell to 28 per cent during 1979-82 to reach a negative rate of growth of 28 per cent in 1985 (World Bank 1988: 10). Moreover, the development of the Jordan valley prompted the expansion of small enterprises that processed the output of the valley farmers, for example making fruit juice and tomato paste, in addition to manufacturing some of the required inputs such as drip irrigation systems, rubber pipes and greenhouses.

Yet the low contribution of this sector in the value added in industry, only 5 per cent, attest to the weakness of this stratum of numerous producers (ibid.6). This weakness did not lay just in its dependence on the regional economy, but more significantly in the environment provided by state policies which did not create the possibility for strong domestic producers. First of all, the negative influences of the liberal import policy coupled with the exchange rate of the dinar, made imports cheaper than local produce. Secondly, the exemptions of the imports of the state sector from customs and duties reduced, as mentioned before, the local market by 25 per cent. In addition, the availability of subsidised imported goods to both the military and civilian consumer societies competed directly with local producers. Thirdly, there was a lack of linkages to the most important resource-based industrial enterprises. These firms could import duty free while the imported material necessary for domestic produce were subject to custom duties, making their products much more expensive (ibid. 14). Finally the emphasis of the state on the mining sector absorbed huge resources, as seen in chapter four, at the expense of supporting domestic manufacturing.

Moreover, the orientation, of both commercial banks and official credit institutions towards favouring large producers, since they relied excessively on collateral rather than on detailed project appraisal for granting loans, as well as the Law of Encouragement of Investment, which also favoured large producers, further undermined this stratum. Even the Industrial Development Bank which was meant to help small private investors preferred to lend to large public firms. The fear of undermining the market of import merchants, therefore, had kept small local producers at a disadvantage while allowing for the growth of those large local producers connected with the same prominent

families which dominated commercial activities. This includes families such as the Abu Hassan who specialised in a wide range of under license products, such as soaps, detergents, paints, biscuits, toiletries, ice cream, etc. Others include the Sha'lan family, manufacturers of paints, glues, dairy products and cosmetics, the Mu'asher family who manufacture beer and the Abu Jaber who manufacture soft drinks as well as beer. Some of the manufacturing enterprises of these families had been established in the 1950s and/or the 1960s, in addition to those well established firms which had held a monopoly since the 1930s, such as Farid Sa'd's tobacco and cigarettes firm.

Just as the decline in state economic power detrimentally affected the 'new' petty bourgeoisie the internal weakness of the petty manufacturers coupled with the pressures from declining demands, domestic and regional, threatened the livelihood of a large segment of the population. This coupled with its fragmentation and the lack of political organisation further limited its ability to effect policy changes to protect itself, especially in face of the interests of the few large producers, whose strength was derived from the support provided by the state, and the diversity of their economic activities.

The Marginalised Social Classes and Groups

One of the striking features of the boom era was the growth of the social groups at the margins of society and the inequalities it generated in both rural and urban areas, which underpinned the mounting resentment and disaffection that exploded into riots in 1989 in the southern parts of the country, that is to say, the area least touched by the 'prosperity' of the 1970's. According to a study conducted for the housing strategy, 20 per cent of the population, those with incomes below JD100 per month, could not benefit from any housing projects, since they would be unable to cover the monthly payments, however low (Al-Urdun Al-Jadid 1988: 32). Ironically, it was estimated that limited income groups would account for 67 per cent of the housing needs till the turn of the century. As for the level of absolute poverty - measured against a level of income of less than JD95 - official data indicated that it increased from 7 per cent of the population in 1977 to 15 per cent in early 1980s, while relative poverty - measured against a level of income around JD95 - accounted for around 48 per cent (ibid.).

Yet despite the growth of the social groups at the margins of the society, the government's actions were limited and its attempts to deal with poverty were fragmented with no co-ordination between the different concerned agencies. Most significantly, these attempts were of a 'charitable' nature rather than having a clear economic policy to alter the situation of these groups and their ability for self-sustainment. The first signs of the government's concern for the growing social disparities, came with the interest in regional planning, thus recognising the unbalanced and inequitable consequences of the development of Jordan, the high level of internal migration to urban areas as well as the growing resentment of the high living standards of a small segment of the population. However, it was not until 1984 that a regional planning department was established in the Ministry of Planning (then the National Planning Council) in order to create and activate the local councils and to assess the developmental potential and possibilities of the various regions. Even that remained too constrained since it entailed not just huge financial resources but also the political commitment to decentralise the highly centralised government structures and to embark on the difficult task of actually creating viable communities that did not depend on the benevolence of the state. Also from the mid 1970s the government started to refer to 'pockets of poverty' hence acknowledging the problem, but simultaneously attempting to blur its size and seriousness. Still it was not until the late 1980s that a National Aid Fund for disadvantaged groups was created which aimed at limiting the expansion of 'pockets of poverty', creating income-generating projects and providing monthly allowance to families that are in dire need (Khatat Al-Tanmiyya 1986-90: 183).

Rural areas in particular were hit hardest, and inequality was greater than in urban areas as a result of a heavier concentration of wealth and income in a few hands. According to an official study, the highest income bracket in rural areas had a share of 43 per cent of the total household income. Considering that rural income was estimated at a third less than urban areas, that gives some indication of the size of the problem. The fact that the farming community was concentrated in rural areas explained the declining incomes of rural areas. It was further marginalised, showing a declining ability to either sustain itself or to produce profitably for market purposes. This related directly to the neglect it suffered from the government in contrast to the focus and attention gained by the small irrigated sector.

For instance, the land fragmentation that continued to be the primary constraint was not addressed appropriately by the government (Duwayri 1985: 130). The first time that the government's attention was directed towards this issue came as late as 1981. The cabinet took the decision then to limit the size of land plots outside city, town and village limits to no less than 60 dunums which effectively meant that land over 120 dunums could not be partitioned thus raising the ceiling from the previous level of 20 dunums. However, the problem was much deeper than that. As indicated by Qasem, the land laws should guarantee economically-sized plots of land, hence laws that treat all land equally regardless of its productive potential are unrealistic. And if the objective is to keep the farming population on the land then these laws should provide the appropriate framework and incentives. He puts the order of the magnitude of land into three categories: in high rain areas a minimum of 30 dunums is adequate while in areas of 300-400mm of rain an area of 200 dunums is needed. In areas where rain is less than 300mm then a land plot of 600 dunums is the minimum to support a family (1986: 28). Considering the existing small-sized plots the magnitude of unprofitability and declining incomes of a large segment of the rural population becomes even more staggering.

The fragmentation of land, coupled with the lack of official credit support aggravated the situation further. As indicated before, instead of catering for small farmers, and attempting to free them from the influence of middlemen and commission agents and the vicious circle of poverty, the government reduced the profitability of rural farming and pushed many to abandon their lands. It is therefore, not surprising that the domestic labour force in agriculture declined and was substituted with immigrant labour, the majority of whom were Egyptians. In 1973 there were only 33 immigrant workers in agriculture, by 1985 the number reached 49,000, that is, an average rate of increase of 84 per cent per annum. The highest rate of growth - 112 per cent - was during 1978-82, and since then it decreased substantially and reached 6.3 per cent in 1985 (Ibrahim 1989: 60). These workers provided cheap unorganised labour, accepting wages in the range of JD2-2.5, a monthly average of JD60-75 (Hurani 1985: 83). In comparison, domestic labour declined from a level of 50,000 to 37,000 for the same period, (Ibrahim1989: 63), an average rate of decline of 2.3 per cent which, given the high rate of population growth, especially in rural areas implies a substantial rural-urban migration.

In an attempt to ameliorate the conditions of the rural population from the early 1980s, the concept of community development was adopted by various state agencies, such as the Ministry of Social Affairs, the Queen Nour Foundation and the Queen Alia Social Welfare Fund. Their activities and strategies, however, were not focused on creating viable and independent communities. In addition they duplicated the role and the responsibilities of local governments and their councils as well as duplicating the work among themselves, which caused inefficient use of resources, and more importantly, did not help in tackling the root problem, that is, the economic situation of these groups.

In the urban areas the situation was much better. The level of income disparity, according to a survey conducted in 1981 for Amman and Zarqa, showed that the poorest of the population (income level between JD50-100 per month) shared 11.5 per cent of the country 's household income while 20 per cent of that income accrued to 6.2 per cent of the population. Furthermore, in Amman 75 per cent of the population lived in areas categorised as having low quality housing facilities and high population density, while only 20 per cent lived in areas designated as adequate (Al-Urdun Al-Jadid 1988: 32,48) The Urban Development project, established in 1980, aimed to upgrade the slums and congested areas of Amman with the construction of housing units and the provision of basic services such as water and sewerage, electricity, roads, health and general facilities. The initial target was 15,000 inhabitants of five slum and congested areas in Amman: Al-Nuzha, Jofeh, Wadi Haddada, Wadi Um Al-Rimam and East Wahdat (Development Plan 1981-5: 336). In other words the areas that are effectively unofficial refugee camps, since the majority of their residents are of Palestinian origin. Official camps were also among those hit hard by their unchanged situation, as well as by inflation and the higher cost of living. Despite the increase in government resources, its expenditure on the refugees was insignificant. For the period 1978-1985 it spent only JD28.7 million, that is, around half a per cent of central government expenditure (Zyood 1989: 162). Additionally UNRWA's ability to sustain its services and cover its costs was constantly threatened and its difficult financial situation caused by the failure of contributions to keep pace with raising costs affected its operation.

One significant development that reduced the pressures on the state from an extremely disadvantaged social group was the concentration of the growth of the working class in immigrant labour. Waged labour, as seen from Table 5.21 (which uses the occupational structure of the labour force as an approximation to arrive at the size of the working class) - grew from 176 to approximately 100,000, an average increase of 67 per cent annually. Domestic labour

Table 5.21 Development of the working class for the period 1973-1985

	1973	1975	1977	1979	1981	1983	1985
Foreign labour	176	1039	5994	30720	68370	93015	99958
Domestic labour	209400	232700	247300	251400	268500	285500	302300

Source: (Ibrahim 1989: 61, 63)

however, increased by only 3 per cent for the same period from a level of 209,000 to 302,000. As immigrant labour was concentrated in construction, agriculture and industry, the growth of these sectors was underlined by the use of cheap immigrant labour. For its part the government claimed that it was forced to follow a very liberal policy towards immigrant labour because local labour refused to engage in these menial jobs. To some extent this was true, but the essential factor was that local labour could not support a family on the same wage level. The significance of that was that organised labour action was unlikely to take place, since immigrant labourers were interested primarily in maintaining their jobs and their ability to remit to their families.

Conclusion

The discussion showed that the state, despite the huge oil capital and the concentration of power in its hands, was unable to evade either its class base, or its place within the international capitalist market. The extended role of the state in development served the interests of the ruling class and entrenched the prevalent economic interests in the traditional fields of trading on behalf of foreign capital as well as expanding into fields that were just emerging in the pre-1973 period, namely banking, real estate, contracting, agriculture and light manufacturing. This resulted in a substantial increase in the accumulative fund

of the local bourgeoisie. Ironically a large part of that had been deposited outside the country in Western banks. According to one estimate capital flight from Jordan had been at a quarter of total external debt (Al-Naqeeb 1988: 64). Moreover, the expanded role of the state widened the spectrum of benefiting groups which underpinned the stability of the period, in particular the 'new' petty bourgeoisie who were provided with employment opportunities, chances for social mobility, in addition to other benefits accruing through state employment.

On the other hand a large part of the population suffered an increasing decline in income and widening income gaps, which had been growing since the 1950s, but to which the oil era gave further impetus. Most significantly the deterioration happened as a result of state policies that catered for the needs of the ruling class. Thus oil capital not only widened the gaps among states in the region but within these states. The state attempted through resorting to methods such as regional planning, community development and urban development to alleviate the situation, especially in light of mounting discontent and resentments, but without effecting the core problem. Hence its efforts were directed to an improvement in living conditions through improving basic services and infrastructure but not to change the economic base of the weakened position of the marginalised social groups and classes.

In the following chapter, the dominance of the state will be further emphasised by discussing how in spite of 'prosperity' it maintained political control over society and curtailed the development of democratic institutions and suppressed civil rights and civil freedoms and democratic political life in general.

Chapter Six

The State, Society and Legitimacy

The discussion so far has illustrated how the Jordanian state's central control of resources and over the economy guaranteed the prosperity of key social groups. This dominance of the state over society is also manifested on another level, namely the dominance of the state's political structures and their permeating of the private individual sphere, thereby suppressing freedom of speech, of opinion and of political affiliation and action - in sum, suppressing the development of democratic institutions and democratic political life. That the deep penetration of the state into society can be discerned on these two interrelated and inseparable levels emphasises the fact that state intervention takes place within a matrix of economic interests, which the state itself cannot evade and which it protects, not only via economic and developmental structures but via political structures also. Just as the emergence of a powerful and autonomous private sphere - which might allow the local bourgeoisie to present an alternative power base and to capture the state and put it to its service - conflicts with the interests of the Hashemites, the development of democratic political structures and societal institutions away from central state control, could curtail the power of the executive in particular the king, and hence undermine the manner in which the hegemony of the ruling class has been organised.

The following discussion aims, therefore, to examine some of the manifestations of the domination the state's political structures over society, via analysing the cabinet, the legislature and the military and security establishment. It will also make clear the inability of the state to undermine the ruling class organisation of its power. These remained unchanged: the Hashemites the focal point of the state's power, the dominance of primary affiliations of tribe (although declining in importance as a result of the ever increased social differentiation), family, ethnicity, religion, etc., and their continued use as the basis of political appointments and promotion; and the primacy of the security apparatus and the military. Moreover, the Palestinian question continued to play a central role in the politics of Jordan, reflecting the

reasons for the Gulf states in subsidising the Jordanian state - partly in the hope that it can substitute the PLO in a negotiated settlement of the future of the Occupied Territories or at least to be a significant part in the process, and partly to prevent the emergence of nationalist and/or progressive rule in Jordan.

Also, the discussion will illustrate that despite the state's strong political grip over society, social discontent and political pressures and demands for a more liberal and democratic society have been mounting, in particular demands to end martial law, imposed since the 1967 war, to lift the ban on the formation of political parties and to end the Mukhabarat's harassment and interference in the individual domain. Yet, the state has dealt with these demands either in a repressive manner or by the manipulation of the political structures, only appearing to make concessions, such as via the creation of the National Consultative Council, cabinet changes, etc. The remarkable ability of the ruling class to manipulate the political structures without effecting real change have been underlined by the economic power of the state, since interestingly enough with the economic crisis of 1989 most of these demands have been responded to. Thus martial law has been frozen, political parties has been allowed to form and the Mukhabarat's heavy handedness has been relaxed. Although the period after 1985 is beyond the scope of the study, it is important to point out the close connection between the economic crisis and the political liberalisation, while at the height of the boom era the state's grip on society has been firmly maintained. More importantly, these liberalisation measures do not necessarily mean that the structures of political and economic power have changed or will change, as the experience so far in Jordan has shown that the king and the cabinet still hold the decisive power and the prevalent economic interests have been maintained.

The Cabinet

The king has continued to be the source of power, controlling appointments to the cabinet and other key state positions, and the decision-making process has become further concentrated in the hands of a few individuals, these being besides the king, the prime minister, the interior minister, and the heads of the military and security apparatus, as well as the chief of the royal court and/or the

minister to the royal court. This concentration of power has preserved the workings of patronage and the highly personalised system of appointments, co-opting and benefiting key families and groups. As a result the appointments to the cabinet witnessed continuity by depending on the traditional loyal and prominent families as they cut across the various sub-statal affiliations. Nevertheless, some careerists have emerged through the state apparatus, and these became extremely influential throughout the 1970s and 1980s. They include individuals such as Adnan Badran and Ahmad 'Ubaidat, from the northern part of the country and Adnan Abu 'Odeh, a Palestinian from Nablus. Badran and 'Ubaidat, before holding the prime ministerial post, held the post of Director of the Intelligence Service, or the Mukhabarat, while Abu 'Odeh, who made his first appearance in the military government formed in 1970, was in 1973 appointed chief of the royal court and held the sensitive post of Minister of Information several times. His importance, in fact, went beyond that, as he became one among a handful of people who controlled policy-making in Jordan.

Moreover, although the composition of the cabinet on the one hand maintained the formalisation of the cleavages in the society, on the other hand it reflected the consolidation of the policy of 'Jordanisation', which meant an increasing dependency on East Bankers' loyal and trusted families and a general expansion in opportunities for East Bankers at the expense of those of Palestinian origin. The purposeful reduction of Palestinians in state positions was a noticeable departure from previous times and occurred under the pretext that the Rabat resolution (which conferred sole legitimate representation of the Palestinian people on the PLO) called for it. As can be seen from Table 6.1 those of Palestinian origin were reduced to half until 1979. In that year the number of Palestinians in the cabinet increased, until by 1985 they reached around half of the cabinet, as a result of Jordan's rapprochement with the PLO. Thus the ruling family has frequently manipulated Palestinian cabinet participation depending on the circumstances and on Jordan's relation with the PLO. Just as the Hashemites used the Rabat decision to curtail the political power of Palestinians, the marginalisation of the PLO in Lebanon, in combination with Camp David, was recognised by Jordan as a chance for a Jordan-led settlement of the Palestinian issue. Hence Jordan's renewed interest in increasing the influence of those of Palestinian origin, in other words

in using them as a legitimating force regarding its orientation towards a peaceful settlement.

Table 6.1 The formation of the cabinet for the period 1972-1985

	Period	Palestinians	Circassians	Christians	Total number
Ahmad Louzl	29/11/971	8	-	1	18
Zaid Rifa'i					
First cabinet	26/05/1973	8	1	1	19
Second cabinet	23/11/1974	4	-	1	19
Third cabinet	8/02/ 1976	5	-	1	19
Mudar Badran					
First cabinet	13/07/1976	4	-	1	18
Second cabinet	27/11/1976	5	1	1	18
Abdal Hamid Sharaf	19/12/1979	6	-	1	22
Qasam Rimawi	03/07/1980	6	-	-	22
Mudar Badran	28/08/1980				
Third cabinet		8	-	1	21
Ahmad 'Ubaidat	10/01/ 1984	8	1	2	20
Zaid Rifa'i					
Fourth cabinet	4/4/1985-24/4/1989	10	1	1	23

Source: Based on (Khair 1990).

By contrast, the disproportionate representation of the two important minorities, the Christians and the Circassians, was maintained. The Christians were represented in all cabinets by at least one member, while the Circassians were represented in four out of the eleven cabinets. Moreover, this did not reflect the actual strength of these two communities, since they also have had a disproportionate share in the military, the police and the wider state apparatus.

To further highlight the concentration of power in running the affairs of the state it should be added that the cabinet, during the period under study was, as indicated in the Table 6.1, dominated by two personalities, Mudar Badran and Zaid Rifa'i, which explains why resentments and discontents have focused on

them, especially Zaid Rifa'i. The only two exceptions were during the premiership of Sharief Abdul Hamid Sharaf which ended with his untimely death (followed by a two month interim government of Qasim Al-Rimawai), and during the Ahmad 'Ubaidat government. The significance of the Sharaf and 'Ubaidat governments, although very short in comparison with Badran's and Rifa'i's, lay in the reasons behind their appointments. Widespread personal enrichment through the holding of positions of power, demands for political freedoms and for liberalisation of the political system, combined with growing social discontent over the economic situation - all these factors forced the ruling class to attempt to address them or more accurately to appear to be doing so. It is within this context that the two premierships mentioned must be seen. In his ministerial address of 19 December 1979 Sharaf stressed that

> the government will give utmost priority to the deliberation on the economic problems and the adjustment of the pattern of economic development, and where it deems necessary. (Al-Nashrah Al-Tijariyya 1980: 4)

Moreover, Sharaf emphasised the need to implement 'balanced social planning', to decentralise and to enter into 'dialogue' with the people (MECS 1979-80: 573). Yet the manner in which Sharaf's cabinet attempted to implement both its liberalisation and economic policies, especially the ones aiming at decentralisation, emphasised past trends, since it opted for a policy based on utilising the traditional personal channels rather than initiating a formalised, institutionalised participatory process. Hence, gatherings were held to meet local officials and the business community, in addition to ministers' and senior officials' frequent tours throughout the country to discuss local problems and to encourage people's involvement in their communities. Thus the government's vision of decentralising and activating local community councils was not intended to effect a real change in the distribution of political power. Emphasising that, Sharaf ruled out lifting the ban on the formation of political parties and indicated that the important thing was to find 'alternative formulae for the citizens' participation in public life' (ibid.: 574). Such new ways, besides the regular meetings, included the establishment of a citizens' Complaints Bureau and a special anti-corruption court to deal with the extensive problem of bribery and embezzlement, in other words, a state controlled process, with the

semblance of change, appearing to dispel dissatisfaction and offering the hope of change without actually effecting it.

That said, the untimely death of Sharaf forces one to be careful not to make concluding observation concerning his premiership, especially since no one doubted his sincerity; he was a strong advocate of the necessity to reverse the consumer tide that was sweeping Jordan, which would have meant the eclipse of the commercial class, as well as having a desire to 'liberalise' the system. By the same token, it is difficult to speculate about how the commercial bourgeoisie would have reacted, especially after such a long period of nurturing by the state or the state bourgeoisie who had been sharing the benefits of the economic 'prosperity'. Moreover, the succeeding government of Mudar Badran did not appear to be apprehensive about any of the issues raised by Sharaf's administration which attests to the inability of the ruling class to embark on any serious change that might threaten existing interests. It was not until 1984 that another attempt was made to address the deterioration in the economic situation, which by then had worsened significantly, by appointing a new cabinet headed by Ahmad 'Ubaidat.

Perhaps what happened during the 'Ubaidat premiership could be taken as indicative of the difficulties which Sharaf would have faced. His cabinet was given similar directives to that of Sharaf from king Hussein to curb the widespread corruption and misuse of public funds as well as to improve the economic situation, especially considering its deterioration. As stated in the royal appointment decree, the cabinet was required to 'maintain the gains of development' and to 're-arrange the house' (Al-Bunuk fil Urdun 1984: 8). In this respect 'Ubaidat's resignation, or more accurately his dismissal after a year and a half, came as a surprise. Two different interpretations circulated at the time. One attributed the dismissal to his domestic economic policy, and the other to his views on Jordan's role in a future settlement of the Palestinian conflict.

The economic policy of the 'Ubaidat cabinet, although it maintained the level of public expenditure (by resorting to loans to compensate for the fall in grants and financial assistance from the Gulf), aimed to adopt more 'prudent economic decisions, and to balance the economy', as well as to 're-evaluate the priorities of both private and public expenditure and pattern of imports' and to 'fight the weakness and deteriorating situation of public institutions and firms'

(ibid.: 9). This approach, although in essence it did not aim to restructure the economy or undermine prevalent economic interests, but rather intended to limit the liberty of the private sector, it nevertheless conflicted not just with domestic vested economic interests but, more significantly, with the new strategy of the World Bank and the IMF as well as USAID of privatisation and of streamlining the state sector. Moreover, as part of 'Ubaidat's new way of dealing with mounting pressures to control corruption was the creation of the Higher Council for Administrative Development to control and to investigate the misuse of public finds, focusing first on lower rank employees in a number of departments such as income tax, but later extending to others and including the investigation of a former cabinet minister who was implicated in illegal land transactions - thus going further than anticipated by the ruling class (MECS 1983-4: 515-6).

The other interpretation of 'Ubaidat's resignation involves his views on Jordan's stance towards the West Bank (this view is part of a strain that has emerged within the establishment in Jordan), giving priority to the stability of Jordan and suggesting abandoning the claim to the West Bank. Hence, this view envisages a limited Jordanian role in a future settlement of the Palestinian issue. Considering that 1984 was seen by the Jordanian ruling class as presenting an ideal opportunity for a Jordan-led peace settlement, this view must have been most unwelcome. Despite the apparent importance of this second interpretation, the policies of 'Ubaidat's successor, Zaid Rifa'i, point to the fact that with all probability it was 'Ubaidat's economic policies that precipitated his resignation.

The Rifa'i government reversed many of the previous government's economic policies and pursued an extremely liberal economic programme, as well as extending massive support to the private sector. Rifa'i himself is among the most economically powerful businessmen in the country. This took place against a background of rapid deterioration in the economic situation. Nevertheless, Rifa'i's cabinet insisted on the 'temporary nature' of the recession and the need for 'flexibility' and the ability to adapt to the new restraining international economic situation; as Rifa'i said 'flexibility is the base of our economic policy'. To achieve this flexibility and accommodation the government emphasised the promotion of the private sector. Hence it aimed to

> support the private sector, while the state sector will be restricted to planning, direction and supervision, and the government will work with the private sector to ensure its freedom of action and movement. In addition, it will discuss each problem to arrive at a mutually acceptable solutions. (Al -Nashrah Al-Iqtisadiyya 1985: 6)

The specific policies adopted were in effect directed towards benefiting the local bourgeoisie and established economic interests. Rifa'i's cabinet removed the restrictions on establishing new companies and expanding existing ones, eased the regulations and restrictions on granting licences to tourist professions, largely replaced the protective policy of local produce with customs, abolished price controls (except on certain items determined by the cabinet) and provided generous custom exemptions and expansion in income tax exemptions for banks and financial companies (Al-Nashrah Al-Iqtisadiyya 1988: 46-7). Moreover, it proceeded with the first stages of the privatisation of public sector institutions such as Royal Jordanian Airlines, Tele-Communication and Public Transport Corporations, besides attempting to shrink the role of the Ministry of Health by creating the Medical Institute, the aim being to gather government hospitals and medical services under one umbrella as a first step towards privatising the sector while restricting the role of the ministry of health to preventive medicine.

This is not to mention the increased intervention of USAID in Amman, as well as the frequent missions of the World Bank and the IMF proposing various projects for the private sector (Al-Urdun Al-Jadid 1988: 38-42). A more direct way used by the government to support the private sector was via expanding the state's expenditure, in particular, by increasing resort to extra-budgetary expenditure. The consequences of the insistence of the government and the top management that what Jordan had been going through was a temporary recession and of the inadequate measures taken to combat the problem, coupled with the increasing resort to loans to fund state outlays, resulted in an accentuation of the dire economic situation and a further marginalisation of the disadvantaged groups, since government policy in effect imposed additional burden on the shoulders of the limited income groups. Hence the strong antagonism that Rifa'i provoked and the demands during the 1989 southern riots for his resignation.

The decision-making process continued to be concentrated in the hands of the king and a few individuals who lacked any sort of accountability to the populace and appointments continued to be based on personal informal criteria rather than merit. This ensured the co-operation and acquiescence of the top level management, since its fate was decided politically by one or two individuals. Moreover, this lack of accountability encouraged the wide spread misuse of public funds and for some of the state bourgeoisie to act on many occasions as if the ministry, institution and or enterprise they head is a personal belonging. Additionally, the way in which the central government behaved under different cabinets demonstrates the restrictions upon the state to act in a manner contradictory to prevalent economic interests, even when some members of the governing class are members of the ruling class such as in the case of Sharaf. The attempts of both Sharaf and 'Ubaidat offered the possibility of at least limiting the extent of the economic and political problems, without restructuring the balance of social forces and the strength of the state vis-à-vis the society. Yet even that was not possible, the ruling class, significantly, acted to liberalise the system only under crisis point.

The National Consultative Council

The creation of Al-Majlis Al-Watani Al-Istishari, or the National Consultative Council (NCC) in mid-1978 was the most important manifestation of mounting pressure on the ruling class to respond to growing demands for liberalisation and the opening up of political participation, especially in the wake of the dramatic events that were gripping the region such as the Sadat visit and the Syrian intervention in Lebanon. At the same time and more significantly, the creation of the NCC illustrated the lengths to which the state would go to avoid relinquishing its control over the political process and permit the development of elected democratic structures that would influence the decision-making process. Thus, the provisional law of 17 April 1978, promulgating a sixty member council appointed by King Hussein - who retained the power to dismiss members and to dissolve the council - came directly after the March-April political activisim of the professional associations and the restfulness of the student body at the Jordan and Yarmouk Universities. This attested to the government's urgency to contain opposition and marginalise professional associations, which since the evacuation of the PLO from Jordan and the

continued ban on political parties had become the focal point of the opposition, facilitated by the growing numbers of professionals. Although the activities of the opposition were limited in terms of their effectiveness and methods, and where confined to holding gatherings and making official statements highlighting their position, the government exhibited a low level of tolerance as shown by its imprisonment for three weeks of those that signed a statement condemning Syria's invasion of Lebanon and extending support for the PLO, including prominent figures such as Ibrahim Baker, the head of the bar association, Bahjat Abu Garbiyya and Yasser Amer, as well as the temporary shutdown of the Al-Ra`y newspaper that published the statement (MECS 1977-8: 582).

The government, most indicatively, upheld the NCC as 'an institution where the legitimate expression of the opinions, interests, and feelings of citizens could take place in freedom and responsibility' (ibid.: 583). Yet the council, in accord with the king's directive to the Prime Minister Mudar Badran, and as the name indicates, functioned mainly as an advisory body, and all legislation was to remain provisional until the convening of the parliament. The king, stressing that, said:

> we therefore believe that until conditions permit the return of full parliamentary life a National Consultative Council should be established and should be comprised of competent men who can truly represent various public sectors and who are loyal to the country and its constitution. The task of the council would be to advise the government, discuss public policy, and consider all legislation and laws. (Khoury 1981: 430)

The NCC thus provided a semblance of democracy, debating and making recommendations that were not binding and had no real power or influence, while simultaneously producing support for official policies. Three councils were appointed. The first two were filled on the same lines as the cabinet by appointments divided according to sub-statal affiliations among the prominent and loyal families, while the inclusion of those of Palestinian origin was limited. Hence the Palestinians did not account for more than a fifth of the members whilst the Circassians and Christian communities were overrepresented by comparison (Table 6.2). A third of the members in the second council were,

emphasising the 'Jordanisation' policy and the need to mitigate social discontent, newcomers, and there was a tendency towards greater representation of the professional strata. Nevertheless, the three figures who presided over the council, Ahmad Al-Louzi, Ahmad Al-Tarawneh and Sulaiman Arar came from the traditional powerful clique.

Table 6.2 Composition of the National Consultative Council for the period 1978-1984

	Period	Palestinians	Circassians	Christians	Total number
First council	20/04/1978	11	2	2	60
Second council	20/04/1980	11	3	4	60
Third council	20/04/1982	21	2	4	75

Source: (ibid.).

The NCC, subsequently, functioned for six years without effecting real change, and with little if any impact on government policies. An example of this ineffectiveness was the rejection by the council's economic committee of the proposal for a new cement factory in Rashaydiyya as economically unfeasible, while the Badran government insisted on it. As mentioned before, this decision not only cost the government the capital involved in the implementation of an economically unsound project, but in effect reduced the profitability of the well-established Cement Company at Fuheis, when the government was forced to merge the two companies. Also, the NCC thwarted an attempt by some of the councils' members, such as Amin Shuqayr and Jamal Sha'ir, who intended to promote a national dialogue among the various political groups, associations, trade unions, chambers of commerce and industry via a National Guidance Committee and by holding seminars, rallies and meetings. The NCC decided to rename the National Guidance Committee and to redefine its functions (MECS 1981-2: 674). Thus, even attempts from establishment figures based on a gradual approach towards establishing an organised political life were not welcomed.

Nevertheless, the sessions of the council were far from being docile, increasingly subjecting the government to attack, especially from the vocal and outspoken supporters of the Islamic trend such as Leith Shbailat, Yousef Al 'Azam, Ahmad Al-Koufahi and Abdullah Al-'Akaiylah. The most important and constant topics of debate focused around pressing for political freedoms and

for an end to all methods of political harassment, as well as the misuse of public funds, not to mention the criticism of the governments' handling of the deteriorating economic situation. In fact, discussions became increasingly focused on the economic situation, especially concerning agricultural policies, the growing disparities in rural and urban areas, and the internal migration problems.

Having shown the limitations of the NCC as a forum for the articulation of society vis-à-vis the state, one must also point out the inability exibited by secular opposition - in its wider frame of PLO supporters, nationalists, leftists - to mobilise and effectively exploit the moments of increased pressures on the state. The reasons for this are numerous, the most important of them being the lack of co-ordinated strategy among the opposition and lack of strategy within each trend: the different factions react in sporadic ways to events and have no sustained policy. Secondly, the overriding concern of the opposition remained focused on the PLO-regime rivalry over Palestinian representation and the nature of the settlement of the conflict; even on this issue they were unable to cement Palestinian-East Banker solidarity. It was, therefore, not only the ability of the government to control and repress the opposition that rendered it ineffective but also internal constraints upon these various groups serving to make them marginal. More significantly, it has been the ineffectiveness of secular opposition, led by the professionals, that has helped in widening the support for the Islamic trend, in particular the Muslim Brotherhood, which works on a grass roots level, while the secular trend has become increasing divorced from the populace, confined to a limited social base.

The Revival of the Parliament

The revival of the parliament was considered by some to be a 'watershed' in the politics of Jordan, signalling a recognition by the ruling class of people's intolerance of the absence of democracy (Yorke 1988: 79). Such sentiments exaggerated the significance of King Hussein's dismissal of the National Consultative Council and his recalling of the ninth dissolved lower house of parliament on 5 January 1984. As mentioned in chapter three, the lower house was suspended in 1973 and in 1976 dissolved, the justification being that the

elected lower house could not function, since half of its members represented the West Bank; and holding elections on the East Bank alone signifies Jordan's final detachment from the West Bank. The upper house was preserved, and its appointments reflected the same policy of sub-statal affiliations, as well as halving the numbers of those of Palestinian origin. Without the lower house, however, it was of no political significance (Table 6.3).

Table 6.3 Composition of the Upper House of Parliament for the period 1973-1988

	Period	Palestinians	Circassians	Christians	Total Number
The tenth senate	21 /8/ 1973 - 23/8/1974	18	1	1	30
The eleventh senate	1/12/1974 - 20/1/1979	9	1	1	30
The twelfth senate	20/1/1979 - 20/1 1983	9	-	1	30
The thirteenth senate	20/1/1983 - 10/1 1984	8	1	1	30
The fourteenth senate	12/1/1984 - 12/1/1988	11	1	1	30

Source: (ibid.).

The summoned house made two amendments to the constitution, allowing the king to permit the resumption of the chamber of deputies for four years, in addition to permitting the holding of by-elections to fill the empty seats of the East Bank, while the deputies themselves would elect the replacements for the West Bank seats. Interestingly enough, these were elected prior to filling the empty seats of the East Bank. Although social discontent and pressures for the democratisation of political life played a role in the reactivating of the parliament, a more significant reason was the attempt by the ruling class in Jordan to exploit the risen opportunity to achieve its long desired aim of playing the decisive role in determining the political future of the Palestinians. This opportunity presented itself through a significant weakening of the PLO and its withdrawal from Lebanon, followed by the Reagan plan, which called for Palestinian autonomy in association with Jordan, the form of which will be left to negotiation, but which explicitly rules out an independent Palestinian state (Bailey 1984: 112). Accordingly, King Hussein welcomed the Reagan plan as a 'brave and courageous move and an important and historic moment that the Arabs should seize for making serious bid for peace' (ibid.: 114).

The Jordanian government, in spite of the Rabat resolution, persisted in its two-pronged policy towards the Palestinian issue. The first element was challenging the exclusive right of the PLO to represent the Palestinians. This

challenge was asserted on several grounds, such as that of the legality in terms of international law, since the West Bank was Jordanian territory when occupied by Israel, based on the fact that in 1955, when Jordan was admitted to the UN, it comprised of both banks (MECS 1978-9: 639). In addition, the government constantly referred to the unity of the two people and the one family concept, and emphasised the fact that, it was not important to whom the land returned as long as Israel relinquishes it. The second element was the government's insistence on the Palestinians' right to establish a national and political entity, but one whose shape and future link with Jordan will be determined by a referendum, assuming that the Palestinians will choose a solution that corresponds with Jordan's federation design.

This position was inseparable from the assigned role of Jordan in the region, that is to say its significance in containing the PLO and in its potential role as a substitute negotiator and/or a partner to the negotiations over the West Bank, a role for which it had received huge amounts of grant-capital from both Saudi Arabia and the United States. Jordan, therefore, has used its advantageous position relative to the PLO to attempt to augment a power base in the Occupied Territories in order to challenge the PLO and legitimise its claims and increase its leverage. The channelling of aid through Jordan and its administrative ties with the Territories proved to be a very effective means of pressuring the Palestinians, and of maintaining the ties with Jordan's traditional loyal figures. Nevertheless, Jordan's role was constrained by the fact that it needed either the sanction or approval of the PLO and/or the Palestinians in the Occupied Territories to grant it the right to negotiate on their behalf. Thus the parliament was supposed to represent a contingency plan, that is banking on Palestinian representatives to give Jordan such right if talks with the PLO failed to produce an agreement.

In preparation for what it was hoped would be a conclusive end to PLO-Jordan rivalry over representing the Palestinians, Jordan intensified its links with the West Bank by a number of actions, including increasing aid to its traditional channels: the chambers of commerce, religious institutions and agricultural co-operatives. It also encouraged the establishment of refugee committees to protest against the cuts imposed by UNRWA, and supported the draft petition, backing a Jordanian-Palestinian joint action and the Reagan plan which was instigated by pro-Jordan figures, such as Rashad Al-Shawa, Anwar Al-Khatib,

Nadim Al-Zaru and Hikmat Al-Masri. They defended the joint action strategy either on a legal basis; Jordan being legal sovereign of both Banks or on the basis that it does not undermine a separate Palestinian identity, since Palestinians hold Jordanian passports. Others claimed that it would strengthen the political standing of both Hussein and Arafat and that it would be a step towards ending occupation. The PLO camp, on the other hand, received it with suspicion, emphasising the fact that its real aim is to bypass the PLO and to exploit its present weakness. Thus, student bodies and national institutions in the Territories actively protested, reaffirming the three fundamental precepts that have underlined the Palestinian struggle since the emergence of the PLO: the PLO as sole legitimate representative of the Palestinian people, self-determination and statehood (MECS 1983-4: 247-252).

Interestingly, the opposition to the Reagan plan, and to the attempt by the government to circumvent the PLO, were persuasive in Jordan. The majority (around 70 per cent) of the slogans/programmes of East Bank candidates during the by-election focused on supporting the PLO as the sole legitimate representative of the Palestinians; by comparison 63 per cent focused on issues such as political freedoms, improvements in economic conditions, and the need to reduce income gaps as well as to fight corruption (Al-Urdun Al-Jadid 1984a: 62-6). Although Arafat and Hussein concluded the famous 'February agreement' in 1984 (which indicated the terms of a joint Palestinian-Jordanian framework for negotiation), by February of the next year the agreement was dead. King Hussein annulled it officially. He followed this by severing links with the PLO and closing twenty-five PLO offices in Amman (only twelve remained intact), as well as by expelling a number of officers loyal to Arafat, as a sign of frustration with Arafat's stalling, itself determined by increasing pressure from Palestinian quarters to repeal the agreement.

Most significant has been the open attempt by the government to appeal directly to the West Bank, firstly by, passing a draft law in March 1986 increasing the number of deputies in the lower house to 142 from 60 (71 seats for the East Bank and West Bank), and then by the preparation and inclusion of a development plan for the Occupied Territories presented in the conference held for the 1986-90 development plan of Jordan. The eruption of the intifada in December 1987 put a halt to this process, and on 28 July 1988 Jordan abolished the plan and severed legal and administrative links with the West

Bank but, most importantly, did not abrogate the 1950 'union' agreement, hence leaving its options open. Ironically, it was the Gulf War, which the ruling class in Jordan were forced by popular pressure to oppose, that has given Jordan the upper hand in the negotiation of a peace settlement, by the mere fact that it further marginalised the PLO and produced widespread feelings of resignation in the region. Although it is not clear what the outcome will be of the present rounds of peace talks, all signs point to a very limited expression of Palestinian nationalism and a substantial role for Jordan.

Despite the failure of the revival of the parliament in achieving what the ruling class essentially wanted, it was significant on another level. The East Bank by-elections illustrated some of the significant changes that the society has undergone during the decade of 'prosperity'. First, three out of the eight empty East Bank seats went to strong proponents of the Islamic trend, Leith Shbailat in Amman, Ahmad Al-Koufahi in Irbid and Abdullah Al-'Akaiylah in Tafeilah, while two Arab Nationalist, Riyad Al-Nawaysah and Nazih Al-'Ammarin, won the two Karak seats. The remaining three seats were won by candidates who had traditional and tribal backing (MECS 1983-4: 513). Considering the policy the government had adopted since the crisis of the 1950s, the success of the Islamic trend candidates should not have come as a surprise. The Muslim Brotherhood were the only group formally recognised and allowed to act under the pretext of being a Al-Da'wah, or evangelical organisation, in order to offset the leftist and secular trend, especially that they, unlike the Liberation Party of Jordan, do not espouse the overthrow of the regime, but a policy of coexistence. As their leader Abdal Al-Rahman Khalifa indicated they tolerated the numerous restrictions imposed by the government since they 'accepted these constraints with good grace in order not to create any domestic dissension' (MECS 1979-80: 577). The deteriorating economic situation, the corruption in the upper echelons of the state administration, as well as the rise to power of the of Mullahs in Iran played a crucial role in widening the support for the Islamic trend in the country, especially considering the continued ban on political parties. Moreover, the government in an attempt to contain the Islamic trend showed increasing levels of observance to Islamic practices, such as Friday prayers, holy holidays and the enforcing of strict adherence during the month of Ramadan. In addition, the prominent members of the Muslim Brothers were granted important positions, such as the appointment of Khalifa to the Senate for many years and Kamal Al-Sharif's appointment to the post of

minister of Awqaf, Islamic Affairs and Holy Places, not to mention their appointments to the NCC.

Secondly, other than attesting to the growth of the Islamic trend, the by-elections signified a challenge by the less influential families to the traditional prominent families that had dominated and monopolised the representation of the larger affiliation of the tribe, ethnic group, etc., for years. This explains the large numbers of candidates - 36 candidates for one seat in Amman, 16 for one seat in Irbid, 27 for three seats in Balqa, 18 for two seats in Karak, and 4 for one seat in Tafeilah, as well the fact that one-third of the candidates came from the professional stratum such as doctors, lawyers, engineers, etc. Despite this, there has been an exaggeration in the assessment of the elections as illustrating the declining influence of traditional appeal (Al-Urdun Al-Jadid 1984a: 53-60), these new emerging families or figures still appealed to the electorate on traditional basis of affiliations. The society remains fragmented along the lines of primary affiliations with a highly personalised and informal set of relationships in spite of the decline in the importance of the tribe as an overriding affiliation.

The Security and Military Establishment

Ironically, the most interesting aspect of the boom period was the growing strength and influence of the Mukhabarat, or intelligence services, which increasingly became the arm of the executive, not to mention the expansion of the public police and the increased influence of its special forces such as the Desert Police and Al-Sa'qa. What this entailed was an ever-increasing intrusion into and interference with the individual private domain; it also signified a low threshold of tolerance on the part of the state towards opposition and political activism. The expansion in the security agencies explains the increasing levels of expenditure on the security apparatus, especially in comparison with previous periods and in particular on the Mukhabarat. Although neither total expenditure on the security establishment nor its employment levels are made public, as in the case with the military, under the pretext of 'security' concerns, its pervasive intervention attests to a large apparatus, in addition to its ability to absorb increasing numbers of young professionals. Its salary scale is believed to be much higher than that of the

civil service, in addition to numerous benefits that enhance its attractiveness as a source of employment.

One of the major reasons for the extensive intrusion of the secret police into the private domain of individuals and its substantial influence on society is related to the growth of the state sector, since employment in the state sector (central government, autonomous institutions, local government and the mixed sector), and academic institutions required the prior approval of the Mukhabarat. All applications were screened by the Mukhabarat and returned to the respective agency as either approved or disapproved. Moreover, university staff were not allowed even to be nominated to the professional associations' councils and were kept under close observation (by the Mukhabarat) for six years, before their status was fixed. Although this is a common practice used in many universities for academic assessment, it occurs in this case for political reasons and as a means of controlling the political activities of university staff. In addition university academic staff were not allowed to give lectures or seminars without prior approval of the president of the university.

The Mukhabarat had the power, too under the pretext of security concerns, to dismiss even those already employed, either on the grounds of a failure in the initial checking process or because for some political reason an employee came to be seen as representing a 'security' risk. Tying employment to individuals' political opinions and political activism proved to be an effective method of repression, silencing critical voices as well as excluding progressive or critical elements by the virtue of the workings of the system. Considering the importance of the state sector for employment opportunities, as well as being the major channel for social mobility for the professionals and the educated stratum, one can envisage the effectiveness of this method. Thus, the depoliticisation and apathy, that occurred replacing the enthusiasm and activism that characterised the 1950s and 1960s, even though the challenges and threats of the 1970s were no less substantial, should not be surprising.

Instances that exemplified the power of the Mukhabarat and the public police include the disturbances at the University of Jordan in April 1978, following the burning of the Palestinian flag during an exhibition commemorating the Palestinian 'Day of the Land'. The students took the opportunity to press for

the formation of a student union instead of the existing student societies which are elected in each department, as well as for a disciplinary council for those who violated an activity sanctioned by the university. The reaction of the government was too severe; tanks surrounding the campus, police throwing tear gas, and making daily arrests outside the campus. The ordeal lasted for approximately ten days. In the end, the police broke into the university campus and arrested those allegedly accused of being the leaders. On the same day, the university administration, at the request of the Mukhabarat, dismissed twenty students and others were threatened with a similar fate, in addition to dismissing six lecturers . Later it became evident that the affair was incited by the intelligence service to discern allegiances as well as to exploit the occasion to dismiss staff members and students viewed as undesirable due to their political views. Ironically, one of the staff members from the chemistry department was, during the disturbances, in the United States on a training course, sent by the university, when he was accused of inciting the students and accordingly dismissed from his lecturing position.

Another instance of interference by the security services was the disturbances at Yarmouk University in 1986 following the students protests over increased tuition and fees. The protest prompted another severe response, from the Special Forces of the Public Security Department who stormed the campus tear gassing and clubbing the students, which resulted in a number of students (estimated between three to six) being killed. Resorting to force was preferred, by the government, to the students' request to disperse the demonstration by marching out of the campus - most probably to avoid being hand-picked and arrested by the Mukhabarat if they were to leave individually. One reason the university was set up 100 kilometres away from Amman and 20 kilometres outside the nearest city, Irbid, is to distance it from large population centres, hence the authorities feared that to allow the students to march out of the campus might result in a populace reaction in favour of the students (Middle East Report, 1987: 33). These two events, other than being indicative of the power of Mukhabarat and the police are significant in disclosing the level of intolerance on the part of the government and its fear of even minimal political activity, as well as its way in using such events to subdue any potential opposition before it materialises.

The increased prominence of the Mukhabarat has lessened the dependence on the military establishment as the sole source of internal security, but it has not undermined its importance as an important pillar of maintaining the ruling class hegemony - despite frequent disturbances within the army in 1972, 1977, 1979, 1982 and 1984. These frequent disturbances manifested the fact that the military was not insulated from the pressures of rising costs of living and increasing social differentiation. But what lessened the impact of these disturbances and precluded the military from posing as a viable alternative to rule is that the military too expressed the fragmentation of society and the overriding importance of familial, ethnic, tribal and religious affiliations which weakened the coherence of opposition movements within it, as well as helped to maintain the need for the ruling family as the source of its unity. Although the proportion of those of Bedouin origin is still high, their rivalry and competition undermines their numerical strength and their potential as an alternative source of control over the military. Moreover, the sensitive top positions have continued to be monopolised by minority groups, the Christians and the Circassians, who have continued to be disproportionately represented and who are staunch supporters of the regime.

Moreover, to mitigate social discontent, it became a habit of the government to raise salaries following each disturbance, in addition to the expansion in the benefits for officers and petty officers in terms of housing projects, providing easy credit to build houses, secondments to the Gulf in order to earn better salaries as well as opportunities in state apparatus for retired service men. Additionally, the government expanded educational opportunities for servicemen and their families via the establishment of Muo`tah University, which is predominantly an establishment for the children of those serving in the military and security apparatus. It also allocated 20 per cent of the places in Jordan's universities and other institutions of higher learning to the children of active and retired members of the armed forces and the security forces (MECS 1979-80: 575). These will be given government scholarships, either from Al-Makrumah Al-Malakiyya, the royal family or from Al-Diwan Al-Hashemy, the royal court or from the military. The reserving of these seats, besides entailing financial costs reduced the academic standards of the universities and educational facilities, since students applying for these reserved seats do not compete on an equal footing with the rest of the applicants; the high requirements of the various departments are not applicable to them. In 1984-5

the share of these reserved seats increased to 25 per cent (Hourani 1985: 35-6).

In light of the government's consistent public adherence to a negotiated settlement of the Palestine-Israel question, and King Hussein's instilling in the military the logic of settlement (by emphasising ideas such as that what is taken by force will return only through political means as well as stating that souls will not be sacrificed unless victory is assured, and that there will be no repetition of the 1967 debacle) the focus on modernising and mechanising the army and its continued absorption of a large part of state resources has been motivated by reasons other than in preparation for a military solution to the Arab-Israeli conflict. One is the awareness of the ruling family of the urgency to meet the army's practical needs and provide the requisite weaponry and training, which plays a crucial part in shaping the military perception of the leadership as 'meritorious and deserving of protection', as well as to satisfy the professional aspirations of the military. (Yorke 1988: 22). Part of that satisfaction is also an ability to maintain some parity with Israel, Syria and Iraq. In addition, it must be said that the awarding of lucrative defence contracts was an important source of financial benefit to top military officers and the Hashemites due to the high commission fees accruing from the process of defence procurement (ibid.: 24).

Although Jordan has not always been successful in acquiring sophisticated weaponry from the United States, due to the security concerns of both the United States and Israel in keeping Israel's upper hand in the area, nevertheless the capability of the military has been enhanced as manifested by the increase in its formations and weaponry. The armoured divisions have increased from two to five, and the mechanised divisions from two to six, while the two anti-aircraft brigades expanded their artillery battalions from six to sixteen during the period 1973-84. Also, the air force has been strengthened by an increase in the number of combat aircraft to 103 and of ground attack squadrons to three. This increased capability, however, is still limited, and is not of the same magnitude as Israel's, Syria's or Iraq's. This is particularly true of the air force. For instance, against 103 combat aircraft, Syria had 600 and Israel 630, in 1984 (The military Balance 1973-4; 1983-4).

Jordan's emphasis on building an advanced army is exemplified further by its rapprochement with the former Soviet Union in order to compensate for the United States' delays in supplying Jordan with military hardware. During the 1970s the level of contact increased through frequent official visits and the exchange of delegations for economic and technical co-operation, as well as military delegations. King Hussein visited the Soviet Union in 1976 and 1981 and Crown Prince Hassan in 1978, besides the two visits of Chief of Staff Zaid bin Shaker in 1979 and 1984. This took place against the background of Soviet interest in reconvening the Geneva conference. The Soviet Union hoped through its links with Jordan to overcome the difficulty of involving the PLO, and Jordan's insistence on a role for the Soviet Union was intended to enhance Jordan's bargaining power with the United States. In addition Jordan and the Soviet Union shared a similar stance on some aspects of the peace process, primarily support for a Geneva-type forum and for UN resolution 242. The improved relation culminated in 1981 by Jordan acquiring an anti-aircraft missile system paid for by Iraq valued at $200 million, which was installed in 1983. Despite this the United States remained the most important supplier of military hardware, credit sales and grants.

Another reason for the high expenditure on the army and emphasis on its advancement is related to the added significance of the role of the Jordanian military in supporting the security of the Gulf, which the ruling class has been pressing for to increase their standing in the region and their usefulness to the United States. As indicated by Crown Prince Hassan,

> neither Israel nor Egypt could play such a role as Jordan's in providing the Gulf states with a 'strategic hinterland'. (MECS 1982-3: 647)

Ties between Jordan and the Gulf have strengthened substantially, and Jordan's military assistance has taken the form of Jordanian military and police training missions in the Gulf, or the Gulf army and police training in Jordan, hence the allocation of special sections in the Jordanian military college to train officers, especially from Oman, and in the Police College where cadets from the UAE and Qatar train. In addition, Jordan has seconded or recommended retired officers and personnel to serve in the Gulf, not to mention the appointment of high ranking military officers to ambassadorial posts such as

Amar Khamash and Mohammad Khalil Abd-Al-Daim who have both held the position of Chief of Staff of the Military in Jordan. Emphasising this co-operation, King Hussein stressed that

> Jordan provides all that is required of it on the military level to Gulf needs through the effort of its professional military officers who are devoid of political adherence. (Murad 1973: 157)

This was the context for the attempt in early 1983 to form a Jordanian Rapid Development Force that could be used in an emergency to maintain the security of the Gulf states. The disclosure of the request by the US administration to Congress for a special budget to equip and train the Jordanian force in the Israeli press, as well as the disclosure in the US press of a secret deal of $225 million to provide support for two brigades of Jordanian élite troops, around 8,000 men, resulted in blocking the plan by Congress. The deal included transport planes, medical evacuation transport and advanced infantry and river crossing equipment, in addition it would have had the support of the US Air Force to airlift the Jordanian force if required in an emergency. On the other hand the disclosure was embarrassing to the Jordanian government. Hence it was denied and King Hussein asserted that no such force existed and that Jordan was willing to come to the rescue of any Arab state, if required, just as it did in 1961 in Kuwait and in the early 1970s in Oman (MECS 1983-4: 528-9). At the beginning of 1984 the US government tried to renew attempts to gain congressional support for the allocation of funds for the force without success. Instead of funds for arms and equipment extra economic aid totalling $250 was offered (The Middle East and North Africa 1990: 552).

Ironically the Gulf war exposed the limitations of a direct military involvement of Jordan in the security of the Gulf. King Hussein and the Jordanian establishment found themselves in a precarious situation, pushed to take a stance contrary to the expectation of their major funders, the US and Saudi Arabia, as a result of intense domestic resentment towards American intervention in the Gulf and massive support to Iraq. The American administration, though extremely displeased with Jordan, recognised the importance of the internal security of the regime and the constraints imposed

on it by the intense anti-Western popular feelings that gripped Jordan as indicated by Baker:

> We have a major disagreement with the King....[But the U.S. means to] keep lines of communication open to the King notwithstanding the fact he's on the wrong side and we have a major disagreement here with him....[W]hen we look at alternatives we don't see what we perceive to be a particularly pretty picture-alternatives to the King....(Jreisat and Freij 1991: 102)

Moreover, the Gulf war has imposed a new reality whereby the United States can intervene directly to secure its major interest in the region, namely oil, without having to rely on either Jordan or more significantly Israel. This combined with Jordan's economic crisis and the Arab-Israeli peace process will undoubtedly have profound effects on the military and will necessitate a rethinking of its role and the huge resources it consumes.

Conclusion

The discussion showed how the state has been able to maintain the dominance of its political structures over society, suppressing dissent and controlling the scope of action of individuals and group associations (whether professional, social or political), and limiting their influence on its actions and policies, in order to maintain the hegemony of the ruling class. Thus, even at the height of 'prosperity' the state was unable to relinquish its tight control over society and allow the expression of political opinions and the development of democratic political structures. Instead the highly centralised decision-making process was augmented by the rising power of the Mukhabarat and its increasing encroachment into the private domain. In addition the king remained the ultimate source of power. Although, as seen from the discussion, social discontent and resentments, and political demands for the liberalisation of the political system were mounting, the state was able to manipulate political structures in order to appear as offering the hope of change but without actually effecting it, as in the case of the cabinet changes, the creation of the National Consultative Council and the revival of the parliament. In addition it also resorted to repressive means, in order to marginalise social and political

discontent, ranging from banning political gathering, tight control over the press and the media, maintenance of martial law, etc.

Moreover, the legitimacy of the ruling class continued to be based on primary affiliations of tribe (although declining in importance, and substituted by familial affiliation), as well as ethnicity, religion etc., and further emphasised by their formalisation through state positions of power, where appointments and promotions were decided on such a basis This, most importantly, masked the class basis of Jordanian society, but also underpinned the success of the state in reducing the possibility of a challenge to ruling class hegemony and/or the primacy of the Hashemites. The power of the state over society and the primacy of traditional forms of affiliations were further facilitated by the disorganisation and marginalisation of opposition, whose attention continued to be concentrated on the Palestine issue, relegating to the background economic concerns, especially the particular concerns of the marginalised segments of society.

Conclusion

The discussion of the political economy of Jordan in the wake of the oil boom illustrated how the state's increased economic power and its expanded 'developmental' role has been utilised to entrench the power of the ruling class and to provide the opportunity for the prominent economic interests to exert an increased influence and expand their wealth. The propertied class extended its economic concerns beyond its traditional field of activity of trading on behalf of foreign capital, into other fields, such as banking, real-estate, construction, light manufacturing and agriculture, while the power of the state bourgeoisie, who increasingly were drawn from the propertied class, especially at the highest levels of state management, and whose interests became closely enmeshed with the interests of the propertied class, was immensely enhanced. Moreover, top positions in the state became the carrot for co-opting and integrating into the state opposition elements or critical voices as well as less influential and prestigious families. Thus the attractiveness of state positions increased the legitimacy of the state and kept aspirations high to join its ranks. Yet, despite opening up state positions at a variety of management levels to the less prominent and influential families, a small clique of businessmen and state officials dominated the economic scene and the decision-making process. This allowed the thriving of nepotism and favouritism as well as the misuse of public funds on a scale not experienced before, not to mention the increasing concentration of wealth in a few hands.

Some of the social and political problems accompanying the widening of income gaps have been mitigated by the increased ability of the state to absorb the professional stratum - which have expanded beyond the needs of the economy as a result of high demand in Gulf states and the expansion of education - in addition to absorbing a large part of the population at its lower echelons, thereby providing secure employment to a wide segment of the population. The political significance of the state's capacity to employ increased immensely, which explains the inflation of the state sector beyond the dictates of economic needs or efficient utilisation of resources. Although the state sector's salaries were lower than in the private sector or than those in the Gulf states, the benefits, other than job security, attached to state

employment, such as access to medical care, access to the Consumer Corporations offering goods at highly subsidised prices, soft credit for housing and housing projects, compensated for the difference. Consequently the 'new' petty bourgeoisie became the pillar of the stability of the regime, this expansion with the prevalence of small-scale private investors accounted for the increased petty bourgeois character of the state.

Yet, despite the 'prosperity' and the expansion of the benefiting social classes and groups, there has been a remarkable increase in the proportion of those at the margins of society in both rural and urban areas, whose living standards and incomes have been deteriorating. The policies of the state in agriculture have been directly responsible for declining incomes in rural areas, since they have focused on large capital intensive farming, leaving the farming community to fend for itself under an increasingly unfavourable situation. Moreover, the state has made heavy investments in the mining sector, diverting scarce resources to inefficient economic enterprises, while keeping small domestic investors deprived of the needed funds as well as at a disadvantage due to the state's open import policy favouring the commercial bourgeoisie. The expansion in the employment of foreign labour, who have been willing to take wages much lower than domestic labour, has on the one hand relieved the state from the pressures of an expanding domestic working class and, on the other, has jeopardised the wage scale of domestic labour, and hence directly influenced their living standards. Beneath the surface of prosperity and stability, tensions, social discontent and resentments were mounting and the society's polarisation intensified between a small rich stratum and the wider segments of the population who were unable to benefit or improve their lot.

Thus, the challenge of this study to the assumption that the state acts for the general interests of society lies precisely in this fact. The boom era resulted, in spite the abundance of financial resources and the expansion of state's 'developmental' role, in an increased marginalisation of the bulk of the population and increased differentiation in income and living standards. One can easily argue that Jordan has actually thwarted a unique chance to create a development that caters towards the needs of the larger segment of the population and a more sustainable development by creating conditions whereby the society could have became less dependent on foreign goods and commodities and external funds for its livelihood. But this would have

conflicted with the interests of the ruling class as well as with its strategic-political role on which the abundance of external capital has been predicated. Moreover, although this abundance proved instrumental in creating the 'prosperity' of this period and the increased legitimacy of the Jordanian ruling class, significantly it was a temporary prosperity. The decline in the regional oil economy and the subsequent reduction in the available financial resources to the state and the reduction in remitted income, due to declining demand on Jordanian labour underpinned the economic crisis of Jordan which has been in the making since 1983, but whose final manifestation occurred only in 1989 with the plummeting of the value of the dinar and the intervention of the IMF and its imposition of a programme of structural adjustment policies. This meant that all social layers of the society came under economic pressure but with varying degrees. The most affected were the salaried stratum and those dependent on state employment, in addition to the social groups that were already marginalised during the 1970's, not to mention the small investors across a wide range of economic activities. The propertied class and the state bourgeoisie were affected too but not in the same degree since they can rely on the diversity of their sources of income and their accumulated funds.

Significantly this crisis in the state sector itself and in the economy in general not only called into question the effectiveness of state-sponsored development and exposed the need to critically analysis the boom era and understand state's role and its limitation, it also called into question the ability of the state to continue its political domination and its authoritarian political system. Ironically during the boom era the state's control over the society was further entrenched especially through the increased power of the Mukhabarat to intervene in the private domain and the individual sphere and the continued concentration of power in the executive especially the king. This coupled with a very low level of tolerance of opposition and a tight control over the potential channels for political expression succeeded in marginalising political action in spite of the rife political climate due to the domestic economic situation - widening income gaps and rising cost of living - and to regional events such as the camp David, the Lebanese civil war and the Israeli invasion of southern Lebanon. Thus the dominance of the state's political structures and state's reluctance to relinquish its authoritarian grip over society was unchanged and continued unabated.
Even until 1988 the government was able to carry out a concentrated attack on newspapers, journalists, the Jordanian Writers Association and professional

associations in an attempt to silence political voices especially in light of increased criticisms concerning the deterioration of the economic situation as well as the enthusiasm that the Palestinian 'intifada' evoked. But significantly, in less than a year, precipitated by the riots in the southern part of the country against the economic hardship and the IMF structural policies, the government was at the forefront of a process of political 'liberalisation' and 'democratisation'. Thus the domestic economic situation, coupled with the changes on the Palestinian front due to the eruption of the 'intifada' and Jordan's subsequent disengagement policy, dramatically changed the framework of the government and accelerated the response to demands being voiced throughout the 1970s and 1980s. The process of 'democratisation', although offering on the one hand a unique chance for change, is beset by immense difficulties.

The first of these is the structural limitation of the process, since the aim (as attested by the cosmetic changes seen in the first four years of the experience, 1989-1993, and considering the manifested ability of the ruling class to manipulate the process) is not to create new forms of legitimacy and to reorganise state power, but to provide a semblance of democracy to protect the existing power structures. Secondly, the opposition movement in Jordan, in its wider frame, has been marginalised for a long time. Hence its ability to capture the moment is very doubtful, considering also the increased fragmentation of society and the persistence of conflicts expressing themselves not on basis of economic or class interests but traditional affiliations, in addition to the rise of the Islamic trend as the most viable part of the opposition. Although one must point to the fact that, since the 1989 elections and the landslide victory of the candidates of the Islamic trend, they have been losing grounds, since people can see the limitation of their programme and their inability to effect any changes. Thirdly is the constraint on the process due to the prevalent international environment with the United States becoming the sole dominating international power, making the region much more vulnerable and the chances for a progressive or nationalistic movement to emerge dramatically reduced. The Gulf war was an example of the potential danger attached to America's 'new world order' and to any challenge to the status quo and Western domination. The final and most significant factor is the economic situation and how the structural adjustment policies, in addition to the peace process will effect the bulk of the population and reorient the economy. Thus

the challenge for both sides is great; for the ruling class it is to maintain legitimacy, and for the opposition it is to take the chance open to it. But one must note that if, during the boom era the Jordanian society was so restricted in terms of expressing itself, the 1990s with their immense economic problems will undoubtedly bring further constraints on the manner in which the society expresses itself, this time under the semblance of democracy.

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