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THE EFFECT OF INTEREST GROUPS ON THE ECONOMIC FLUCTUATIONS IN RENTIER MODELS

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ABSTRACT

In the meanwhile, what makes the differentiation of rentier models more serious than other models is the change in the content and function of the convergence of individuals in the form of common interests that lead to the formation of interest groups. Therefore, based on the political economics framework and in order to adapt the performance of actors in the field of power and wealth in Rentier models, this research has tried, based on the role of the interest groups, to analyze the paradox of democracy and the rent and provide a conceptual model corresponding with realities. Due to the lack of statistical data in relation to the interest groups in Rentier models, it was imperative that the problem-solving approach in this research be based on the library resources and the theoretical analysis based on the deductive method, so that within the framework of the quantum paradigm can be achieved the overall vision and design of the desired logical model. The results of this research are aimed at a new explanation of the functioning of interest groups in Rentier models, which this is a ground for the creation of an index called the rate of convertibility of power-wealth, in order to provide a comprehensive and exclusive definition of a rentier state. The use of this index has shown that since the development of democracy leads to an increase in the penetration of interest groups, in the rentier models the development of democracy will increase the instability of the economic structure.

Keywords: Economic Fluctuations, Rentier State, Interest Groups.

INTRODUCTION

The economics of societies in different models and with any structure to achieve the medium and long term goals requires stability in their macro variables in order to provide long-term investment opportunities in the light of planning and forecasting, and consequently, macro policymakers take, in the first place, the economic stability as their top priority. An obvious case of economic instability is the trade cycles, so an accurate and scrupulous recognition of the factors and dimensions of the trade cycle is crucial and vital in the development, prosperity, and welfare for households, firms, and decision-makers. Therefore, because economic actors' ideas of the future are very vague in the conditions of uncertainty, any research in the field of trade cycle has always been considered and challenged in all models and schools of economics.

Rentier state

According to the current explanation, the rentier state has a dominant sector in the economy, and the state's revenues are established either in terms of ownership or through the taking of revenue. This dominance has been defined by numerous, but relatively convergent, criteria by the economists. For example, according to Nankani, the sectors concerned allocate for themselves about 10% of GDP or around forty percent of the country's exports (Nankani, 1979). Others have stated different opinions about the shares. For example, Bablawi (1987)

accounted for forty-two percent of its revenues from the economic sector. This explanation is not comprehensive and exclusive, and hence, in the final chapter of this research, the definition of rent has been essentially explained and reformulated.

Interest groups

Interest groups, also known as groups of beneficiaries or wrongly called pressure groups, include a set of individuals or organizations that are assembled based on common beliefs or goals, so that can influence public policies to achieve their goals. Interest groups, including pressure groups, are attempting, with their facilities, to enforce state policies to secure their own interests. The goals of these groups are such that their members benefit, part of society or all of that are benefited. Generally speaking, in the democratic societies, the instrument of the interest groups in political bargaining is their degree of influence on the electoral votes, but in cases of weaknesses in the social or economic structure of these groups, they use financial and even military means. In this research, the term "interest groups" has been used to refer to the rentier interest groups.

Until the war of independence in the United States and the formation of academic literature of the interest groups, the boycott of sugar in the UK at the end of the same century and two decades of public opposition to slave trade are other cases and the first movements in the formation of the so-called "Public-interest groups". After the formation of the republic and federalism in American soil, the activities of the interest groups took over the entire political arena of the United States, as they now the effects of widespread lobbying at the local and federal levels, as well as inclusive efforts in the tripartite branches of governance are clearly visible. At the same time, the rise of these lobbies has created a paradox that reflects a decline in electoral participation since the 1960s, while increasing participation in the interest groups. This means that interest groups act as a link between governance and the people.

Theories of the interest groups

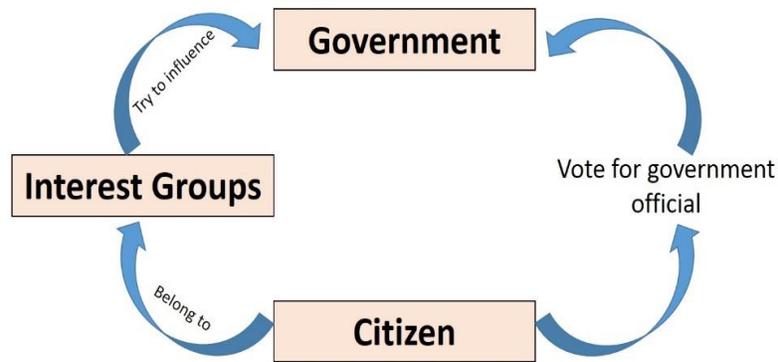
In the theory of pluralism, it is assumed that politics is based on the competition between the groups that are trying to achieve their demands and each demand has its representatives. This attitude is closest to Madison's attitude. In the form of pluralistic conception, it is believed that the interest groups will face a set of wins and losses, and no group can absolutely be either a loser or a winner. In line with the understanding of interest groups, the theorists of pluralism propose group theory in politics.

In the theory of elites, it is said that society is divided into classes, and the highest class, the ruling elite, is empowered in the decision-making and applying influence. The expression of elites does not comprehend qualitatively the competence, but it does not necessarily conflict with it. While pluralism emerges as a large and organized set of interests, the theory of elite class is based on the representation of demands by the limited individuals. It suggests that the real power is the right of individuals, groups or institutions.

The proponents of pluralist theory bring this critique to the elite class theory that the concentration of power in a few people does not have the necessary efficiencies. In contrast to this critique, the elite class claims that, however, the power has been distributed, which, of course, it refers only to the distribution of power among a few powerful individuals.

Figure 1 represents the interest groups in the electoral structure and distribution of power:





The pluralist view of American politics
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Figure 1: Location scheme of interest groups in the power structure

State, interest groups, citizens, voting state agents, the effort for influencing, membership

Mechanism of influencing politics

Interest groups do not have enough employee, money and time to fulfill their demands. The leverage of their pressure in the ordinary conditions includes lobbying, influence on laying down the laws, the public affidavit, sort litigation, generalization and the formation of triangles of iron. The groups try to pave the way for satisfying their demands from between different strategies. These pressure leverages sometimes provide benefits more than the demands of the interest groups and, as a result, make institutions, organizations or the general public to accompany. For example, in an extreme case, a party that does not have any support from the activists may motivate their support with political moves in favor of interest groups (Schofield, 2008).

Types of interest groups

In general, it should be noted that, despite the overlaps, the nature of the interest groups is distinct from the party, the sect, or the political action committee. The underlying cause of these differences is due to the legal origin. For example, the political action committees have legal permission to carry out financial expenses on the electoral path, but they are not in power, but the parties are directly connected to the power. This is while the interest groups do not have either of these options. In general terms, the interest groups belong to both public and business domains. The difference between these two sections lies in their primary target content. If we do not take the money exchange mediator so that the preferences are not convertible, the public interest groups support a kind of social action as a norm, and the business interest groups seek to develop financial benefits. In the context of these two approaches, the tendencies like the economy, worker, business, environment, social equality, and consumer are among the most important areas of activity of the interest groups.

The pattern of behavior of the interest groups

Over the past two decades, economics has seen a significant leap in the theoretical and empirical dimensions of the study of the political behavior and influence of the interest groups. Indeed, through the general assumption of a homogeneous and centralized demand in the political markets, modeled on the model of the middle voter, the political-economic approach is moving towards a realistic framework. It can be briefly mentioned that the recent approach has been structured based on a collection of the thoughts of some of the old tendencies inspired



by the classical writers in the political economics such as Marx and Pareto, the views of pluralist thinkers such as Bentley and Truman, and, lastly, the theories of the proponents of the political influence of social groups (sects, classes, and elites) (Bottomore, 1970).

In the previous researches, the tools and channels of influencing the interest groups were considered as the unit, meaning that the groups have access to the tools of participation and information to influence their power for achieving their interests, and the channel to the use of these tools is limited to the communication with the politicians. In his article, Van Winden, in violation of these conditions, points out that the groups are also equipped with the tools of lobbying, pressure, structural constraints and representation. The lobby is usually implemented through information and disclosure and is known as the "use of words". As a result, it can be said that in general, the pressure is used to gain reputation and the lobby for continued reputation. But, as shown in Fig. 2, the preferences and benefits of interest groups in developed societies tend to converge. (Grossmann, 2012).

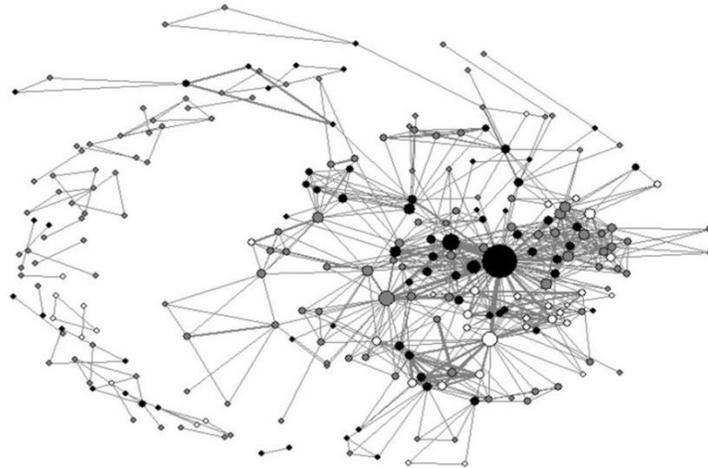


Figure 2. Connection network of interest groups in the structure of the United States

Rentier state

The biggest enigma of the development economics in the past decades has been the negative relationship between economic growth and the richness of natural resources; most of the economic researches in this regard have been oriented to the theory of Dutch disease, and of course, some discussions such as the reduction in trade balance or the sensitivity to the goods price stimuli have been also considered. A research done by Bosnian, Patterson, and Roein shows that determining the good or bad natural resources for developing countries depends on the structure and relationships of the institutions of that society, as well as on the type of resources available to that country. In fact, their research has examined the subject with two new indices. From the institutional and technological perspective, they have achieved the indices of "institutional dependence" and "technical dependence" for the understanding and optimal categorization of natural resources. The basic approach of these two indices is to explain the dependence or independence of a natural resource with the institutional structure of the population of users and technology.

They deduce that some of the natural benefits that we can describe as sources with a "low institutional dependence", unlike other sources, called them "technology-related resources",

have a greater potential probability for creating problems such as renting and conflicts of interest in the fields of technology and economics.

This problem can be potentially controlled by "good institutions" in societies. Contrary to the hypothesis of the "curse of traditional sources", this research shows that the effect of natural resources on economic growth is related to the institutional quality of societies. Natural resource-rich countries are exposed to the curse only in the conditions of bad institutional quality and, if there are good quality institutions, this problem will not occur (Boschini, A; Pettersson, J & Roine, J, 2003).

In addition, it has been shown that the type of natural resources available to one country is very important. The negative impact of poverty of institutional quality, which, in other words, is called "high institutional dependence," in the countries with a "technology-related resource" will bring more damage than those having other sources. At the same time, the achievement of the richness of institutional quality will be even greater for such countries.

In general, for all measurements about the richness of natural resources, the positive effect of institutional relationships was not of a significant advantage compared to the negative impact of the type of resources. As can be seen in Fig. 3, it is also apparent from the quantity viewpoint that, as an example, the African country of Sierra Leone has grown by -2.05% since 1975 compared to Botswana, due to the infrastructure and similarity sources. Many have Sierra Leone, with economic growth of 4.99% in the same period, has not been able to manage its institutional gaps like Botswana; as a result of this poverty, Sierra Leone is ranked as the poorest in the world.

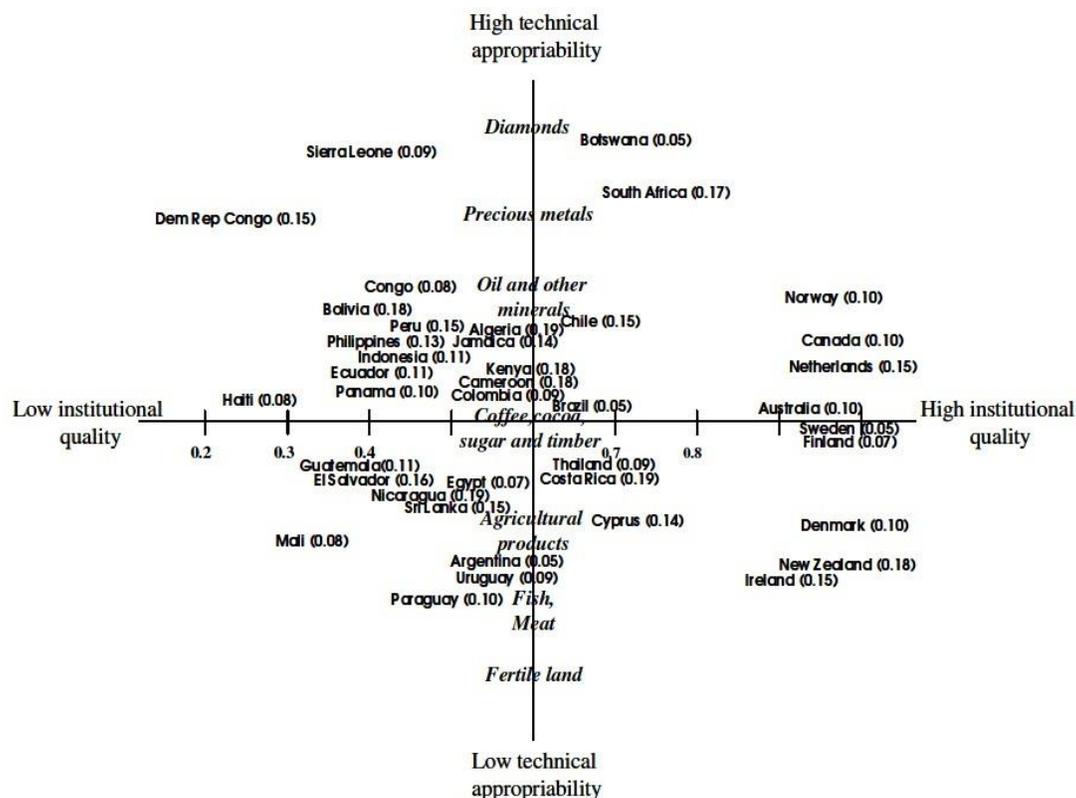


Figure 3. The relationship between institutional quality and the level of dependency of the rent source on the technology



In 1945, the first legislature in Iran after Islam was established in the Qajar era. Accordingly, before that time, there was the rent of lawlessness and despotism of the ruling group. The sale of fisheries, customs, mines, etc. all display other types of rents for the sovereignty that do not relate to oil or abundance of resources, and the structure of governance in each society is essentially the carrier of many such types of rent. Accordingly, it is necessary to provide a precise definition of the rent and its variants in order to eliminate numerous clauses in its application. The state-market model is the main source of response to the ambiguities. The state-market model draws and implements the mechanism of production and distribution of power in balance with the production and distribution of wealth. It is desirable, primarily and fundamentally, that the production of power by the sovereignty will be realized through the convergence of the forces of society, while its distribution will be carried out by the nation and in the electoral process. On the other hand, the production of wealth is implemented by the market and its distribution by the state and with the means of tax administration. In practice, however, this structure is violated and some interactions occur. If the size of the passage from the state or market increases to a certain extent, it reduces the productivity of the model. The critical size allowed to distort the functioning of the state and the market depends on the structure and characteristics of the social context, and this cutting point can even vary for a given society over time.

Consequences of rentierism

The depreciation of the nominal value of petroleum rent and other natural resources, the decline in oil consumers economic growth and the growing population in oil-exporting countries have led these oil rentier states to fail to provide prosperity and respond to the material demands of the society. The growing awareness of the vast majority of society through the use of oil wealth is another major challenge faced by rentier states. One of the clear signs of the spread of democracy is the change in the political discourse of the intellectuals. While in the past the democracy was largely defined in terms of its mass, nowadays its operational form is a state characterized by respect for human rights, freedom of political parties, accountability and calling to count (Kheyrkhahan, 2011).

Social consequences

- *The weakness of property rights*

John Locke considers the same extension of the scope of the rights of individuals and the extension of nature and considers the ownership right prior to the emergence and evolution of states. In Plato's utopia, the state should not be the owner of something, but its needs must be provided by the society so that it carries out without any concern the task of security and the good of the society. In all theoretical models, the property right has been the most fundamental issue, and since in the political literature the executive arm of each government is called the state, it is obvious that the rent can undergo a change in the whole structure of ownership in an economic or political system.

- *Unresponsiveness*

In the political sociology, it is asserted that every state comes with one or more social classes that, on the one hand, provide their interests and, on the other hand, must be accountable to them. The rentier states, however, do not rely on any particular class but create dependent or tamed social classes by deciding how to distribute rents. In developed countries, the state itself does not have the resources to absorb, and the main source of the state is taxes. Therefore, they



must be held accountable for the tax they receive from citizens. But the rentier states can live up by their full independence of tax. Even if in media they manifest the tax as important in the budget, this is for providing social projections, ensuring the period of rent stagnation or seeking excessive demands within the rentier networks (Moore, 2003).

- ***Urbanism***

Typically, the state center is the cities in the rentier states, and an important part of economic activity flows in certain cities, and most of the revenues are expended in these few cities and, of course, with the priority of the center. Usually, the share of villages (separated from villagers and it is meant preserving and developing the village) is smaller than the distributed rent. Cities are the most important goal in the rentier states, due to the focus of the main body of society and the availability of media streams. The main relationship between the rentier state and the demands of the rentier society is manifested in the consumption, and the center of realization of consumption will be definitely the cities. Hence, in addition to adopting any kind of development policy and propaganda for rural development, the resources of rent will be descended to the cities and their development.

- ***Interventional approaches***

"The condition for the emergence of democracy is the equal possibilities and opportunities for competitive and non-violent access to wealth, power and dignity." Because social forces do not play an effective role in rentier states, the balance of state-nation loses its relevance, and the states maximize their efforts in an authoritarian approach and this leads to tyranny production. Therefore, the only democratic prospect for the masses is the mass movements, which hold all or nothing. On the other hand, the independence, power and wealth of the rentier state make it possible, rather than at the forefront of its own society, to be the upper part of the society, and this upper position leads to the despotism and intervention of the rentier state in all affairs. Also, the functional weakness of the sovereignty and the abuse of power resources and law leads to the inefficiency of the system ruling on the structure of society.

- ***Melting interest groups***

In the Rentier States, the development of a supporting network is such that, by injecting rental income into target sectors in the poor class, they are fostered by the middle-class livelihood, and this artificial middle-class lacks the functions of the authentic middle class. Interest groups, which are mainly a product of the demands of the middle class, are subject to change in desires and interests. The benefits of interest groups in the renter models focus on the excessive demand of rent and thus draw their lines in a way that does not interfere with the lines of the renters, and the rentier state, in return, supports their benefits and their existence.

- ***Manipulation and corruption***

The rentier state is using the "civil society disruptive tools" to prevent or suppress organized protests. These tools are used to suppress and tame people. Advertising tools disrupt the relationship of rumors and facts; the economic tools tame the people and the means of violence, by preventing the organization, harm the connection of the individuals with each other.

- ***Self-indulgence***

Rent creates opportunities for the state and the nation to absorb more than their productive capacity, where consumer ethics overcomes the morale of production. Under the umbrella of



the rentier state, a consumer and self-indulgent nation becomes in existence that has not institutionally any desire for the productive labor.

Political consequences

- *Populism*

Populism's general ideas were first used by Jeffrey Sachs to explain the severe inflations in Latin America. This model is used when the regimes distribute their popularity in all classes, rather than relying on one or more distinct classes. (Najafi, 2005).

- *Inefficient bureaucracy*

In rentier models, the volume of the bureaucracy is usually expanding, so that, according to Bablawi, the bureaucracy is bloated and becomes inefficient, and finds a place similar to a rentier class within the society. Regardless of rent, the bureaucracy is a structural plundering in which the lawful behavior is at its lowest level because the orientation to the person and plundering are dominated (Midari, 2004). Rentier revenues can exacerbate such a situation. In this case, the people and the bureaucrats become unbridled and there is no barrier against them.

- *Budgeting structure*

An important scientific step to increase efficiency and accountability of the government in the rentier states is to create a comprehensive, transparent and effective budgeting system. In such a budgeting system, the citizens, critics, and public supervising bodies are able to discover with the utmost care what the state has been spending on the past year, and how it will act the next year.

- *Snowball game*

The expression of the snowball state and the sticky state used for the first time in this research describes a structure that is moving like a snowball. This movement, accompanied by increasing volume due to its adhesion, also brings about the collapse of its structure. The initial core density of the snowball state plays a significant role in its survival, and some issues such as wars that lead to victory (Schofield, 2008) or social isolation can help to strengthen the snowball state, but whatever like the free flow of information and increasing social demands increases the entropy of the system, it results in the collapse and deterioration of the system.

The game between interest groups and the rentier state begins in the form of play of falcon and pigeon and forms the interaction of pottery and wax, but in the next step, by increasing the amplitude and influence of interest groups, the game of chicken and wax-wax interaction occurs. With a kind of inhibition policy, such as what happened between atomic powers in the Cold War, until the arrival of a sufficient variable or an interesting actor in the play, this inhibitive balance will be maintained.

- *The question of reducing credit*

According to World Bank experts, the biggest losses caused by the state activities are the lack of confidence in state policies. If the state does change the rules continually, or that the rules and regulations that he also has to deal with cannot be clear, the businesses and individuals cannot be sure what activities will be profitable tomorrow, and what activities are unprofitable, and what operations are legal and what illegal. On the other hand, the systematic monetary policies, as well as a well-known feedback rule that is adopted by the state in response to the fluctuations of employment and production, are ineffective due to the fact that the agents



predict them (Khalili Eraqi & Souri, 2004). But when the economic agents are prospective, the issue of economic policy is posited as a dynamic game between the intelligent actors (state or monetary authorities and the private sector).

- *Instability*

The nature of the rentier resources that are mostly underground resources, along with the weakness of production in the rentier countries, makes them to sale the raw materials, and this is the main factor behind their dependence on foreign buyers. Many countries with underground resources need foreign technology and knowledge to extract their resources, or an investment in the field of rent is out the power of the economy of the country that has the resource. On the other hand, in addition to dependencies related to the rent and those related to imported goods, the rental countries, due to the reasons mentioned, have lower national currency and, for this reason, have a degree of dependence for their exchanges; this is manifested in the rate of currency also and makes all the dimensions of an economy to face with planning and investment. This dependency situation is, in some cases, such that the economies buying the rental source dominate the political and social structure of the source dealers and even change their political structure at little cost.

Economic consequences

- *Decrease in productivity*

Rentier revenues protect the country's production system from flogging international competition by providing opportunities for consumption without domestic production and reducing the society's need for export revenues. As a result, society's dependence on domestic production decreases. Therefore, the socio-economic reward system does not necessarily require to reward for the creation of productive sciences. This process leads to deviations from the creation of knowledge, and consequently, the motives of individuals and organizations diverge from producing productive knowledge and is oriented to non-productive and rentier knowledge in order to gain a greater share of the rent cake (Najafi et al. 2015).

Khezri (2009) also argues that the supply of wax goods and services more than the extent that the providers of public resources require (ie, the creation of inefficiency of allocation) as well as their high cost supply (ie, organizational stagnation or inefficiency of x) are among the methods that enable bureaucrats in the rentier state to take an even larger share of public finance resources arbitrarily and uncoordinated in their field of work; this means that in the rentier models there is a clear intention to reduce productivity.

- *Waste of resources*

Generally, in a typical model of automated economic systems, the equilibrium price signals the economic activists to allocate scarce resources in an optimal way. But the huge revenues available to the rentier state encourage the social members, and especially the interest groups to claim a larger share of this wealth. In such a way that the consumption and non-capital expenditures of the state are constantly rising and creating more expectations. On the other hand, there is a general belief in the power and sufficient backing of available resources, and the horizons of vision are considerably drafted in the short run. Instead of investing and foresight, a short-term consumption gains control of the macro and micro affairs of the society. As an example, the oil rent allows the state to approve investment projects, regardless of economic logic and profitability criteria; because there is no political supervision in the form of independent legislature or popular opposition parties, the decision-makers, under the



pressure of state leaders and powerful groups, they spend often resources on the white elephants, which in the future would create more rent for the interest groups. Subsidies to inefficient production sectors, low price for some of the goods and services that lead to non-optimal consumption are other aspects of wasting financial resources (Kheyrikhahan, 2011).

- **Production based on the distribution of rents**

In the shadow of rent, the damage that affects the state is to turn the state into an unresponsive and authoritarian institution, and the harm to the market is that, for the private sector, instead of promoting productivity, it brings the legal and illegal mechanisms of getting concession from the state as a basis for increasing profits; on the one hand, this reduces the efficiency of the private sector and, on the other, increases their vulnerability in the absence of state support. From the point of view of social psychology, seeking-rent neutralizes the efforts of the people in the course of productive activities and, as a result, it is highly anti-developmental.

In Figure 4, the comparison of the tax rate of the oil and non-oil countries, the tax revenue has been considered as a percentage of GDP for non-oil countries in 1981 and as a percentage of non-oil Gross National Product for oil-exporting countries. This is the same effect Schumpeter has assumed for rent.

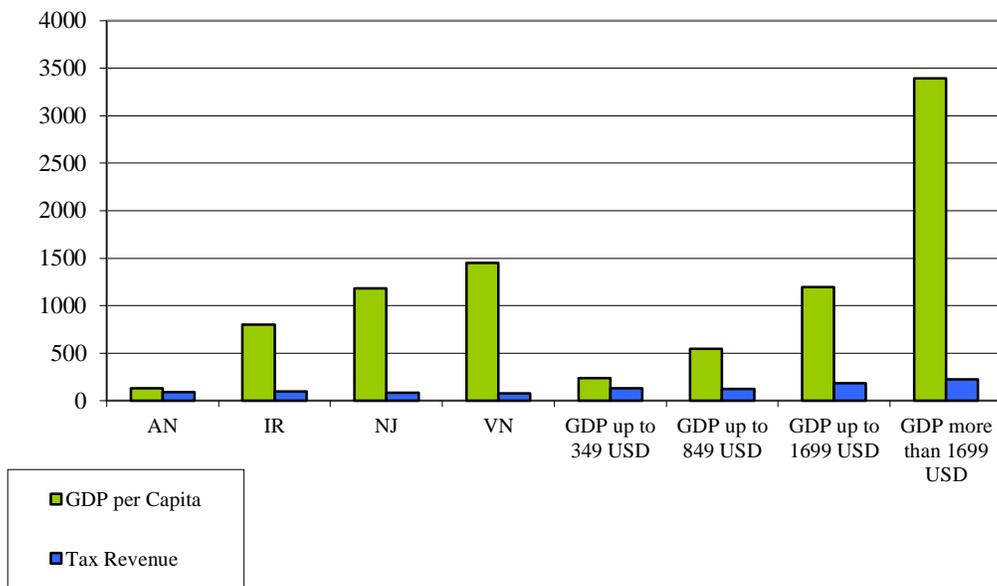


Figure 4: Comparison of the share of tax in the gross domestic product (GDP) in the rentier and non-rentier countries

The important point is that the interest groups affect the policies through the non-voting mechanisms, including lobbying, and in extreme cases, financial corruption. Many of these features can be added to our models, and these refined models often offer a variety of predictions about a range of topics. (ibid)

Crises such as drought, stagnation, international financial crises, wars, and macroeconomic stimuli are inherently transient and lead to short-run fluctuations in political power. Therefore, it can be concluded that the probability of democratization is greater in the context of economic and political crises. A clear example of democratization is Argentina after the

Falkland Islands (Malvinas) War in 1983 (Ajam Oghlou & Robinson, 2011). As with democratization, the likelihood of a coup d'état in times of crisis is also greater. An illustrative example of this is the coup d'état against Allende in Chile in 1973, coinciding with the first major impetus of oil price and deep economic stagnation (ibid). A conclusion drawn from these relationships is the probability of a correlation between the activity of the interest groups and the macroeconomic transformations. Because the voluntary and unpaid nature of the interest groups makes it possible for individual and family interests to be preferred to the group interests in the wake of major crises, and their activities are reduced to a large extent. Of course, this correlation will have a cutting point, which, according to the author, is determined by the level of uncertainty. This means that the reverse relationship between the crisis and the activity of the interest groups will become direct at the level of uncertainty threshold. Thus, at a high level of confidence (not absolute one), the conflict of interests and competition will lose its importance and, at the same time, the interest groups will not be active in the non-crisis state. Obviously, the conditions of the threshold level cannot be extended to the limit conditions, and in the zero and infinity states of uncertainty, it is not possible for humans any motivation for life.

An alternative form of analysis focuses on the ways in which by recognizing and enhancing their beneficial side effects in economic interactions and thus increasing the harmful social effects, the interest groups can trade with each other through non-cooperative strategies. In this regard, Crouch focuses on two important variables: firstly, bargaining and compromise, or a level of coalition in the political arena and the concentration in the structure of commerce in such a way that provides the formation of a business interaction proportionate with the size of society to bring the benefits of the business sector and the whole society. Second, coalitionism is a term used to describe a political system in which there is no desire to rule a single party alone on the majority. Crouch's argument is that commercial interaction occurs within the framework of a coalitionist political system or a system in which a party, called the Social Democrats, has dominated for a significant period of time; in both cases the possibility of forming contracts and relationships binding requirement between the trading system and the political system is possible. In Crouch's view, the qualitative features of this political system are transmitted to the institutional framework within the economic system, which leads to economic productivity. One can follow Müller's suggestion that economic optimization, in turn, leads to the protection of the characteristics of coalitionism in the political system (Schofield, 2008). Sheffield argued that any convergence for collective action is inherently unstable, but under certain conditions, favorable cooperation can be sustained. If commercial interaction is large enough in comparison with its comprehensive economics, it will have to internalize the social effects of its actions, which means that it sees itself to be affected by those results. Because of the proximity of its size to the whole society, it cannot take into account the boundary between itself and society. In addition, the coalition may be able to interact with other smaller alliances and with those that are working to build a larger coalition. The faster the economy grows, or the less distributive contradictions within the social economy, the easier the interaction process, and more collaborative and interactive alliances are created with ease. The point is that there are critical limits for an interactive coalition, which is characterized by the level of productivity, and only within that range the behavior of the members is coalitional. If the economic growth is slowed down, this coalition of co-operation may be disrupted. As the



relative productivity decreases, it is clear that the coalitional characteristic of this structure is considered as one of the essential principles of commercial convergence. Although a weak coalitional structure between the interest groups can remain stable over a stable period, it may collapse during the crisis (ibid).

One of the scarce resources to which can be referred on the relationship between the rent and the interest groups is the article of Dr. Hutan Shambyati, a professor of political science in Florida. Although other sources can be found in Farsi (albeit in several lines) without referring to the rentier structure in European and North American universities or a scarce case as "why countries fail". In addition to focusing on the market as an institution, Dr. Shambiyati's article is worth due to paying attention to the relationship between the state and the market in the rentier models. This article, in fact, raises the challenge between the market and the rentier state, and in the analysis of the conditions in Turkey, it is stated that the traditional bourgeoisie has tended towards an industrial bourgeoisie. In addition to this development, Turkey's rent has not been directly predicted in the public budget, and it is dealt with the financial assistance for the modernization of Turkey, which is moving from Islamic discourse to secularism. But on Iran, he has argued that the traditional bourgeoisie is imperfectly pushing towards a modern nonindustrialized bourgeoisie based on commercial speculation and mediation. This metamorphosis has roots in the nature of rent in Iran. Oil revenues enter the state treasury directly and affect state-market discourse. The transformation in Turkey began with economic concerns and spread to the cultural and social spheres, but a smaller share of the Constitutional Revolution and the Islamic Revolution in Iran was related to the economic situation. Shambayati continues to argue that the relationship between rentier states and their peoples is uneconomical since the rentier nature of state causes a change in the challenges and demands that will come before the governing system. The larger and more direct the source of rent, the greater the rupture of the relationship between the state and its agents, through the optimal use of resources and the concept of profitability; this prevents the formation of any competition or contradiction in the field of innovation, entrepreneurship, and creativity.

Shambhaiti, quoted by Mahdavi, defines the rentier state as a government that takes a considerable part of its revenues from a rent outside the domestic economy. He goes on to say that it is very important that the external rent has little to do with the domestic production process as a source of income generated outside the physical boundaries of the recipient country. This definition carries a defect that eliminates its comprehensiveness and exclusiveness. According to data from the World Bank, the countries of the United States and Germany in 2014 have the highest net income of production factors from abroad in their national accounts. This income could be put into the definition above, while these countries have no similarity to the rentier conditions. Referring to Bablawi, Shambayati mentions that in addition to the conditions of the state for being rental, that source of external income, which is not related to the domestic economy process, should be received directly by the state; thus the weakness referred to in Definition will be removed, although limiting rent to the incomes will also make the definition to be non-comprehensive and non-exclusive. When foreign revenues are provided for the state before entering the internal economy cycle, the state becomes financially independent of internal groups (Shambayati, 1994). That is, the state decision-making and performance will deviate from the demands and benefits of economic or social groups. This implies that in the first place, the economic behavior of the state can be



incompatible with the economic behavior of the market. Obviously, the financial independence of the state can also lead to the state's independence on the voters and its political independence. As a piece of evidence is the familiar slogan of "never tax without the right to vote" proposed by many social developments in the near past centuries, such as the formation of the republic in the United States by the social body. However, these cases are considered to be influenced by many other variables, such as the context and time of each event, the media, the general level of education in the society, etc. But theoretically and abstractly, the state's financial independence from the domestic economy eliminates the impossibility that has been created for the tax-taking states in these areas. On the other hand, in addition to the theoretical aspect, in the above-mentioned conditions, the state-market model is empirically fractured, which is visible in many countries of the area MENA. One of the theoretical outcomes in the rentier states, referred to in Shambayati's article, is the independence of the state from the interest groups. Because there is considered basically no right for these groups to claim demands. On the other hand, the rentier state will inevitably link the rent sources with the domestic economy. Local groups are moving toward these resources, but the only way to achieve this gratuitous daily bread will be through the channel of state institutions. In the rentier economics, loyalty to the rentier structure is considered as a supra-rational behavior in the economic performance of firms. In this situation, the relationship between the firms and the state, rather than in a form of the demand, is structured as an "obedient customer," trying to gain more benefits by connecting with power in the rentier structure.

CONCLUSION

The end of the rentier state

The overall conclusion of the research is that increasing the concentration of rent in the governance structure, the stability of the policy-makers should be increased, or the owners of the positions should be selected from between the network of rent to prevent the development of the rent network. However, due to the formation of accidental rent, the rent network continually develops and leads to an increase in the rent-seeking play; ultimately it leads to an increase in the entropy of the system of large instabilities and ultimately the collapse of the rentier structure. With the expansion of the rent network, the main rent-seekers are faced with a reduction in the benefits to the cost and tend to be reformist (pigeon). But this reformism will not prevent the final outcome, and the weakening of the rentier state over time will eventually lead to the collapse of the network. This is the same war of power at the end of the kings' rule and basically shows that the benefits of statehood are greater than its costs, and an effort to take power is economic. But the time of this collapse depends on the degree of development and the quantitative or qualitative increase of the source of the rent, to the extent that the accountability of the rent network is expanding and can reduce its entropy through institutional restructuring or other modifications. Accordingly, controlling the network's size and appointments within a network is one of the working procedures to the durability of the rent network. One of the arguments that illustrate the increase in the entropy of the rentier structures is based on the increase in transaction costs. Exchange costs have a direct relationship with uncertainty, and the rent, which in turn, is crystallized in the conditions of uncertainty, will be more valuable when increasing costs. However, with regard to natural resource rent, the population growth has led to a reduction in per capita rent and a gradual



withdrawal of the share of natural resource rent from the budget, but the rent network does not disappear because of the existence of accidental rents resulting from the inherent rent of those natural resources. The general equation is that the increase in population and the growth of interest groups leads to the development of a sticky state and the depreciation of the nominal value of the inherent rent. Thus, in general, in contrast to the inherent depreciation of the nominal value of inherent rent (nominal value depreciation of natural resource rent due to a global price reduction or population growth), the rentiers try to develop for compensation the accidental rents, or increase the exchange costs in the market and fostering uncertainty. This action and reaction is not necessarily programmed and can be evolved as learning and accumulated experience over time in the form of rational behavior.

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