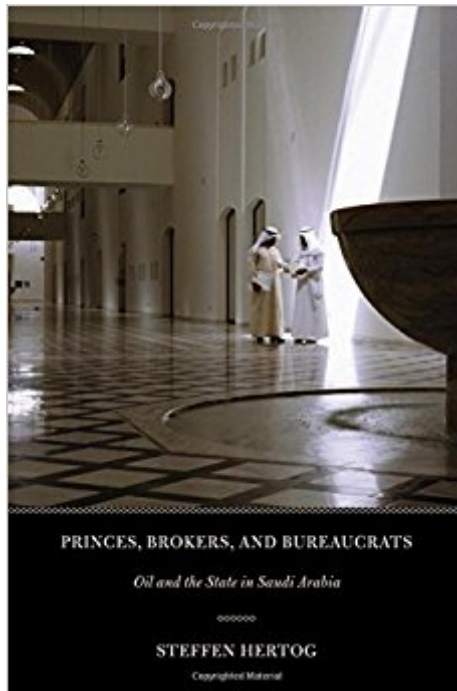


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Princes, Brokers, And Bureaucrats: Oil And The State In Saudi Arabia



Synopsis

In *Princes, Brokers, and Bureaucrats*, the most thorough treatment of the political economy of Saudi Arabia to date, Steffen Hertog uncovers an untold history of how the elite rivalries and whims of half a century ago have shaped today's Saudi state and are reflected in its policies. Starting in the late 1990s, Saudi Arabia embarked on an ambitious reform campaign to remedy its long-term economic stagnation. The results have been puzzling for both area specialists and political economists: Saudi institutions have not failed across the board, as theorists of the "rentier state" would predict, nor have they achieved the all-encompassing modernization the regime has touted. Instead, the kingdom has witnessed a bewildering mélange of thorough failures and surprising successes. Hertog argues that it is traits peculiar to the Saudi state that make sense of its uneven capacities. Oil rents since World War II have shaped Saudi state institutions in ways that are far from uniform. Oil money has given regime elites unusual leeway for various institutional experiments in different parts of the state: in some cases creating massive rent-seeking networks deeply interwoven with local society; in others large but passive bureaucracies; in yet others insulated islands of remarkable efficiency. This process has fragmented the Saudi state into an uncoordinated set of vertically divided fiefdoms. Case studies of foreign investment reform, labor market nationalization and WTO accession reveal how this oil-funded apparatus enables swift and successful policy-making in some policy areas, but produces coordination and regulation failures in others.

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Customer Reviews

"The book represents a wonderful piece of research and, I think, will soon become recognized as a classic with important ramifications for the study of oil monarchies in general." – Roger Owen, Professor of Middle East History, Harvard University

"Toward the end of his career, the great Yale political scientist Charles Lindblom advised us to abandon the hopeless pursuit of scientific 'laws' and 'discoveries' and instead concentrate on what we can indeed do well: correcting the discipline's own errors and getting the facts straight. Steffen Hertog does both with consummate style and skill in *Princes, Brokers, and Bureaucrats*." – Robert Vitalis, University of Pennsylvania

"*Princes, Brokers and Bureaucrats* is the best book yet on the formation of the modern, bureaucratic Saudi state. Steffen Hertog had a bird's-eye view, as a participant observer, of the processes he depicts. The book is destined to become a standard in explaining how politics in Saudi Arabia works." – F. Gregory Gause, III, University of Vermont

"It is an ability to see how politics shapes the structure and operations of the contemporary Saudi state that distinguishes Hertog's book. In a work characterized throughout by rigorous analysis, astute historical reflection and sharp observation, Hertog brilliantly illustrates the complexities and contradictions of an Arab rentier state." – G. J. H. Dowling, *Middle East Policy*, February 2011

"*Princes, Brokers, and Bureaucrats* is an extraordinary book. Impressively researched, insightful, and lucidly written, Steffen Hertog has laid bare the complexity of the Saudi state, including its history, the ways the state functions, the impact of oil wealth on its institutions, and the behavior of its bureaucrats. . . . It is no exaggeration to write that Hertog's book is the finest book ever written on politics and the state in Saudi Arabia, an unparalleled achievement. . . . Hertog's work reveals a number of wrinkles in the conventional wisdom on Saudi Arabia and the politics of oil states. Inefficiency and corruption exist in Saudi Arabia but so, too, do efficiency and professionalism. Where rentier theory predicts uniform patterns of government behavior, particularly in regard to corruption and paralyzing rent seeking, Hertog finds diverse patterns of behavior. . . . This book is the clearest and best documented work yet on the nuts and bolts of the Saudi government as well as its complicated bureaucracy and distribution of power." – Toby C. Jones, *International Journal of Middle East Studies* (2011)

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Book Review by M.R. Raghu, CFA, Head of Research, Markaz, Kuwait

The book is a great bird's eye view of Saudi bureaucracy. Saudi Arabia is a state that cannot be easily understood by a

layman. In some cases, actions can be very swift and decisive and in some other cases very long procrastination is usually the norm. The book serves a great deal to understand the background of the Kingdom from a political science point of view especially when the author notes that Saudi Arabia is probably one of the most poorly documented state in the world relative to its size. The book classically describes the growth of the Kingdom through the creation of new institutions, the parallel existence of radically different bureaucratic fiefdoms, strict centralization, clientelism, and diluted implementation of broader-based policies.

Background Whenever the Kingdom encountered a problem it created a new institutional island to subvert the process. These Institutional islands have been largely separated from games of brokerage according to the author. SAMA, SABIC, Saudi Aramco, Saudi Ports Authority, etc are great examples. Aramco is probably one of the worlds' best NOC's and one can clearly see the factors at play here.

Parallel to the creation of these islands, fiefdoms with more historical depth, such as Interior, Defense, or the religiously controlled judiciary, enjoyed deep roots and were difficult to coerce into submission. Another interesting background is the growth of religious ulama with extensive administrative powers more as a quid pro quo for modernization and development. However, this has imposed a huge cost on Saudi development. According to the author, such a cost can only be borne thanks to the rentier state structure of Saudi Arabia.

The book also notes that the great Saudi achievements of the boom period were projects: airports, industrial cities, roads, hospitals, schools, housing, water and electricity provision, and so on. However, this government capital spending, which had reached about half of the national budget, declined even below the replacement requirements of Saudi infrastructure over time due to demographic growth where up to 200,000 graduates entering the Saudi job market each year, and estimates of newly available jobs in the early 2000s were as low as 20,000. This heralded the birth of bureaucracy in order to accommodate the labor market entrants.

Bureaucracy Style Saudi bureaucracy was basically created to accommodate citizens entering the labor market. Given the lack of accountability and clear understanding of the bureaucracy as a distributive mechanism, inactivity was rampant and difficult to punish. Where required "Segmented and hierarchical system of parallel instructions that has provided stable and protected spaces for efficient bureaucracies accountable only to the top". "When royal attention is drawn to a problem, this often results in a sudden rush of activity among their bureaucratic clients, which however tends to be short-lived due to limits of the royal attention span and the bureaucracy's general penchant for inactivity".

Bureaucracy was seen more as a power center that enjoys obstructing and saying no than enabling. Poor planning ensured that employees were unequally distributed with some overstaffed and others crying for help. Lack of coordination was so rampant that "in Saudi cities, it often came to "battles of

the bulldozers" rival government agencies giving contracts for the development of the same areas. Refusing to coordinate their plans even after the fact, it was sometimes their respective foreign contractors who fleshed out a compromise among themselves."Case studiesIn pursuit of reforms, the book walks through three main areas viz., saudization, foreign investment and WTO and the impact of bureaucracy on all of these."When the General Investment Authority was created in 2000 as another "special administrative body" to take care of foreign investors, the regulatory turf was already so clearly divided among the Ministries of Commerce, Industry, Interior, and so on that the new organization found it hard to find anything to regulate at all".Key conclusionThe growth, development and existence of Saudi bureaucracy can be very unique. "The state still acts paternally, practicing top-down consultation with client groups rather than negotiation with an equal partner. Considering the importance of business for national development, the regionally unrivalled capacities of Saudi business, and the diminished resources of the bureaucracy, this seems a carryover from the time of state-led development".Clearly that is the message.

By far one of the best, if not the best, books on Saudi Arabia.

Steffen Hertog does a wonderful job in this book on the political economy of Saudi Arabia. He opens by asking a few questions, such as: "Why did infrastructure projects of the 70s and 80s succeed, but regulations of the 90s fail? Why did some policies get implemented while others foundered?"As he unpacks the institutions that form the Saudi state and narrates the history of their formation, Hertog strives to examine the successes and failures of the state at large. He argues that the kingdom has "islands of efficiency with explicit mandates to bypass state bureaucracy," on the one hand, while the government failed in three policy areas since the year 2000, on the other. The failures include the kingdom's inability to successfully implement the laws for the Saudization of Labor, laws for foreign investments, and policies for accession into the WTO.Among Hertog's "very efficient and capable parts of the Saudi State" are the Central Bank SAMA, the national oil company ARAMCO and the state-owned petrochemical group SABEC. Unfortunately, not all Saudi state institutions turned out to be as efficient as some ministries that became fiefdoms under the exclusive control of their respective ministers, princes and commoners."Ministries of Defense and Interior, the National Guard and the Religious Bureaucracy have reached a level of internal autonomy that is almost unrivaled among modern states," according to Hertog, who writes that some Saudi institutions have become states within the state.To make things worse, relations between the Saudi ministries have always been "vertical" rather than "horizontal." In other words,

relations between the different Saudi institutions go through senior bureaucrats and princes only, rather than through mid and low level civil servants. This vertical connection between institutions of the Saudi state, "with no ruling party, no parliament, and no organized press group that can force a stronger horizontal integration of the system," has meant that the kingdom has virtually no forum to discuss regulations or their implementation. The sharp division into fiefdoms has caused inefficiencies and at times overlaps. Hertog talks about the "war of bulldozers," when many contractors were assigned to the same projects. With the state's inability to resolve the differences, it was up to contractors to divide the work amongst themselves. Hertog also reports that at times, Saudi Arabia had more than "wanted" intelligence list. This means that some people might be on the black list of this security unit, but not on the list of the other. What made of the Saudi state what it is today, a mix of efficient institutions and inefficient ministries? Hertog believes that the answer lies in the "sociology of sharing the wealth." He writes that "money was used to pacify society at a political level." This, coupled with patrimonial traditions among the elite, made reforms more difficult. Despite his hypothesis, Hertog is careful not to label Saudi Arabia as a rentier state per se. He argues that "theories of the rentier state, for which the kingdom has always served as a primary example, are painted with too wide a brush." The author argues that the rentier state label suggests that the government in Saudi Arabia is autonomous from society, which is not the case. In Saudi Arabia, according to Hertog, the state "started this way," that is when the state - thanks to oil profit - was independent from society. Eventually, as the state started using money to integrate society into its rapidly expanding bureaucracy, the state became "committed to its clients," which in turn cemented the rentier model and made it difficult to reverse. Hertog believes that oil "made it possible to build the (Saudi) state from scratch," during which "elites created massive rent-seeking networks," with strict hierarchies centered on those elites. This made cleavages between institutions deep, and therefore reform more complicated. For those looking for a book on the political or social history of the kingdom, this is not the book (I suggest Robert Lacey's *Inside the Kingdom* instead). However, for those interested in a specialized public administration analysis of the Saudi state, this is certainly your book, and Hertog is your guy.

This book is basically a history of the Saudi oil industry and bureaucracy. This was one of 4 books I bought for a class, and was by far the most dull and uninteresting. If you're looking for theories on the resource curse try Michael Ross. But if you are interested in the development of Saudi Arabia this is your book.

A unique book that analyzes inner workings and pulling forces of the government, however, being focused, it is not recommended as a first book you read about Saudi Arabia.

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