CHAPTER 2

Neo-Rentier Theory

The proposed theoretical framework presented in this chapter aims to explain Saudi Arabia's domestic and international security behavior. The chapter is divided into five sections. The first section discusses the limitations of rentier theory as well as realism and liberalism in explaining rentier state's security strategies. Section 2 introduces the framework of neo-rentier theory, stressing the importance of opportunity cost for understanding relations of dependence. Section 3 describes internal and external security strategies of rentier states. Section 4 identifies different patterns of dependence and elaborates on measures of dependence between consumers and producers. Last section concludes with casual mechanisms linking the independent variable (patterns of dependence) to the dependent variable (security strategies).

Theoretical Limitations

Rentier Theory

Although proponents of rentier theory have attempted to interpret the domestic political dynamics of oil-producing countries, their analyses have been partially simplistic and ambiguous. In most cases the analysis of the rentier state did not go beyond conceptualization and descriptive analyses of the supposed correlation between rent and stability of an authoritarian regime (or lack of democratization). Indeed, rentier theory has a hard time explaining political implications under conditions of fluctuation in the oil market, which is not an unusual phenomenon in the daily life of the international political economy. In his analysis of the oil wealth effect on regime failure for 107 developing countries between 1960 and 1999, Smith concluded: “More importantly, despite what Beblawi and Luciani (1987) and others have argued, the durability effect appears to have been independent of consistent access to rents with which regimes can buy legitimacy, since the busts created no trend toward regime crisis or instability in exporting states.”¹ Focusing on Saudi Arabia, Fandy observes that

Had the assumption of the rentier model been sound, this period [referring to 1986 when oil price plunged] should have witnessed political turmoil.

Because of the relative stability of the Saudi polity during that period and the rise of opposition at times of greater increase in oil prices, we must look beyond the rentier model when analyzing Saudi resistance.²

Not only does rentier theory not address effects of fluctuation in oil prices and levels of expenditures, but omits from the analysis other oil-based mechanisms. Besides these drawbacks, the theory is silent on rentier states’ foreign policy. Although by definition the international economic system is vital for the survival of the rentier state, the theory does not address the role of oil in the relationship between domestic and foreign policies.

**Realism and Liberalism**

Realism has evolved and produced various theories; the most cited are classical realism, structural realism, and neoclassical realism. All three theories share common assumptions about world politics. These assumptions are the following: states are central units in the international system; states are rational actors; states are power-seeking as a means to an end; states live in an anarchic international system. Notwithstanding these similarities, each theory maintains a different research program, including divergent explanations and assumptions.

Classical realists claim that the source of power is political, economic, and military. In a rentier state, power is derived from providing other states access to oil resources and the ability to generate revenue from selling oil in the international economy. The logic of structural realism also fails to capture the idiosyncrasy of the rentier state, since the state is treated as a “black box.” Without knowledge of the internal characteristics of the state, the concept of rentier economy, which is the most important aspect of the rentier state, disappears from the analysis. Neoclassical realism also fails to capture the economic logic of rentier state. For neoclassical realist, national power is determined by the ability to the state of extract resources from the society. In contrast, the primary source of power for rentier state is oil reserves.

The tradition of liberalism enjoys an equally important tradition of theoretical scholarship. Fundamentally, the liberal approach is based on specific ideals; these are individual freedom, international law, protection of human rights, and free trade. More than realism, the paradigm of liberalism is sensitive to the internal characteristics of the state and importance of economic interdependence. In the view of liberal scholars, international economic transactions

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