DEVELOPMENT WITH UNLIMITED SUPPLIES OF CAPITAL: THE CASE OF OPEC

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THE sudden and tremendous wealth of the oil producing and exporting countries in the Middle East introduced a new phenomenon in the Third World development. Economic models and theories of development have neither anticipated such occurrences nor explained them well.

The major input factor in the development of these countries is their unlimited supplies of capital, a factor that has been considered the main bottleneck in most of the development schemes in Third World countries. This great wealth has, no doubt, produced dramatic socioeconomic changes in these societies; whether it has produced a self-sustained native development is questionable. The experience of these exceedingly rich but relatively underdeveloped countries deserves a closer look. They not only present a region of the world of great economic significance, but also a development model that is different from Western, Eastern, and traditional Third World countries.

In this paper, the author elaborates these features with specific data references to Kuwait, in particular, and to other oil producing countries in general. A main part of the analysis is devoted to the constraints on the development efforts of these countries. These factors include (1) manpower and labor constraints, (2) technology transference problems, (3) industrial countries' attitudes and cooperation, (4) the development of consumer-oriented society, (5) the creation of an elaborate welfare system, and (6) a wealth distribution pattern that perpetuates an elitist combination of affluence and poverty.

Development can be measured in many different ways. First, it can be gauged by using purely economic indicators, such as per capita income and average purchasing power of goods and services. It can, as well, be measured by other indicators, such as average per capita energy consumption, or average utilization of technological development, etc. All are measures reflecting the degree to which the people enjoy certain standards of living.[1]

Other measures of development focus on the sociological and political structure of society that enhances the quality of life and permits full political participation, equality of opportunity, women's rights, etc. Still another approach to development is measured by a countries' participation in the well-being of the

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[1] See, for example, the excellent collections of articles in A. N. Agarwala and S. P. Singh [1]. See also B. M. Russett et al. [23].

world and utilization of its resources and services for mankind's knowledge, science, technology, and culture.

With the first set of criteria in use, OPEC countries can be said to have reached an optimum level of development that surpasses even that of the highly industrialized societies. If we use per capita consumption of technological goods and services as an indicator of development, these same countries also fair exceedingly well. For example, the number of cars per family in Kuwait and per capita energy consumption are among the highest in the world. The opposite is certainly true, however, if we focus on other development indicators, especially those related to per capita productivity.

Normally, the discussion of underdevelopment or development refers to nations as units of analysis. Some observers believe, though, that OPEC countries represent deviant cases. For example, an author of a leading reader on development writes:

> Although Kuwait is the wealthiest country in the world as measured by its gross national product per capita, it is almost never included in analyses of the historical process of economic development. Kuwait is in many respects simply a factory extension of an international petroleum organization. [20, p. 14]

In this paper, we make the introductory argument that the current process of economic development in OPEC countries is in some critical aspect different from the pattern of economic growth of Western and Third World countries. It is more meaningful to understand their development experience in this light. From this perspective, we can better analyze their potential for building a self-generating economy capable of providing at least a comparable level of income once oil is depleted.

A. *Development with Imported Labor*

In the last twenty-five years or so, OPEC countries have witnessed a dramatic internal and external population movement. Low population density in the region has made it possible to import more and more immigrant workers.

The large population influx to relatively small societies has produced substantial social, economic, and administrative changes. These can be grouped into three basic categories: demographic, social, and economic.

The salient demographic trend is a quick increase in the size of immigrant population. This group eventually exceeded that of the native population, leading to an imbalance in the demographic composition of the population and augmenting a widely practiced segregation between the natives and immigrants. A sizable population movement to the region coupled with an intense internal migration to urban centers has created the city-state: a phenomenon unique in world urban structure. These urban anomalies have been accelerated by an intensive investment in social and economic structure since the oil boom.

On the sociological level, a large immigration and a high population turnover have created a society with a mosaic structure that exhibits both traditional and modern norms side by side. The differences between the native and the immigrant

TABLE I

LABOR FORCE DISTRIBUTION: NATIVES AND IMMIGRANTS (1975)

(%)

	Natives	Immigrants
Kuwait	30.6	69.4
Bahrain	60.4	39.6
Qatar	18.9	81.1
U.A.E.	15.2	84.8
Oman	66.0	34.0
Saudi Arabia	57.0	43.0

Source: [5, p. 132, Table 8].

TABLE II

LABOR FORCE PARTICIPATION RATE: NATIVES AND IMMIGRANTS (1975)

(%)

	Natives	Immigrants
Kuwait	19.4	41.4
Bahrain	21.4	53.6
Qatar	18.4	55.4
U.A.E.	22.5	55.2
Oman	24.9	53.4

Source: [5, pp. 131–32, 148, Tables 6, 8, and 33]

TABLE III

BROAD NATIONAL DISTRIBUTION OF LABOR IN THE GULF STATES: 1970 AND 1975

(%)

	1970	1975
Natives	31.2	26.4
Arab (non-natives)	35.1	31.3
Asians	17.8	33.4
Others	15.9	8.9
Total	100.0	100.0

Source: [4, Table 59].

characteristics of age, sex, marital status, education, etc., have affected the balance of the institutional and social structure and subsequently influenced the management of social relationship, as well as the structure of many services such as education, health, housing, leisure, transportation, and information.

Statistics on population and the labor force reveal the degree of dependency on foreign labor. The figures in Tables I–III show, as well, much higher labor force participation rates among foreign population in comparison to the native population.

From an economic point of view development process that is highly dependent on imported labor has both positive and negative aspects [3]. On the positive side, the service of more skilled foreign labor can be viewed as advantageous to OPEC countries. Imported labor has enabled these countries to obtain higher skilled and trained personnel without enduring the cost of their training. The majority of immigrant labor is also among the most economically active age groups. OPEC governments' strict control of visas and work permits has allowed a tight control of the job market and prevented large scale unemployment problems.

On the negative side, the Gulf States have been recently affected by the following: (1) an increase in the demand for labor by other states that were traditionally labor exporting such as Iraq and Iran, (2) a clear competition between the Gulf States in luring high-level manpower and rare skilled technicians, (3) the depletion of the labor supply from the traditional labor exporting countries, such as Egypt, Yemen, and Syria, (4) an increase in the importation of labor from Asian sources, such as Pakistan, India, and, to a lesser extent, Korea, a trend that is viewed with some alarm in view of its potential effect on the Arabic character of the region, and (5) an increase in return migration due to improvement in employment potential and standard of living in the home countries.

The indecisiveness in adopting a clear policy concerning the role of labor in these societies stems from having to choose between two opposing strategies. The first assumes that oil wealth is for the natives only and that immigration is a temporary phenomenon in the history of the region. The second calls for more stability for foreign labor and for a greater and more permanent share in national wealth.

At present the first strategy seems to override the second, creating a sense of temporality about migration to the region, adding to labor instability and preventing stronger commitment to the goals of national development [19].

The demand for labor and skilled manpower will continue to increase in the foreseeable future. This demand reflects in part the inadequacies of educational and training institutions in preparing a sufficient supply of skilled and trained personnel to meet the increased demands [12]. It is also a product of an ambitious development scheme that attempts to compress time by increasing investment and utilizing some of the available capital. It also reflects a growing and somewhat alarming tendency among native youth showing disdain for manual work and a reluctance to enter long-term professional training.

In brief, the capacity of the oil industries in creating long-term employment opportunities is questionable. Oil does not necessarily solve unemployment and underemployment problems in many oil states. In fact, it has created welfare unemployment and welfare underemployment, thus retarding any real social transformation toward development. The main benefits which such states derive from migration, however, remain to be short-term ones: raising the standard of living for the natives and stimulating the domestic demand and temporary skill acquisition.

B. *OPEC and Industrial Countries: Partnership or Dependency*

Although there are some noticeable variations in measuring the extent of economic dependency, some agreement exists on the meaning of the concept. Dependency was defined as a situation where the economy of one country or more is tied to the growth and expansion of others [7]. This case of development

TABLE IV

SELECTED DATA ON EXPORT AND OIL EXPORT

	% GNP from Export	% of Oil in Total Export	% of Oil Export in Crude Form
Kuwait	85	94.3	83.5
Iraq	61	98.6	94.4
Saudi Arabia	87	99.1	93.7
U.A.E.*	118	98.4	99.4
Bahrain	29.2	84.4	0.00
Qatar	—	98.2	99.8
Oman	69	99.0	—

Sources: United Nations, *Yearbook of International Trade Statistics, 1975,* Vol. 1; *Petroleum Economist,* 1975; and *Oil and Arab Co-operation,* Vol. 3 (1977), p. 141.
* Abu Dhabi only.

TABLE V

GOVERNMENT REVENUES FROM OIL EXPORT AND EXPENDITURE ON DEVELOPMENT PROJECTS

	% of Government Revenues from Oil Export*	% of Development Expenditure in Total Expenditure†
Saudi Arabia	94.0	67.0
Iraq	83.9	29.6
Kuwait	92.5	20.7
U.A.E.	97.5	48.4
Qatar	59.3	58.3
Oman	93.5	27.5
Bahrain	82.8	17.8

Sources: IMF, *International Financial Statistics,* January 1978; and [2, Appendix 14, p. 170].
* 1974.
† 1976/77 fiscal year.

emerges when the economy of the first cannot grow and develop except as an outcome of the growth and development of the latter. It was perceived as a case of satellite development that lacks self-generating or self-perpetuating elements of economic activities [10].

When considering the position of OPEC countries with respect to their dependency on others, it is clear that they exhibit typical features of economic dependency on Western economies including Japan.

The data on oil export illustrate these features very clearly (see Tables IV and V). First, the openness of their economy to outside forces through international trade is clearly indicated from the extremely large ratio of export to gross national product. Second, the fact that oil represents well over 95 per cent of all export indicates the large share of one commodity of the total export figures. Third, OPEC governments' revenue from oil export provides another clear demonstration of these countries' total dependency on oil for financing their social and economic development programs as well as other public expenditure. Finally, the fact that almost all of these countries export somewhat between 85 per cent and up to 98 per cent of their oil in crude form illustrates their peculiar form of development strategy.

Such abnormal patterns reveal a striking weakness and spell out a potential economic disaster. They illustrate a limited ability to redirect the economy toward the production of alternative commodities in cases of emergencies.

OPEC relationship with the West is not totally without a bargaining power that is not available in other producers of raw material. As a commodity, oil is essential to the world economy, which gives OPEC certain leverage with the oil-consuming nations. In addition, the concentration of oil production in a few countries has helped to create and maintain a cartel that exercises certain control over oil production and price.

Theoretically, since the West is in dire need of oil as a source of energy, and since the OPEC nations are in need for Western markets, technology, and investment opportunities, it appears that a relationship of mutual dependency, or interdependence, could create favorable conditions for effective cooperation [17] [28].

In reality, though, the superior military and economic might of the West, the constant threats, veiled and open, of military intervention in the region to guarantee the flow of oil, create a sense of suspicion and fear among OPEC members. Events in Iran and Afghanistan make this eventually very plausible. The conclusion to be drawn from the preceding analysis is that the West is the much stronger partner in this relationship, regardless of what has been said to the contrary.

The dependency of Third World countries on foreign technology is normally recognized as the most clear and perhaps serious form of economic dependency. This is believed to be so, not only because of the vital role that technology plays in the development process, but also because of some monopolistic policies practiced by industrialized countries and by multinational corporations.

In theory, OPEC nations appear to be in an advantageous position in comparison to other Third World countries. Their unlimited supplies of capital make it much easier for them to acquire new forms of Western technology. In reality, though, there are a number of limiting factors that constrain this advantageous position. First, because of a limited labor supply, these countries are forced to adopt a development strategy based on capital intensive as a substitute for labor. This heavy reliance on capital-intensive technology, in turn, increases their dependency on Western technology. Second, the increasing complexity of modern technology deepens this situation by creating a feeling of resignation about native abilities. Third, the insistence of many foreign contractors on providing packed technology (the factory with its keys) along with their elite skilled labor, technicians, and managers as part of contract agreements, though, allows a prompt and, perhaps, a more efficient execution of contracts, seldom enables the native to experience closer partnership, work involvement, and labor training.

The problem of technology importation and its transference is not peculiar to

OPEC alone.[2] In traditional Third World countries, the problem is attributed mainly to their poverty and inability to buy the costly Western technology. For OPEC, however, cost is not a serious problem. The question that arises is why these countries are incapable of adopting modern technology for development. One line of argument puts all the blame on multinational corporations since in most cases they tend to:

(1) direct their investment to areas for potential maximum profits regardless of its usefulness to the national economy of the host countries;

(2) utilize capital technology that relies on a giant corporate structure which, in turn, heavily burdens native administrative and technical abilities;

(3) provide highly complicated technology that is difficult to accommodate locally, causing the host countries great hardships in unpacking such technology; and

(4) request huge sums of capital to be earmarked as fees for consultants who are usually their employees and who have no interest in developing or innovating alternative technology that may be different from the criteria and specifications of the multinational corporations.

C. *The Role of Consumption*

Development is not only imported to OPEC but is, in a sense, imposed from the top on a captive system that is required to adjust to it. It is neither connected to the real forces of changes nor is it temporally harmonious with local conditions. It is, rather, based on the two axioms: power and wealth, neither of which is closely related to grass roots social forces. The power dimension is totally vested in the hands of the ruling families, who are the real authorities that control wealth and employ or deploy it for development.

The changes that take place in the physical environment, the development of new patterns of social and individual life, and the spread of consumer patterns and trade activities, though they resemble in form Western style, they remain alien to the historical evolution of the social and psychological characteristics of the native personality.

The relationship between a society that still belongs to the preindustrial stage of tribal structure and the products of Western industrialization is a relationship of contradictions. The end result of these relationships is the growth of a consumer-oriented mentality that shows an insatiable appetite for consumer product, but fails nonetheless to relate it mentally to its life and to modify it in accordance with the native conditions and surroundings. The acquisition of the latest products of Western technology without experiencing the development process creates a sense of schism between the convenience of these products and a deep-rooted desire to conserve the historical roots and the national peculiarities.

Consumer-oriented values represent a striking example of Western imitation. At first glance, the impression is one of modernization and urbanization, as well as impressive socioeconomic changes. In reality, though these new forms are merely a duplication of Western patterns that are only possible through wealth

[2] See, for example, UNIDO [27] and G. M. Foster [9]. For the Arab countries, see UNESCO [26] and Claire Nader and A. B. Zahlan [18].

TABLE VI
KUWAIT IMPORTS BY TYPE OF USAGE, 1970-75

(%)

Year	Total	Goods N.E.S.	Consumption Goods	Intermediate Goods	Capital Goods
1970	100.0	0.2	46.2	32.7	20.9
1971	100.0	0.2	46.2	35.1	18.5
1972	100.0	0.22	46.12	35.15	18.51
1973	100.0	1.1	46.2	34.7	18.0
1974	100.0	0.8	50.6	38.4	10.2
1975	100.0	0.6	44.7	28.4	26.3

Source: [13, p. 305, Table 231].
Note: N.E.S.=not classified.

and affluence. In some respects, it is reasonable to view this form of imported development as being an artificial replacement for a genuine, indigenous form of development [25].

How did this economic orientation toward consumption develop? What are the forces that sustained its growth? The wealth, the consumer preference of the upper classes, and the significance of trade as a major form of economic activities are all factors which account for the Western-type orientation toward consumption.

The development strategy, that is, consumption bound, is in part an outcome of the organic link between international capitalism and family corporate business. The cycle of consumer development makes it possible for the business families and their collaborators to engage in highly profitable trade, contracts, and real estate projects. This vicious cycle process, some distort as a form of international cooperation, technology transference, and even heavy industrialization. The promotion of consumption as the true meaning of development ignores production and leads ultimately toward foreign control not only of the purchasing power but of a major part of the allocated national wealth as well (see Table VI).

The ideology of consumer development has not only increased economic dependency on the West but has also produced far reaching social and cultural trends that are perhaps equally significant. First, it has created and maintained small artificial states in the region. These states are kept apart by the power of wealth only. The opposition toward regional economic cooperation and integration is due primarily to a fear from potential decline in the standard of consumption and reflects a veto against wealth sharing with other states in the region.

Second, consumption-centered development has created, as well, a stratified system of states, with the oil rich countries comprising a wealthy elite capable of yielding political influence stretching far beyond their demographic and military power. The isolation of these rich oil countries in political and geographical ghettos from the rest of the Arab world, which is relatively poor in capital resources, though seemingly rich in terms of labor skills, population, and culture, prevents grass roots interaction of capital, human, and natural resources.

Third, the power of maximum display of Western consumption imposes the fruits of two centuries of industrial and social development on a society that is basically traditional in character. It requires serious readjustment in social institutions, a highly compressed demand that created and will continue to create a number of social problems previously unknown in these societies in the pre-oil era.

Economic development requires technological progress, and technological progress requires capital formation. This statement is common to most economic theories of development, from those of Adam Smith to Karl Marx, and from modern Keynesians to the modern Marxists. For all these theorists, capital formation implies pressure to hold down or even to depress consumption and requires diversion of an economic surplus from immediate consumption to pay for future productive facilities.

Our theory of development with unlimited supplies of capital runs counter to these propositions. OPEC's unlimited supplies of capital, in principle, assure an ability for both capital formation and consumption. In fact, it can be argued that increased consumption may eventually lead to further capital formation and technological development. The problem lies not in a lack of capital supply but in the inability of the economy to locally manufacture consumer goods. In other words, it is economically beneficial for these societies to foster an orientation to consumption, the absence of which may save a fraction of their wealth but may add little to their capacity for purchasing technology. In the long run, the presence of a consumer orientation is preferred over its absence. By the same token, satisfying higher consumer demands locally will be more advantageous for both economic development and capital formation. Put differently, the big step for these countries to take is not to curtail consumption, but to produce its demand internally.

The question that arises then is why these countries are unable to meet their consumer demands through local industries although they own unlimited quantities of capital. Many factors account for that seemingly simple, though perhaps the most serious, aspect of their development model. Some of these factors are shared by other less developed countries, and others are peculiar to OPEC nations.

(1) The general inability of the local industry to compete with those of the industrial nations in cost and quality.

(2) The absence of resources and raw materials, especially food and agricultural products.

(3) The lack of trained labor and efficient management for the undertaking of such projects.

(4) A misplaced emphasis on large-scale industrial projects as a result of governmental control of many aspects of industrial development.

(5) The quick profit that private investors can accumulate from trade, real estate, etc.

(6) The industrial countries' restrictions on the right to locally produce certain technological projects.

Although cognizant of the long-run implications of a development strategy that is consumption directed and of the problems it creates as previously presented, a reduction in consumption is neither politically feasible nor economically advisable as a realistic approach that these countries can take. The solution to the problem is to build and to expand local manufacturing industries and capabilities that would utilize parts of their unlimited capital and put to work the unused capacity of other factors. This solution will, no doubt, require certain changes in the institutional structure of both public and private investment, greater control of inflation and the distorted price system, and new labor and management arrangements, as well as intra-regional cooperation. OPEC countries can more quickly acquire technology and technical skills starting with a technology of consumer goods rather than with capital goods.

The abundance of capital seems to induce policymakers to think mostly in terms of big and expensive technology. The constraints of other input factors require some rethinking about the utility of this conventional approach.

In comparison to other Third World countries, OPEC members stand a much better chance of achieving this objective. Their unlimited supplies of capital can help them endure any relative failures on this long road. Needless to say, without a deliberate government policy geared to achieve this transformation and without adequate public and private support, capital surplus alone will not make a difference.

D. *Savings and Investment*

Capital surplus dates back prior to the 1973 oil price hike, when both Kuwait and Saudi Arabia had several billions of dollars in both British and U.S. banks.[3] The initial response to the increase in oil prices following 1973 was manifested in absorbing some of the income rise along multiple steps which internally channel the distribution of new wealth through (1) different ownership schemes, (2) work opportunities for everyone who wanted it, (3) elaborate construction schemes in housing, road, transportation, and other physical projects, (4) a highly elaborate service system by which the state provides free education, housing, and medical care for native citizens, (5) substantial subsidies of basic commodities as well as an enlarged public assistance program for the less privileged groups, (6) a regional and international aid program, and (7) an expensive build up of armaments and a purchase of weapons.

Closer to 30–40 per cent of the national income of some OPEC countries is not spent in contrast to an average of 3–4 per cent up to a maximum of 10 per cent in Western countries. One doubts the appropriateness of defining this capital surplus as savings since it does not come from renewable income, but rather from a transformation of national wealth that is exhaustible. For example, the surplus in the balance of payment of Saudi Arabia is totally different from that of West Germany. The latter's surplus is sustained and guaranteed by a certain level of technological and economic advancement, while the former's constitutes a surplus of a forced exploitation of wealth that is exhaustible.

[3] See, for example, R. Mabro and E. Monroe [15], and "The Build-up of OPEC Funds," *World Financial Markets* (Morgan Guaranty Trust Company of New York), September 23, 1974.

The huge foreign investment of oil money presents a form of international balance of power that, in some respects, forces the oil producing countries to produce more than they can actually absorb [8]. The capital surplus invested in the Western economy is greatly affected by what goes on in these economies. Recent experiences with currency devaluation, especially the dollar and its effect on OPEC surplus, need little elaboration. This problem is compounded by the fact that those who are in control of OPEC surplus capital are the main consumers of their oil [6].

The OPEC members that have the largest oil surplus are those with the lowest absorptive capacity, namely, Saudi Arabia and Kuwait. The first is credited with approximately 50 per cent of all accumulated surplus in the late seventies.[4] The accumulation of high capital surplus led to the dominance of international banks and institutions in the economic life of these countries. National banks and finance centers are, in reality, extension posts of the multinational ones. The financial structure that is developed to handle the circulation and investment of these surpluses is primarily oriented toward the collection and exportation of local capital toward Western investment.

Much has been said concerning future capital surplus of OPEC. Some inflated projections of this surplus forecasted an eminent OPEC ownership and control of the major international corporation. Realistic estimates, though, project a surplus of 250–300 billion dollars in 1980, a figure that is large in absolute terms. When it is compared with the amount of Third World countries' debts to industrialized countries it is actually less [2].

In sum, the huge surplus being created in Western countries has increased, rather than decreased, OPEC countries' dependence on Western economy and has tied them irreversibly to Western capitalism.

Internally, an unlimited supply of capital in itself is not a sufficient condition for development. The amount of capital in use within a country is probably more significant than the amount of capital owned within or outside the country. The rate of capital invested to capital owned by OPEC members is much lower than in Western countries. This lower rate is due in part to the limited absorptive capacity of their economy, a problem which stems from several factors:

(1) the relatively low population base in these countries which puts some limit on the size of the market;

(2) the relative weakness of the economic infrastructure and capital assets in the industrial sectors;

(3) the sectoral imbalance that is dominated by oil in respect to revenues, and by services, in respect to employment;

(4) a price mechanism that is way up above the real value, especially in real estate, land, and nonindustrial properties;

(5) a high inflation level that is soaring above the international average and limiting real gains from further investment;

[4] *Petroleum Economist,* August 1975; see estimates of each of: Livie, Morgan Erving, and Citibank.

(6) the availability of attractive or alternative accelerative investment opportunities in Western economies; and

(7) a wage mechanism that is tied to inflation and to oil revenue and is remotely connected to real productivity.

Because capital is unlimited in supply, most investment is income generating rather than capacity creating, especially private investment. Government investment, unfortunately, has not corrected this neglect for capacity creating investment.

In conclusion, the increase of capital in the input mix, however substantial, is not a substitute for effective control of the direction of investment. Nor is the relative mix of the new surplus with other input factors. Capital deepening was made possible, but the low level of production function stems mainly from qualitative factors.

E. *Wealth and Welfare: Welfare Capitalism*

After centuries of relative isolation, poverty, and backwardness, OPEC nations suddenly own wealth the size of which had been previously unknown to any society. Part of this sudden and tremendous wealth is being gradually invested in an expanding complex program of social welfare and social services [24] [21].

Although at the present some minor differences exist between OPEC countries, the majority of them seems to follow Kuwait's footsteps with respect to their overall welfare and social policy.

The inclusiveness of services programs is manifested not only in the traditional welfare and public assistance programs, but also in a variety of free public services in many areas, such as education, health, housing, information, leisure, mental health, and specific programs serving the family, the youth, the aged, the handicapped, social security programs, and subsidies for food commodities.

Such a complex set of free public services for so many diverse social groups indicates how wide a circle of responsibility is assumed by the governments. This enlarged system not only has created a public service consumer society, but also has produced new forms of people's expectations, work orientation, and citizenship claims.

The impact of wealth on the normally lagging social structure results in some disruptions in traditional norms, weakening old behavioral patterns, and generating new ones. In this stage of transition, new norms have not totally replaced old ones, and in some spheres of social conduct, a state of normlessness seems to prevail.

It is clearly obvious that we are here confronting a very complex phenomenon that requires careful scrutiny; there is, therefore, a need to limit this discussion to two sets of norms which we feel adversely affect the deveolpment efforts. These, we will label the "traditional" and the "welfare" norms. For example, one can easily observe a lag in the accommodation of traditional norms to the new legal and administrative structure manifested in a pervasive nepotism, meddling, and public disdain for authority. Other manifestations of these traditional norms can be found in the layman's attitude toward new medicine, the student's aloofness toward certain educational subjects and training, and the native's disrespect for certain jobs and occupation.

The policy of massive service and welfare programs have helped to create the following:

(1) an attitude of service consumption that goes all the way even toward using illegal means, to get more out of the system;

(2) a passive and resigned attitude toward self-help and self-generating opportunities; and

(3) a greater expectation that is not connected to personal contribution to the system, but rather tied to increase in oil revenues.

Were policymakers wrong in promoting such an elaborate system of services to begin with? Our answer is no. Evaluatively, we base this assessment on several factors:

(1) Given the low levels of education, health, and welfare of the population, the government has no choice except to expand efforts toward raising the social, educational, and health status of the population.

(2) Only the government can contract, import, and administer such large-scale service programs, with what it takes from professionals and paraprofessionals, technology and equipment, facilities and organizations.

(3) Administering these programs free is one way of guaranteeing a bottom line of the much needed services for all citizens, regardless of their socioeconomic status.

(4) Government investment in these programs, although substantial, in purely economic terms, is one major form of wealth dissemination.

(5) These programs remain the main source of employment even though they seem to have created a form of service underemployment.

The other alternative to this system of welfare capitalism is an outright cash distribution. In a society that builds from scratch, there is no alternative to government intervention and especially in the development of social programs, which, if left totally to the market mechanism, would never receive the serious attention of private investors.

To clear out what may appear as some contradictions, our criticism of the social welfare system points to some of its intended and unintended consequences on development. The problems that seem to surface result from the way the program is administered, and not so much as an outcome of their basic philosophy. Nevertheless, OPEC governments' responsibilities for providing such services have been widely accepted. These service programs have become so entrenched that it is politically difficult to alter or to transfer to the private sector should this sector prove capable of doing a better job in the future.

F. *Wealth, Stratification, Bureaucracy*

The intricacies of the social structure of OPEC can be better understood using an analytical framework that is based on three traditional dimensions: tribal, ethnic, and extended family. Any account of the class structure using the regular indicators of income, education, and occupation does not explain very well the nature of the power, prestige, and privilege relationships. The conspicuous absence of concrete data on wealth (not income) distribution, as well as the inconsistency between the different class indicators, makes any academic reference to the stratification system according to the Western model seem irrelevant.

Comparing the pre- and post-oil demographic, occupational, educational, and income conditions, it is hard, nonetheless, not to notice a trend toward a new form of stratification. While these emerging forms retain the old dimensions, they incorporate new ones. It is best to describe them as a hybrid system of old and new determinants of wealth, status, and prestige.

It is beyond the scope of this paper to outline in detail the emerging system of stratification in OPEC nations, especially at this period of rapid social and economic changes. Wealth, nonetheless, has produced certain political and economic stratum and property relationships that can be roughly identified as follows:

(1) The workers, or the class of labor. Though substantial in size, this group has not been able to crystalize in a coherent class structure in the true meaning of this term. The workers are basically traditional in outlook and perspective; they are mostly service workers that lack industrial traditions and concerns. The ethnic loyalty of the immigrant labor overshadows any real class loyalty. The natives' loyalty remains fixed to familial and or tribal sources. Though immigrant labor experiences some form of exploitation and differential treatment vis-à-vis the natives, their frame of reference relates their present conditions to previous ones in their native countries, which minimizes their feeling of exploitation and relative disadvantages. The elaborate welfare system provides them with part of their essential needs and services. The bureaucratization of this segment of the labor force still has a long way to go, partially because of the high labor turnover and partially because of their inability to organize in a collective way.

(2) The middle class or the salaried class, as a broad composite of heterogeneous groups, exhibits inconsistent levels of income, education, and life style. It includes government officials, employees of private and public companies and agencies, and small businessmen. Though this class represents the majority of the population and utilizes the major part of the state services, its contribution to the national economy is less than proportional. Their orientation to consumption and their immediate preoccupation with self and family matters distinguish it as a relatively conservative group.

(3) The upper class is a composite of a number of slices: some belong to the ruling families; others are wealthy merchants and businessmen; some are wealthy by birth, and others have accumulated new wealth. The latter distinction is highly visible in these basically traditional societies. This class has direct and indirect influence on the political and economic structure. Its immediate concerns are to accumulate wealth through trade, to land government contracts, to sign agencies of the national and multinational corporations, and to enlarge family business. The majority of the members of this class is conservative in outlook and opposes any serious sociopolitical or economic changes in favor of the status quo. A small though growing minority of this class shows some liberal inclinations manifested in its political stands for a more participatory democracy.

(4) The elite or the small group on the top of the class structure is mostly from the inner circle of the ruling families and their very close political associates. They control the decision making process and exercise this power in a paternalistic fashion. Though conservative in outlook, they try to maintain an equilibrium between the competing demand of the different social groups.

The sudden and tremendous wealth has some adverse effects on several aspects of the social structures that ought to be recognized in this context of development potential.

First, oil wealth, coupled with differential access to it, supports existing inequality structure not only between natives and immigrants, but among natives as well. In fact, from the available data obtained from the family budget survey in Kuwait 1978–79, the difference between native families seems to be more pronounced than among migrants' families [14].

Second, in a society where wages are not determined by productivity, it is difficult to assume a unified basis for wealth distribution. While in some instances it may be based on supply and demand of certain skills, in others, it is based on natural origin, two different and conflicting criteria. Even though, wages are much higher for non-natives than those available in their home countries; wage differential based on national origin nonetheless creates a feeling of inequality and discontent which is no doubt reflected in lower commitment and concern for national advancement.

Third, in a society where wealth distribution is determined by tribal belongings, it emphasizes tribal dominance and influence and increases diverse claims for such wealth, thus enhancing the orientation to power and wealth among the elite.

Fourth, a material wealth in a traditional society can and, in reality, does lead toward a slower path of social change, especially for women. Wealth has been a mixed blessing for the status of women in these societies. On one hand, it has enhanced their opportunity for education, opened their world to Western ideas in fashion and household activities, and, on the other hand, it has prevented a grass root participation of women in economic activities.

Finally, for understanding better the role that wealth plays in fostering achievement orientation [11] [16], we have to ask if this sudden and tremendous wealth enhances or actually hinders the achievement orientation. On one hand, wealth can be said to definitely ferment such needs by making them more realistic and plausible. Wealth increases the possibilities of greater wealth and ignite the desire for further accumulation of wealth. This is the case in the industrialized societies. It is possible, though, that such a sudden, dramatic, and easy wealth creates a sense of complacency about it and augments desires for the display of conspicuous consumption of material goods. Empirical findings will no doubt show the two orientations to exist side by side among the elites of these countries.

OPEC countries present no exception to what is widely believed to be a major dimension of underdevelopment of the Third World countries, namely, the non-pervasiveness of rational organization of economic activities. The traditional aspects of the institutional arrangements are not conducive to progressive economic rationality and approaches [29]. Though wealth has made greater benefits from expert opinion possible, it has also created as well a permissive attitude toward resources and idle capacities.

Even though many changes have taken place in the legal administrative structure of these basically traditional societies, their operative principles are neither efficiency nor expediency. This new system was best described as a "bedoaucracy," a form of organization that combines elements of both bureaucracy and bedouin societies. As a concept, "bedoaucracy" involves the preoccupation with red tape and routine requirements, the enlargement of agencies with no corresponding increase in output. It also practices solving new problems within a framework that is paternalistic and traditional. As described by one observer, "bedoaucracy" stems from the discrepancies between material wealth and sociological stagnation [22, pp. 133–40]. In its administrative function, loyalty to family and kin, nepotism and obedience substitute for efficiency, productivity, and rationality. This hybrid type of administrative practices adopted the form of modern bureaucracy, but retained the traditional ways of decision making process.

Conclusion

The role wealth plays in determining the patterns of OPEC's economic growth and development is a subject of controversy. On one hand, it can be argued that: (1) The ability to finance any conceivable development efforts through local means is available for the region as a whole and for each country. This condition solves one of the most complicated problems of development for Third World countries in general. (2) The unlimited supply of capital that is available for OPEC mitigates other development problems as well. (3) The accumulation of wealth is in principle a strong incentive for greater investment and for the creation of an appropriate climate for further investment.

On the other hand, it can be said that the mere abundance of capital, in itself, does not guarantee development. There are a number of specific problems which are difficult to overcome in spite of the unlimited supply of capital. Some of these problems can be listed as follows: (a) The unlimited supply of capital lessens the urgency for adopting a vigorous policy aimed at inducing serious and substantial social and economic change. In other words, wealth helps to maintain rather than to change the status quo. (b) The wealth distribution patterns favor a fortunate small group at the top who manipulates wealth through conspicuous consumption, which is neither productive nor equitable. (c) Wealth standardizes the activities of the population by stifling incentives for greater production and hard work and reinforces traditional customs.

Theories that apply to Third World countries are inadequate when interpreting the experience of the OPEC. Theories of traditional capitalist societies are, as well, incapable of explaining this new capitalistic order. This generalization neither implies that OPEC faces unique problems in their efforts for development nor means that these problems require unique solutions.

The peculiarity of their experience deserves a new world classification of a "fourth world countries." A group of countries which exhibit the contradictions of wealth and the ailments of underdevelopment. The difficulty in presenting a framework for analyzing this phenomenon is compounded by the interaction between a set of a conventional variables creating a totally new structural configuration.

Oil's ability for creating a multiplier effect to other sectors of the economy as well as advancing forward and backward to other productive activities is extremely limited. The capacity of this sector is so far circumcised to providing hard currency with no real power for creating autonomous and sustained economic growth.

The extreme specialization has in fact led to the demise of many traditional economic activities that were prevalent in the pre-oil era. The death of many traditional crafts, local industries, and the noticeable decline in agriculture capacity (Iraq, for example) can be directly attributed to oil wealth.

Although it is somewhat premature to claim an elaborate model of development which explains all of their experience, its salient features were ascertained in this paper. These include the following: (1) The development strategies in all of these countries are based on imported labor, imported technology, imported food and consumer items, and imported social and human services. Their development process can be best described as a model of imported development. (2) These countries go through a highly compressed development scheme that is temporarily governed by the revenue of an exhaustible commodity, on one hand, and the limits of their economic absorptive capacity on the other. (3) Their development efforts are totally financed by oil revenues. For example, 97 per cent of Kuwait's gross national income in 1978 was from oil. Never before that a single commodity constituted such a large percentage of any countries' national income. This particular feature makes them highly vulnerable to what goes on in the economies of the industrialized nations. The latter's dependency on oil supply as a source of energy has created as well a sense of partnership. Though this relationship is marred by occasional conflict and mutual threat, it added a new dimension to their development experience. (4) These oil producing countries started their development efforts from a zero point. In building their economic base, they began from scratch. From a zero bench mark point of comparison, their investment return appears so impressive, though it is definitely much lower than comparable investment in the more advanced economies. And finally, their model of economic development is highly influenced by sociocultural factors that vary considerably from those of other nations.

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