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# Deserts In The City: White Land And Regime Survival In The Gulf

MAMDOUH SHOUMAN

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# DESERTS IN THE CITY: WHITE LAND AND REGIME SURVIVAL IN THE GULF

By

MAMDOUH SHOUMAN

Under the Direction of Michael Herb, PhD

## ABSTRACT

The problem of ‘White Land’ (undeveloped urban land that is temporarily withheld from the market to increase land prices) emerged in Saudi Arabia as an unintended consequence of a survival strategy of land distribution to elites. Unfortunately, such a situation has become a daunting problem that kept the citizens of the kingdom remain unable to address their housing needs given ever-rising prices. To the contrary, despite its political, social and economic similarities, we do not witness citizens of the neighboring country of Oman suffering from the unaffordability of the housing market in their country. What does explain the variation in these two countries? In this dissertation, I argue that the prevalence of ‘White Land’ and the obstacles it poses to Saudi Arabia is an unintended outcome of a historical survival strategy to distribute

land to the newly created elites. Saudi Arabia replaced its old established elites which had a considerable economic power with new ones that lack such an economic base. Such a historic decision by the government, and its land distribution strategy, resulted in the new elites' domination of the real estate market to enrich themselves, which in turn put the greater citizens of the kingdom at risk. On the other hand, however, the old established Omani elites have not been replaced, which points to the fact that the Omani government did not face similar obstacles like what we see in Saudi Arabia. In this project, I explain that because the Omani elites' economic base is not only dependent on land speculation, the impact on the housing market and the citizens' ability to afford them has been very much minimal. Therefore, using this comparative case study, the dissertation further assesses why the Saudi government is unable to come up with a working policy to address the housing crisis. In arguing as well as explaining such a question, I have utilized case studies of the two countries using the comparative method and interviews that I conducted throughout my fieldwork in the two countries.

**INDEX WORDS:** Authoritarian Survival, White Land, Elite Co-optation, Monarchical Institutions, Rentierism, Middle East

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by

MAMDOUH SHOUMAN

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Doctor of Philosophy

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2017

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2017

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December 2017

## **DEDICATION**

I dedicate this dissertation to two wonderful people in my life, my mother and my wife, who have given me unwavering support and encouragement throughout my doctoral journey.

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## 1 CHAPTER ONE: INTRODUCTION AND THEORY

### 1.1 Introduction

It is estimated that around 70 percent of Saudi Arabian citizens do not own homes (Arab News, 2014). Another statistic estimates Saudi Arabian citizens' homeownership at around 46 percent (Alarabiya.net, 2016). Here, it is important to note that homeownership in Saudi Arabia refers to owning one or more housing units (villas or apartments). Citizens who do not own homes typically either live with their parents who own such properties or in rental houses. Hence, the fact that there is a large percentage of Saudi citizens who are unable to purchase a housing unit, whether a house or an apartment has been a difficult challenge. 'How can homeownership be significantly low in a rentier state that enjoys windfall income from oil revenues', therefore is an extremely important question.

Saudi Arabia, as an absolute monarchy, that has survived in its hold of political power in part by relying on its welfare programs satisfying some of such needs, which include providing housing to citizens. However, in this oil rich monarchy, the fact that shows most citizens do not own their homes remains an issue of concern for both citizens as well as the government. How can that occur? Declining homeownership rates in some countries can have political consequences, yet rarely it reaches to a point where governments consider it a priority to the polity's stability regardless of how much they look concerned about it. In the case of Saudi Arabia, nevertheless, the increasing number of citizens not owning homes is also considered a political priority as exemplified by the late King Abdullah's response to the Arab uprisings in 2011 by establishing a new Ministry of Housing and a fund that launched housing programs with a budget of \$66 Billion Dollars.

Many Saudi economists argue that the main cause of declining homeownership (e.g. only around 46 percent of citizen homeownership [Alarabiya.net, 2016]) is due to a phenomenon called “White Land” that is commonly understood as: undeveloped urban land that is temporarily withheld from the market to increase land prices. As a result, the fact that the size of White Land that is undeveloped or unused is huge has raised land prices significantly, and that is by design. Moreover, prices of homes are set at artificially high prices due to the impact of such phenomenon of White Land. Saudi Economists have also provided us with the economic data<sup>1</sup> that explains the cause of rising prices of land due to the prevalence of White Land in the real estate market, but Saudi political scientists have not produced research that provides the political explanation into why White Land is there in the first place and why has the government was not able to resolve it until now.

To put this explanation in light of our political understanding, the dissertation attempts to explain such a challenging problem in terms of the literature in the strategies of authoritarian survival and elite co-optation mechanisms via land distribution to explain how the political regime through many decades used land as one of the most vital ways of appeasing the strategic interests of the elite. The regime’s behavior with regards to its interactions with elites is therefore analyzed within the framework and constraints of domestic institutions that help authoritarian survival, namely the monarchical institutions. The main questions of this dissertation become, why the Saudi Arabian monarchical regime failed to effectively deal with the issue of White Land, which resulted in a housing crisis? This is a question that unfortunately never enjoyed the deserved attention it must have been paid to. Furthermore, when looked at a comparative perspective, the same phenomenon is comparatively less impactful in a neighboring monarchy,

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<sup>1</sup> Most of the data is published in ‘Aleqtisadya’ (The Economic) Saudi newspaper. See for example, (Al Amri, Kayf Nuqdi Ala Alazma Al Aqaria? [How Can We Eliminate the Real Estate Crisis?], 2015)(Al Amri, Aham 10 Hulool Limowajahat Azmat Al Eskin [The 10 Important Solutions to the Housing Crisis], 2015)(Aleqtisadya, 2017).

Oman, a country where a stable housing market exists. What does explain this variation? In addition, what are the political implications of the prevalence of White Land?

Through an effort to examine the variations in the political economy of White Land in Saudi Arabia and Oman as comparative case studies, I believe that we could further elucidate the reasons behind the housing crisis in Saudi Arabia and understand the underlying causes that influenced the phenomenon to have a lasting impact on the lives of the Saudi citizens at large. To reiterate, it is estimated that around 70 percent of Saudi Arabian citizens do not own homes (Arab News, 2014). On the other hand, despite the fact that White land was an issue in the Sultanate of Oman (Al Bosaeedi, 2014), we do not see the same extent of housing crisis that is evident in the Kingdom of Saudi Arabia. The fact that Oman suffers less of a housing crisis (Oman has an 89 percent home ownership rate [Al Rowaishid, 2015]) could be attributed to active government regulations as well as legislations of new land laws to resolve this issue (Makkah News Paper, 2014), which explains the variation to some extent. This dissertation, in that respect, therefore attempts to explain the phenomenon by clearing the way for a bigger project in this actual research project and future similar undertakings.

State stability, order and survival are global endeavors taken by all states irrespective of their political configuration. The processes and strategies of achieving these endeavors vary from one state to another. One among various authoritarian survival strategies adopted by governments is the strategy of land distribution to elites; an under-researched strategy in the literature.<sup>2</sup> This strategy has paradoxical effects; on the one hand, this strategy assures that elites remains loyal to the regime without possible dangers of dissent or defection in the long run. On the other hand, it contributes to the rise of land prices, which satisfies the very elites who control

---

<sup>2</sup> Examples of survival strategies: Taking advantage of the legislature (Ghandi & Przeworski, 2007), Adopting policies that hinder the economy (Mesquita, 2003), Land distribution (Albertus et al., 2014), etc.



such resources, but puts many citizens in jeopardy, which could also negatively impact the stability of the country at large. Hence, I argue that the following main causal mechanism better explains how such is an important issue in the Gulf monarchies in question in this dissertation, i.e., Saudi Arabia and Oman.

**Main Causal Mechanism:**

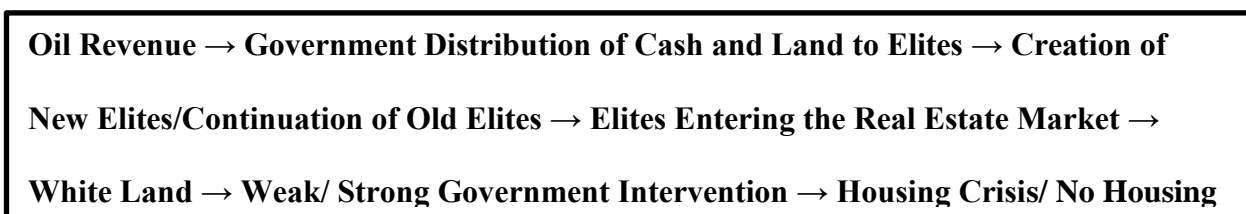


Figure 1: Causal Mechanism.

This main causal mechanism above takes into account the main variables, with their causal chain order that have led to the housing crisis outcome that Saudi Arabia suffers from while it led to the opposite outcome in the case of Oman.

It is argued that the economic explanation of White Land in Saudi Arabia asserts that the presence of these significantly large parcels of land artificially limit the supply of land and, therefore, land prices skyrocket (Al Amri, 2015, b). This makes it difficult for average Saudi citizens to purchase their own homes. Similarly, although Oman has faced a challenge of the effects of White Land, but to a lesser extent (Al Bosaeedi, 2014), the outcome however, remains less impactful in comparison to Saudi Arabia. This variation in outcome between Saudi Arabia and Oman is therefore what the dissertation further analyzes moving forward.

## *1.2 Scope of the Dissertation*

In doing so, this dissertation utilizes a “structured, focused comparison” (George & Bennett, 2005, p. 67) of both Saudi Arabia and Oman under the “most similar systems design” (Przeworski & Teune, 1970, p. 32). This design in which this dissertation is structured according to, controls for many similar independent variables that sort out the main independent variable that explains variations in the dependent variable (Przeworski & Teune, 1970). Hence, this design also attempts to account for the main independent (the creation of new elites/ persistence of old elites) variable that also tests my arguments that compare Saudi Arabia’s case vis a vis Oman’s. Here, we find that the explanation of White Land is not merely an economic one. Rather, the political strategies of authoritarian survival via elite co-optation, I argue, explains this phenomenon. It is also crucial to note that while the issue of White Land is a problem that I attempt to assess, I however, find the phenomenon a result of the political regime’s appeasement of the elite by providing them ownership of the undeveloped land, which in turn very much become responsible in the creation of the unintended consequence of the making of the issue of White Land that resulted in a challenge that needs further analysis in this project. In other words, both governments used land distribution to elites as a survival strategy and that led to an unintended consequence of the prevalence of White Land in Saudi Arabia.

In this dissertation, therefore, I focus on four central premises that mostly explain how the distribution of urban land serves the political explanation for authoritarian survival in my cases. The central premises of the main argument are:

1. The replacement of pre-oil boom elites in Saudi Arabia with new oil-boom elites in the 1970s (Chaudhry K. , 1997) explains the prevalence of White Land, to some extent. On the other hand, the continuity of pre-oil boom elites (old

established elites) in Oman after the 1970s oil-boom (Allen & Rigsbee, 2000), show that it has not posed an obstacle to the Omani government to address the issue of White Land. The empirically backed and theoretically explained argument reveals how elites' economic base is crucial in the prevalence of White Land.

2. The creation of new Saudi elites after the 1970s oil-boom (Chaudhry K. , 1997) has brought about new groups that are in need of assets and resources for revenue. And, while, as the resource curse literature reveals, Saudi Arabia's domestic economy is not diversified because it is heavily reliant on oil, the most profitable market is real estate. Hence, these new elites need an economic base for profit, so they have dominated the real estate market (the main profitable market) and the government wants to assure their loyalty. In turn, the Saudi government cannot easily resolve the problem of White Land, because the government created them (new elites) in the first place as means for survival. Therefore, for the Saudi government to resolve the issue of White Land it will deal with the only economic base for profit of the new elites. This means any strict economic policies that are directed towards White Land will have a great impact on the new elites' source of profit and will make them resist those policies.
3. Here, the most important point that should not be overlooked is that, as a result of the regime's success in securing the loyalty of those newly created elites that now control such undeveloped lands, the regime understood that it has to avoid addressing the issue of White Land, which became a real difficult challenge given the interest of these elites in the phenomenon remains very strong. Because, if the

regime attempts to formulate a new policy that becomes enforceable, it will anger the elites who could consider it an attempt by the government to limit their influence. Therefore, the regime now, has to admittedly suffer from the creation and empowerment of the elites, as a result of its unintended or not so predetermined consequences that led to the issue of White Land, becoming a political risk that should not be touched for the time being.

4. In Oman's case, however, the old elites have established themselves economically before the 1970s oil-boom (Allen & Rigsbee, 2000). Thus, after the oil-boom and their unshaken place in Oman, White Land does not constitute as the only economic source for them (Omani elites). In turn, once the Omani government realized the issue of White Land, the Sultan easily passed detailed laws that deal with White Land, and land regulation in general, without fear of affecting the survival of his government.
5. Counterfactually, if Oman created new elites like Saudi Arabia (new elites without an economic base), it is suggested that Oman might have similar obstacles like Saudi Arabia in passing new land laws. Thus, when the Omani government wanted to deal with the issue of White Land, it was comparatively easier than Saudi Arabia, for which Omani elites' reliance on White Land for profits is not the only resource they have for their economic base. Hence, Omani elites were not an obstacle to the Omani government when it wanted to resolve the issue of White Land.

The five mentioned premises of my argument can be summarized into the main argument of the dissertation: The distribution of land to elites, which unintentionally led to White Land, is a government strategy for survival. Doing so assures the loyalty of the elites and enabled them to make profits off the phenomenon. We can also discern from the previously mentioned premises that variation in the economic bases of elites in both monarchies leads to variation in the elite co-optation strategy adopted by the monarchical institutions, which in turn, leads to the main variation in outcome of White Land in the real estate markets. Moreover, the issue that I explained in point number three, which is about the unintended consequence of the survival strategy must be noted.

Based on the main argument of this dissertation, the following two hypotheses are specific to the case studies:

H1: The Saudi new elites depend on land for profits, resulting in a difficulty for the government to regulate the real estate market.

H2: The Omani old established elites have sources of profit other than land which, in turn, made it less difficult for the Omani government to regulate the real estate market.

The overall argument that the role of the monarchical institution not only emphasizes the maintenance in the coherence within the ruling family, but also shows how this particular institution deals with the daily politics of survival in assuring the loyalty of elites even if it leaves out the interest of the its citizens in a vulnerable state, because of the unintended consequences as a result of the existence of powerful elites that own the White Land. Indeed, we see that although it is imperative for the monarchy to have coherent elites that are loyal, but in the case of

Saudi Arabia it comes with a price. Thus, the issue of White Land has put a burden on the Saudi monarchy's survival in a different way as it is now facing a growing number of citizens not owning their homes. This issue is also interesting to investigate given that Saudi Arabia unknowingly put itself in a paradox that requires a balancing or a tradeoff between responding to elites' interests in distancing itself from the real estate market, while avoiding the interests of the citizens, which will eventually have an impact on the survival of the monarchy. Or, responding to the interests of the citizens in resolving the issue of White Land, while avoiding the interests of the elites which will also put the coherence and loyalty of the elites in potential jeopardy. Explaining the underlying causes of this phenomenon, as this dissertation aims to, will essentially contribute to the literature of authoritarian survival and elite co-optation mechanisms used by the Saudi Monarchy. Thus, this will fill the gaps in the literature in contributing to our understanding of the issues the monarchical institutions deal with for survival.

Given the scope of the project I have discussed thus far, we see that the issues that have been addressed in helping with our understanding of authoritarian survival in the Gulf monarchies in general and a case of Saudi Arabia in particular, are yet complete. This is because the broader comparative literature, which I will address in the literature review, has either neglected or did not pay deserved attention to factors like the issue of White Land and their further contribution to our understanding of authoritarian survival in the region at large. Hence, I believe that this dissertation, in that respect, will contribute in expanding our understanding of authoritarian survival even further. It is also vital to note that the fact that this project focuses on the overall phenomenon up to early 2017 alone, might not fully address the recent developments to a certain extent. However, in the conclusion and policy recommendation part of the project, I

will also provide further analysis to how the issue of White Land could possibly be addressed moving forward in the kingdom.

So far, the arguments mentioned clearly show how White Land is a byproduct of the survival strategies of land distribution, i.e., to the elites resulting in the issue becoming an unintended outcome of the survival scheme through land distribution. Moreover, it is crucial to keep in mind that although my argument introduces the political explanation of the presence of White land which led to the housing crisis in Saudi Arabia, there are also some economic explanations for White Land that claim it is not the main reason for the housing crisis. Hence, the following arguments introduce us to the differing interpretations of the issue at hand.

### **1.3 Alternative Explanations**

In this section, I will mention some of the alternative explanations for White Land that are claimed to be the main reasons for the Saudi housing crisis. Although this dissertation is an attempt to answer why White Land is prevalent in Saudi Arabia, it is worth mentioning some of the main contending argument for White Land being the main factor in the housing crisis. In Chapter Five, I will address the main alternative explanations for my causal mechanisms.

#### ***1.3.1 Low Supply and High Demand:***

Khaled Al Mobid, a real-estate developer, argues that White Land is not the primary cause of rising housing prices in Saudi Arabia, and asserts that the main cause is the shortage in housing units (Al Mobid, 2014). Khaled Al Mobid (2014) has been criticizing many economists in Saudi Arabia for making a big deal out of White Land. The author, by arguing so, asserts that the elites have shifted the attention away from the issue of low supply. Here, my preliminary research indicates, to some extent, that maybe such real estate elites make this claim because it is after all

protecting their own economic interests. Therefore, the real-estate developer's argument after all could be challenged.

The author argues that the shortage of supply, which led to the housing crisis, is due to the government's failure of solving the housing crisis in four main areas (Al Mobid, 2014). First, the government's designation of low income neighborhoods and areas, which resulted in enforced segregation along economic lines and high levels of crimes (Al Mobid, 2014). Second, building large housing complexes inside cities, while ignoring the importance of building in suburbs resulted in overpopulation in major cities. These highly populated areas put a toll on facilities and infrastructures that could not possibly keep pace with this increase in urban population (Al Mobid, 2014). Third, public sector housing projects have always been slow, due to bureaucratic processes, and this has resulted in many mistakes in housing designs (Al Mobid, 2014). Fourth, the public sector's involvement in building housing units has negatively affected the private sector's involvement in this market, because it has caused an imbalance in competition. In this environment, many developers have pulled back from building new housing units and, in turn, shortages in housing supply has been increasing ever since (Al Mobid, 2014).

However, we could see that his last argument is somewhat weaker, because the problem is with the issue of lack of supply and the government is not building enough housing units to keep the prices down given the regime's declined interest, given much land ready for such projects is not available because it is owned by the elites. As we have seen it from the introduction thus far, it also shows that the issue is related to its management of White Land without causing any potential uproar that could emerge from the elites in possession of such lands.



The conclusion we can reach from what Al Mobid (2014) is arguing is that low supply in housing units is not due to White Land, but it is due to the public sector taking the lead in this market. This public sector's involvement in actually building and developing housing units disincentives the private sector to provide the needed supply. Hence, the solution is for the government to make the private sector the primary builder and developer of housing units, while it (the government) regulates and monitors the housing market. This indeed seems like a great solution, but it cannot be implemented until there is land in the first place to build and develop housing units on. And at this point, we fully understand that it is not possible because the elites are not in a situation that allows them to negotiate their ownership of the property of land since they comprehend that doing so could compromise their long-term interest in the White Land they own and the profits they could potentially make from them.

The solution Al Mobid (2014) proposes also assumes that the private sector will easily find land to purchase. The reason why I argue that White Land is the main cause of the housing crisis, which prominent Saudi economists agree with, is that these large parcels of land are already out of the market to begin with. Indeed, if the government wanted to buy the many White Land from the owners, the prices would be higher than if the private sector was the main purchaser. But, the owners of White Land still want to make huge profits, which is why they are still holding the land, thus, how can the private sector purchase expensive land then build and develop housing units on it, and then put the units on the market for a reasonable price? From that perspective, the private sector will not find any incentive in selling housing units without making a profit, let alone losing money. Therefore, the solution cannot be achieved by private sector or even public sector purchasing of White Land. because, as my argument stresses, the presence of White Land

has to do with the politics of survival and the government alone has the ability to find an alternative strategy for its survival.

### ***1.3.2 Thought Crisis on White Land Explained:***

This explanation would not have been mentioned here had it not been raised by the current minister of housing. The “thought crisis” argument raised by the Saudi housing minister Majed Al Hogail, went viral not only on social media<sup>3</sup>, but also caught the attention of Saudi newspapers (Al Shamani & Al Dhobian, 2015). The minister of housing said his opinion in a monthly meeting in a forum sponsored by Asbar Center for Studies, Research and Communications in the Saudi capital Riyadh (Al Shamani & Al Dhobian, 2015). Majed Al Hogail stated that “the thought is an important aspect in resolving housing crisis. Housing is not a problem of resources, and land is not a problem, the problem is the idea. If we can deal with this thought, we will be able to fully address housing... Some people may believe that the solutions are a house or a condo or land only, but the housing culture is greater” (Al Shamani & Al Dhobian, 2015). It is worth mentioning that the minister repeated the word ‘thought’ 50 times in the meeting (Al Shamani & Al Dhobian, 2015).

What does the minister of housing mean by ‘thought crisis’? What the minister meant by this word is that the problem of how Saudis think of housing and the property of housing they aspire to own in the beginning of their careers. He argues that “many Saudis want their dream home as soon as they start their new jobs, while neglecting the fact that owning such homes is not only beyond their means, but also owning a large home is not practical when people start with a small family.” He adds that “the best way of thinking the problems of housing is to start

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<sup>3</sup> The Minister’s argument was criticized by many Saudis on Twitter as being absurd.

gradually by owning or renting an apartment then a small house, then the dream home.”<sup>4</sup> Here, although the fact that the individual in such position of authority is concerned about the issue is commendable in the mind of many Saudi Arabian citizens, it also raises so many questions that make the populace perceive the words expressed by him as if the government is downplaying the issue of the housing crisis at large instead of attempting to provide lasting solutions, as it should be proper.

These comments made by the housing minister also led many prominent Saudi intellectuals to fire back. One economist in particular, argued that if the housing minister does not see White Land (which constitutes 60 percent of land space in cities<sup>5</sup>) this does not mean that citizens are blind or oblivious to the magnitude of the problem (Al Shamani & Al Dhobian, 2015). Claiming that the whole housing crisis in Saudi Arabia as being a ‘thought crisis’ means that this less articulated argument (the thought-crisis) does not have an identity and cannot defend itself, the authors of the newspaper report argue (Al Shamani & Al Dhobian, 2015).

A further analysis of the problem within the housing minister’s claims is that he assumes that around 60 to 70 percent of Saudis who do not own homes already have the purchasing power to buy their small homes or are waiting for the government to provide them with the dream home. Contrary to his thought however, the value of a small house is unreasonably priced that many people cannot purchase it in the first place. In other words, if Saudis have a ‘thought crisis’ that is making them search only for large homes, why then are small houses and apartments are so expensive or even not sufficiently available? If the demand was only for large ‘dream’ homes, then why do we see a lot of small new housing units on the market that remain

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<sup>4</sup> This was all mentioned in a recorded meeting an uploaded here:  
<https://www.youtube.com/watch?v=OQd45gVqpJo>

<sup>5</sup> The authors have referenced this percentage from a study done by Al Shura council member Abdullah Al Harbi, which is cited in their article.

untouchable to the purchasing power of many first-time home buyers? High demand will always be there, because White Land takes out a sizable space of the available supply of land.

We can infer that the Minister of Housing is arguing that Saudis are not as rich as they think they are, and cannot afford houses of the size they think they ought to be able to afford. This could be (1) because the actual building cost of large houses is more than Saudi citizens can afford, or (2) there is a scarcity of land that results in prices being bid higher up, and not everyone can have a house in the most desirable areas. While land is relevant to the second point, because it decreases the supply of land. But, if the building cost of houses is more than the average Saudi can afford, then the problem is the overall level of income. I will explain why this is not the case in the following paragraphs.

Indeed, the minister claims that the overall income of Saudis is the main problem preventing them to purchase homes. The problem with the minister's argument is that it assumes that the amount of the building costs of large homes is higher than the price of land it being built on and, thus, the average income for Saudis is not enough for a citizen to purchase a large home. Although the average income of citizens is low relative to the prices of large homes, the minister's argument fails to acknowledge the fact that the price of land outweighs the price of building a house, irrespective if it's a large or small home.

According to Naser Al Ali's (2009) article, he discusses the Saudi housing crisis using data from a real estate study conducted by Riyadh Chamber of Commerce. The study points out that the main reasons for housing crisis in Saudi Arabia are the rising prices of land and low average incomes relative to the costs of housing units (Al Ali, 2009). What is interesting in Al Ali's (2009) article is that his data is not confined to the prices of large homes, but the overall

prices of owning housing units not renting them, which include large and small homes and apartments.

Although his article was published in December of 2009 and states that one of the main reasons is low average incomes, the second reason of the rise in the prices of land is what I argue has not only continued until now, but also it outweighs the prices of building costs. Indeed, Al Amri's (2015) article emphasizes the major role of the high prices of land, due to White Land, that are obscuring the real estate market and preventing Saudis from being able to purchase homes, even small homes. The problem with the rising prices of land, due to White Land, is that it establishes an uneven playing field in the real estate market. This means that we cannot accurately claim that average Saudi income are low relative to the cost of building homes, when the high prices of land have an intervening effect in the background. In other words, if the issue of White Land has been resolved and, in turn, more supply of land has been released into the real estate market, then we can accurately assess whether the prices of purchasing homes is higher than the average incomes of Saudis.

### ***1.3.3 Increase in Population: The Worsening of the Challenge?***

Population growth, as an explanation for rising housing prices, has been mentioned in many newspaper articles, but not as the primary problem. Although it is not raised as the main problem, I find it necessary to add it here as a further alternative explanation because of its repeated mentioning in the debate. In addition, the interesting thing about Saudi Arabia's population growth is that it is only centered in three main cities, the capital Riyadh and in two major cities Jeddah and Dammam. Of around 31 million people living in Saudi Arabia, 65 percent live in those cities (Alarabiya, 2013). With the population congestion in the three cities, some argue that this produces a constant upsurge of demand for housing that eventually raises

prices without the citizens witnessing much reverse of the values of such properties at some point.

Based on what I stated above, we can also infer that housing supply cannot keep up with the rapid pace of population growth in the three major cities and, thus, the upsurge of demand, as a result of the growth in the size of the population in the three urban areas raises the prices of housing units considerably and in a constant manner. This issue could also be understood better in terms of the rural-urban migration trends that this dissertation does not address but might be very much relevant to the discussion. But, this also makes us to go back to the problem, which I argue, that White Land is, in the first place, the reason for the shortage in housing supply. The presence of White Land is evident in those cities as the following Google Maps images show. In normal real estate markets, we can argue that population growth is the reason for rising prices only if there is no available land for developers to build housing units on.



*Figure 1 Example of White Land*

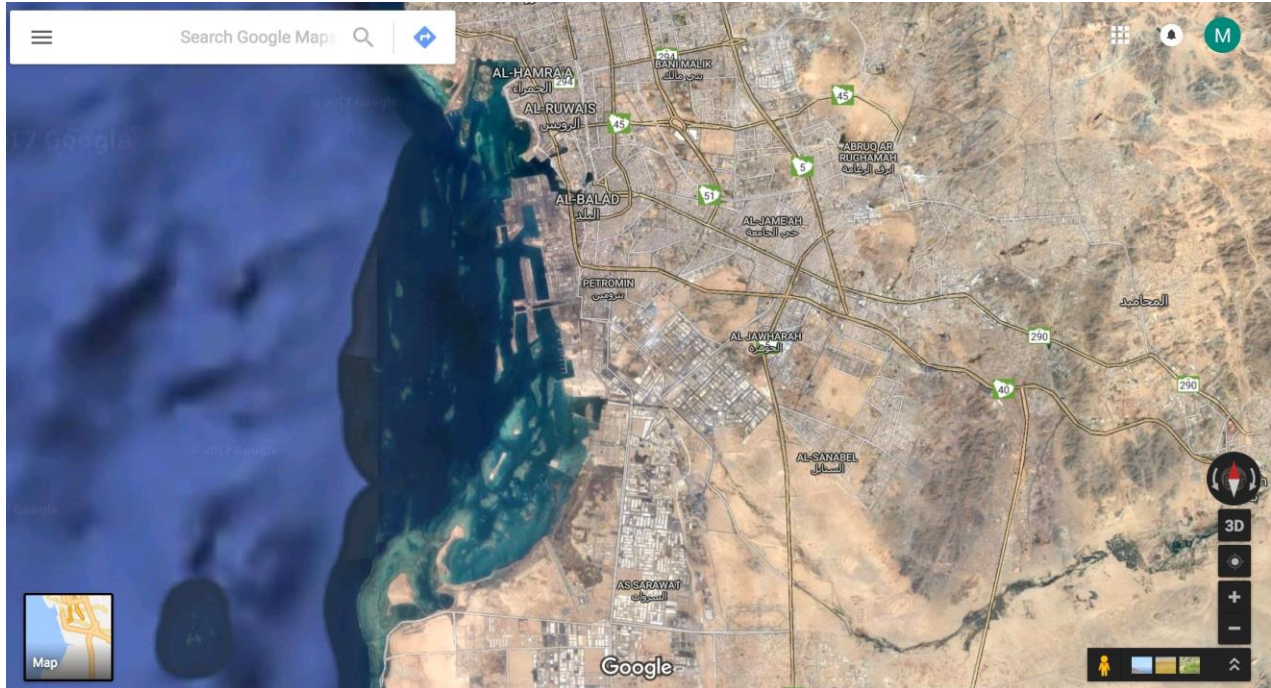


Figure 2 White Land in Jeddah

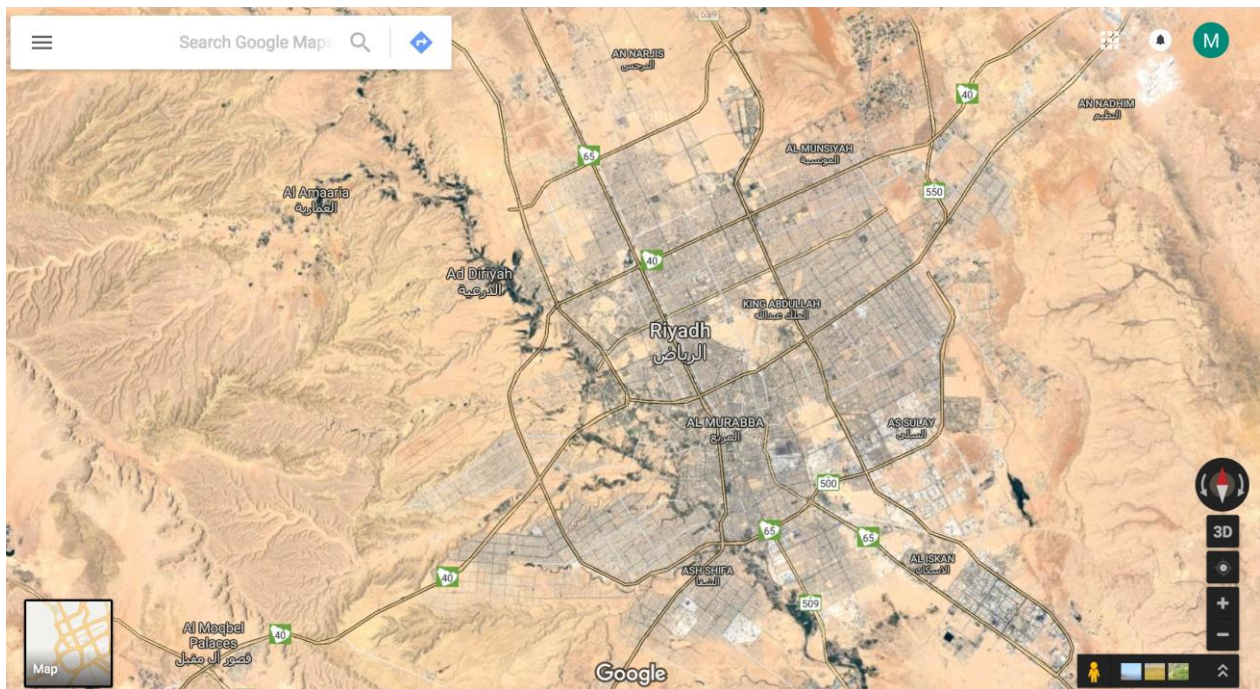


Figure 3 White Land in Riyadh.

#### **1.4 Theoretical Explanations**

The theory I utilize in the discussion of why the Saudi Arabian government failed to address the housing crisis in the country attempts by first explaining the phenomenon of White Land following a causal mechanism that I have mentioned earlier in the introduction. Secondly, in both Saudi Arabia and Oman, oil revenues are so important that their governments' budgets highly depend on this source of revenue. Following that causal chain, oil revenue determines the amount of distribution to citizens and elites. Given such a reality, in both countries public sector jobs are more preferred by citizens since the distribution of oil revenue to citizens is materialized through government jobs in the most part. On the other hand, oil distribution to elites takes another form and is allocated for a higher cause; the higher cause is stability and coherence of elites as a means for regime survival.

Here, although the literature in comparative politics that focuses on authoritarian survival mainly relies on the issue of rents from various sources of revenue such as oil being the prime example in securing the regimes' interests of survival, the issue of the citizens' ability or inability to own houses also depends on the distribution of rents through government jobs. However, we see that even though the issue of rents and the housing market could be inter-related, we clearly see that the issue is much more challenging to say the least. Here, the argument is that even the distribution of income through government jobs (that I considered somehow is a distribution of rent in some ways), are not adequate to satisfy the interests of individual citizens to purchase homes, given the income they earn is significantly lower to meet the demanding prices in the housing market. Moreover, the fact that what I am attempting to further tackle is the unintended consequence of the survival strategy of the distribution of land to the elites, which produced the issue of White Land, made the prices of the housing market unaffordable to the public. And this



is of course, in addition to what I already stated about the citizens' income being not sufficient to address the growing interest to purchase residential houses and or apartments. This shows that the challenge becomes even more clearer as well as very much difficult to all stake holders moving forward as it has been until now, as a consequence of White Land phenomenon.

According to my theory, the coherence and stability of elites is of high importance for both monarchies. This makes both governments take elite stability and coherence as a strategy for survival. In fact, the importance of elite coherence for government stability has been empirically tested and emphasized by O'Donnell and Schmitter (1986). The split in elites, that results in hard liners and soft liners, marks the beginning of a transition or breakdown of authoritarian rule (O'Donnell & Schmitter, 1986). Hence, both the Saudi Arabian and the Omani governments pay special attention to maintain the coherence and stability of their elites to prevent any possible split. Correspondingly, the distribution of oil revenue to elites is quite different than to citizens. The distribution comes in the forms of big pay checks and/or land grants. Given that the economy in Saudi Arabia is not diversified, the real estate market becomes the most profitable market in the domestic economy. In turn, elites dominate the real estate market (in Saudi Arabia's case) with their already large land grants and their available cash to buy more land. This makes elites the major speculators in the real estate market and make them hold significant amount of land out of the market to increase land prices.

Comparatively, however, there is variation in the causal chain when I compare Saudi Arabia's case to Oman's. In both cases the start of the casual chain is the same until we reach to elites. According to my argument, there is variation in both cases with respect to the situation of their elites, and this variation leads to different outcomes with respect to White Land. In Saudi Arabia, new elites were created in the onset of the first 1970s oil-boom (Chaudhry K. , 1997).

This creation of new Saudi elites after the 1970s oil-boom (Chaudhry, 1997) has brought about new groups that are in need of assets and resources for revenue. And, while, as the resource curse literature reveals, Saudi Arabia's domestic economy is not diversified because it is heavily reliant on oil, thus, the most profitable market is real estate. Hence, these new elites need an economic base for profit, so they have dominated the real estate market (the main profitable market) and the government wants to assure their loyalty. As a result of the 1970s oil-boom, the Saudi government provided large land grants to elites as means to assure their loyalty. This availability of land has made Saudi elites hold on to the large parcels of land out of the market to increase their prices. I argue that this behavior of elites with land grants was not considered an issue for the government, because it could not possibly foresee the phenomenon of White Land being a major cause for the current housing crisis.

The population of Saudi Arabia was relatively small and most Saudi citizens in the 1970's generation owned their homes. However, the increase in population was faced with a decrease in housing units. Elites' behavior in holding their land grants out of the market for decades has contributed to the housing crisis by raising the price of land. These large parcels of land have become to what is known as White land. Therefore, the Saudi government cannot easily resolve the problem of White Land, because the government created the new elites in the first place as means for the survival of the regime and, hence, for the Saudi government to resolve the issue of White Land it will have to directly deal with the only economic base of the new elites. This means any strict economic policies that are directed towards White Land will have a great impact on the new elites' source of profit. The government is in a clear paradox, because on the one hand, it needs to assure the elites loyalty, yet on the other hand, it now faces with a political issue of significant number of citizens not owning homes.

In Oman's case, however, the old elites have established themselves economically before the oil-boom (Allen & Rigsbee, 2000). Thus, after the oil-boom and their unshaken place in Oman<sup>6</sup>, White Land, according to my theory, does not constitute the only economic source for them (Omani elites). In turn, once the Omani government realized the issue of White Land, the Sultan easily passed a new detailed law that deals with White Land without fear of affecting the survival of his government, because Omani elites have other sources of profit. This means that Omani elites can handle a lesser profit in the real estate market, because they have other sources of profit that precedes the 1970's oil-boom. This does not mean that making profit out of selling land is not important to Omani elites, but the availability of other sources makes it comparatively easier for the government to intervene to regulate the real estate market unlike the obstacles the Saudi government faces.

Detailed explanation of the both cases and how the causal chain differs in outcome between Saudi Arabia and Oman will be mentioned in the case study chapters of my dissertation. The structured, focused comparison between the two cases will trace the process of the variables that play a significant role in the phenomenon of White Land and its outcome. I will mention the historical background of the two countries with a focus on how both governments behaved in the onset of the 1970's oil-boom and how the variation in behavior led to different conjunctures with respect to the real estate market.

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<sup>6</sup> When the current Sultan of Oman led a castle coup in 1970 against his father, he did not replace his father's elites.

## **2 CHAPTER TWO: REVIEW OF THE LITERATURE AND MEHTODOLOGY**

In this section, I will review the literature on authoritarian survival with a focus on Arab monarchies' survival and the literature on elite co-optation. I have chosen to review three factors in the literature on authoritarian survival that I consider are the most prominent ones in helping us understand how Arab monarchies survive. The three factors are: institutions, natural resources and foreign support, and they are reviewed separately under each subheading. Regional categories in the literature on elite co-optation will be reviewed under each pertinent subheading. In addition, this dissertation will contribute to the literature on elite co-optation in providing empirical evidence of elite co-optation by distributing urban land. In other words, the elite co-optation through land distribution is my contribution to the previous literature. In the concluding section of this chapter, I will summarize the reviewed literature to establish the connection between my argument and the literature. I will explain why I argue that role of institutions best explains my theory and how this dissertation will contribute to the literature on the role of institutions in the survival of Arab monarchies; specifically, the role of the land distribution institution in co-opting elites that resulted in the unintended consequence of White Land.

### **2.1 Institutions**

Among the various ways by which authoritarian governments survive, institutions are emphasized by some scholars due to their importance in enabling authoritarian survival (Mesquita et al., 2003; Gandhi & Przeworski, 2007; Herb, 1999; Boix & Svobik, 2013; Yom, 2011). With respect to Arab Gulf monarchies, Herb (1999) emphasizes the role of institutions created by the ruling families that enables them to manage potential internal conflicts and “distribute and redistribute power among their shaykhs and princes, without drawing outsiders into family disputes” (p. 4). The way in which these institutions, that are somewhat unique to

Arab Gulf monarchies, function differentiates those monarchies from other Middle Eastern monarchies. Herb (1999) makes this distinction along regime lines, for which he divides the monarchies according to how their institutions function. The “dynastic” monarchies are the ones that have ruling institutions that assure ruling family members permanent appointments in the cabinet to key ministries and these ruling institutions have maintained the survivability of the “dynastic” monarchies (Herb, 1999). The other type of monarchies, that have fallen, are the ones that the monarch is the only one who rules and the constitution prohibits family members from appointments as ministers in the cabinet (Herb, 1999).

The stabilizing factor of the monarchical institutions is achieved by distributing power among the ruling family members in a way that not only facilitated successions, it also gave the ruling families massive control over the state (Herb, 1999). The interesting thing in Herb’s (1999) study is that, when put to the test, it was shown that the Middle Eastern monarchies that have institutions that permit members of the ruling family in the government cabinet are the ones that have not undergone a revolution. On the other hand, the monarchies that had the monarch only rule and members of his family were not allowed to participate in the government cabinet have all been ousted in a revolution or coup (e.g. Afghanistan, Egypt, Iran, Iraq and Libya) (Herb, 1999).

With respect to creating institutions to maintain its survival, Yom (2011) argues that the Kuwaiti monarchy’s survival was not due to rentier wealth alone as the classical rentier literature asserts. However, the monarchy’s survival is based on pre-oil “coalitional bargains” that took place before the discovery of oil (Yom,2011). What is also interesting in Yom’s (2011) argument is that it challenges the assumption in the authoritarian survival literature which posits that: authoritarian governments survive through coercion and authoritarian governments rarely

constrain their power. Instead, what he finds unique in the Kuwaiti case is that the pre-oil coalitions that were created resulted in “popular rentierism” (Yom, 2011). Unlike what the selectorate theory (Mesquita et al., 2003) emphasizes that authoritarian governments cater to a small selectorate coalition to survive, Kuwait’s “popular rentierism” distributes wealth and privileges to various social groups to gain loyalty from below (Yom, 2011). In addition, Kuwait’s monarchy had constrained its power by creating a functional legislator, which makes its case even more unique (Yom, 2011).

Based on the above arguments, an important question arises: When Kuwait’s government is considered authoritarian, why has it constrained its power? Yom’s (2011) answer to this question is path dependent. He posits that, prior to the oil-boom, the Kuwaiti ruling family was threatened by some social opposition, which made the government establish strong coalitions with them to maintain its survival. These historic coalitions with various opposition groups have continued hitherto and, thus, the windfall income from oil had to be distributed to those groups in order to solidify the historic coalition (Yom, 2011). This makes sense, because any split or faction among elites will more likely lead to authoritarian collapse (O’Donnell & Schmitter, 1986). By maintaining this strong coalition, social groups have a stake in the survival of the Kuwaiti monarchy to assure their privileges, which also explains why those groups support the monarchy even during crises (Yom, 2011).

The historic bargain that was made by the Kuwaiti monarchy and social opposition groups was a necessity (Yom, 2011). In the 1930’s, the Kuwaiti dynasty had almost lost power due to significant demand from Kuwaiti merchants for political influence (Yom, 2011). In addition, due to Kuwait’s geostrategic location, it was among imperial Britain’s mandates which impeded Kuwait’s economic resources and weakened its military. Unlike Iran’s Pahlavi

monarchy that had foreign support to crush domestic opposition, the Al Sabah ruling family did not have this military support from Britain (Yom, 2011). According to Yom (2011) these two factors forced the ruling dynasty to create strong domestic coalitions to stay in power and assure its survival.

Going back to Mesquita's et al. (2003) selectorate theory, which states that authoritarian governments focus on a small coalition, in Kuwait's case, according to Yom (2011), its "popular rentierism" that makes the ruling family focus on a large coalition of different groups in the society. A large coalition reflects functions of a democracy according to the selectorate theory, but it is interesting that Kuwait, a semi-authoritarian regime with a strong parliament, works this way. The presence of a large coalition in Kuwait is path dependent on pre-oil boom elites that threatened the Al Sabah ruling family (Yom, 2011). The Kuwaiti ruling family could utilize oil wealth to dismantle this large coalition, but it strategically did not. Urban Kuwaiti elites were a significant threat prior to the oil-boom (Crystal, 1990), but after the boom, the ruling family co-opted the merchant elites through the land acquisition program (Yom, 2011). This program enabled the transfer of funds via land purchase by the government, which enriched the merchant elites even more. In the end, the Kuwaiti ruling family's strategic co-optation of societal elites in a large coalition expanded the number of loyalists and decreased the importance of using repression to guarantee its survival.

Frederiksen (2013) posits the primary reason why the Arab monarchies of Jordan and Morocco have survived and weathered the Arab Spring, was due to their use of institutions. The two monarchical systems function in a way that the monarch is above politics, but at the same time is "the centre of political life" (Frederiksen, 2013, p. 2). The interesting thing about the institutional design of Morocco and Jordan is that the monarch being above politics, he can act as

an arbiter and also not take blame for any government shortcoming (Frederiksen, 2013). According to Frederiksen (2013), what differentiates the monarchies of Morocco and Jordan from Saudi Arabia is that the monarchs “are not constrained by any ideology makes it easier for them to jump on the political bandwagon, shifting from socialism to Islamism, from liberalism to nationalism, sometimes only in a matter of days” (p. 2). Furthermore, the institutions that are either created by both monarchies (e.g. the secret service) or legislative institutions are all accessible by the monarch in ways that benefit them.

Although both dynasties of Morocco and Jordan are descendants of Prophet Muhammad, Frederiksen (2013) argues that their religious status does not explain the survival of their monarchies. The evidence Frederiksen (2013) bases his argument on is that both monarchs have not resorted to emphasize their religious legitimacy to cope with Arab Spring protests; instead they made institutional reforms, a sign that their response to political demands is best met by institutions. Again, this all goes back to the monarchs’ position above politics, which distance them from blame and make them the arbiters that solve political problems. All in all, the institutions that were established by the Moroccan and Jordanian monarchies are designed in a way that maintains their survival.

Focusing only on the Jordanian monarchy, Lucas (2005) attempts to answer the primary question of his study: “How does a monarchical authoritarian regime react to external crises that threaten to destabilize its rule?” (p. 7). He answers this question by arguing that the Jordanian monarchy relies on “the manipulation of institutional rules in three venues: political parties, the Jordanian parliament (specifically the elected House of Deputies), and the press” (Lucas, 2005, p. 7). These are venues where both the public and elites engage in political discussions (Lucas, 2005). The monarchy has focused on those areas, because they are the best areas where the



monarch can act as an arbiter above politics (similar to Frederiksen's (2013) argument) deal with and contain opposition, and constrain dissent, all while the monarchy acts as the neutral problem solver (Lucas, 2005). Although the interventions by the Jordanian monarchy appears to enhance the path way towards democracy by making institutional reforms, Lucas (2005) posits that this does not necessarily mean it will end in democracy. These interventions that sometimes are institutional reforms or direct manipulations of the press, parliament and political parties, are all strategies not for democracy, but strategies for the survival of the monarchy (Lucas, 2005).

Another study that focuses on strategies of monarchy survival is Yamani's (2009) research on the Saudi monarchy. Yamani (2009) argues that the Saudi monarchy's survival is contingent upon four main conditions: "The first is that the Royal Family must retain near complete unity and establish clarity and transparency in its system of succession. The second is that it must provide a coherent and persuasive ideology. The third is that it must be economically viable - oil in the short-term and economic diversification in the future. The fourth is that it must control society effectively through the institutions of the state" (p. 90). In this section I will review the first and fourth conditions that pertain to institutions.

According to Yamani (2009), the unifying institution within the Saudi ruling family was not easily established. Historically, the founding father of contemporary Saudi Arabia, King Abdul Aziz, had to cope with many rivals (Yamani, 2009). Prior to uniting the Saudi state, King Abdul Aziz had to deal with the extended family members who were politically ambitious (Yamani, 2009). Hence, what he had done is establish an exclusive institution of succession that was only confined to his sons (Yamani, 2009). King Abdul Aziz contained and distanced his five brothers from their possible claim to the throne (Yamani, 2009). In order to establish a clear and transparent institution of succession, King Abdul Aziz had to distance his brothers and create the

new institution of succession that is exclusive to his sons (Yamani M. , 2009). This strategy supported future prospects of stability within the family from any factions (Yamani M. , 2009). Hitherto, this institution of succession has maintained the stability within the family, yet aging sons of King Abdul Aziz and new challenges has led to the creation of a new institution that opened the door for King Abdul Aziz's grandsons. It is interesting to see whether this new subset of the succession institution that incorporated the grandsons will maintain stability like the main institution of succession for the sons. I hope it does.

Although the institution of succession did maintain and guaranteed the exclusiveness of ruling to the sons of Abdul Aziz, there were some tensions among the sons (Yamani, 2009). Yamani (2009) mentions that the first son to rule after King Abdul Aziz died was Saud, and his half-brother Faisal was in competition with him. This competition has raised tensions in the family and led to the ousting of Saud via a religious decree (*Fatwa*) sponsored by Faisal (Yamani, 2009). This was a tragic moment for the Saudi ruling family, yet it did not lead to chaos and the institution of succession remained intact. This is because, as Yamani (2009) argues, the stability of the ruling family is so important that almost all members of the family will lose everything should there be major conflicts. Hence, the stability of the family is above all problems that might occur between the brothers.

The monarchical institution of the Arab monarchies has one of the most important element for their survival, which is legitimacy (Barany, 2013). Legitimacy is important in virtually all regime types and is also a requisite for democracy (Lipset, 1959). According to Barany (2013), it is hard to 'operationalize' legitimacy, but in the context of the Arab uprisings, the monarchies, with the exception of Bahrain, have not been deemed illegitimate. On the other hand, most of Arab presidents' legitimacy has been questioned and opposed (Barany, 2013).

There is no doubt that many citizens of the Arab monarchies are critical of the unchecked and absolute power the monarchs have, but the empirical evidence shows us that the monarchies have not fallen in the hardest times; and this is due to “popular approval of the institution of the monarchy...” (Barany, 2013).

King Abdullah of Jordan is not well-liked by Jordanians, but the monarchical institution is viewed as the backbone that keeps the society united (Barany, 2013). As cited in Barany's (2013) study, the Moroccan King Mohammed VI has had high approval ratings (90 percent) in 2009 by an independent poll (Sater, 2011). The dynastic Arab monarchies of the Gulf enjoy even more legitimacy (Barany, 2013; Niblock, 2006; Al-Dekhayel, 2000; Davidson, 2005). This legitimacy that the dynastic Arab monarchies enjoy has a tribal element to it compared to the linchpin Arab monarchies.

Like most of the authors mentioned here, Barany (2013) emphasizes the “above-the-fray status” (p. 17) that the Arab monarchs have and how this status is a crucial element for their survival. He differentiates between the resource poor monarchies and the resource rich ones when it comes to intervening or maneuvering in daily politics or crises (Barany, 2013). The difference is that resource poor monarchies have to manipulate institutions more to maintain their survival, where resource rich monarchies can allocate more money when any political problem occurs (Barany, 2013). For the linchpin monarchies of Jordan and Morocco, their institutional manipulation comes in the form of promises for reform, creation of new institutions, and/or control of political institutions (Barany, 2013). For example, King Mohammed VI of Morocco has put human rights issues on the top of his liberalization agenda and as a result, he formed “Morocco’s Equity and Reconciliation Commission” (Barany, 2013, p. 18). This human rights commission has helped bolster his reign and gained him more support among Moroccans,

because it compensated many citizens who suffered human rights violations during his father's rule (Barany, 2013). This commission is only one example that kings can create to absorb their people's grievances that might threaten their throne. Barany (2013) describes those institutions as "a mixture of superficial institutional reforms and the promotion of human rights to blunt challenges to their domination of the political system" (p. 18).

Asking the crucial question of why Arab Gulf monarchies are stable in a region plagued with conflict, Byman and Green (1999) seek to answer this question by arguing that the monarchies have succeeded in maintaining stability by pursuing six strategies. "[S]trong security services; the co-optation of potential dissidents; divide-and-rule measures; ideological flexibility; token participation; and accommodative diplomacy" (p. 21) are the six strategies that, in combination, account for the stability of the six Arab Gulf monarchies (Byman & Green, 1999). In this review, I will focus on the strategies that stem from the monarchical institution. Those strategies are: co-optation of potential dissidents, divide and rule measures, and pseudo-participation (which Byman and Green (1999) mention later on in their article).

To divide and rule, the monarchical institution has taken advantage of the social divisions and often created them (Byman & Green, 1999). During the Arab nationalism movement, influenced by Egyptian president Gamal Abdul Nasser, which had a significant impact in the region, both Saudi Arabia and Kuwait have supported and backed Islamists against the Arab nationalist groups (Byman & Green, 1999). This support used religion and managed to create an opposition force against many segments of the society. Not only the support for Islamists helped Saudi Arabia, Bahrain and Kuwait suppress the Arab nationalists' and leftists' movements, it also was a powerful tool to cope with and block the influence of the Iranian revolution that took place in 1979 (Byman & Green, 1999). For example, the Bahraini government used to release

Sunni activists from prison while leaving Shi'a activists in prison (Byman & Green, 1999). This tactful strategy, while furthers sectarian and social divisions, has bolstered the Bahraini ruling family's hold on power and maintained the monarchy's stability.

Dissidents can be a powerful source of instability in authoritarian political systems if left alone to grow. The monarchical institution is clever enough to co-opt potential dissidents by providing them with government jobs (Byman & Green, 1999). Some positions are high ranking ones that are provided specially for well-known religious or secular dissidents (Byman & Green, 1999). For example, in Saudi Arabia, religion plays an important role in the foundation of the state and, thus, the Council of Senior Scholars is the best institution to hire scholars who might potentially become dissidents if left alone. By hiring those scholars in the council, the Saudi monarchy cleverly lets this institution absorb any grievances from conservatives that are critical of modernization, because the religious *'Fatwas'* give religious backing for any policy that might be controversial (e.g. allowing girls to go to school in the 1960s).

## **2.2 Natural Resources**

With the exception of Morocco and Jordan, all Arab monarchies rely on oil income, thus they are classified as rentier states. With the blessings (some would argue otherwise) of rentier wealth, a wide literature has been dedicated to study the economic and political impact of rentier income; a literature that started in the 1970s (e.g. (Mahdavy, 1970). The rentier state theory (also called in the literature 'resource curse' theory) is defined as "a political economy theory that seeks to explain state- society relations in states that generate a large proportion of their income from rents, or externally-derived, unproductively-earned payments" (Gray, 2011, p. 1). With respect to its political impact, the resource curse theory asserts that countries endowed with natural resources are less likely to democratize (Aslaksen, 2010; Wantchekon, 2002; Jensen and

Wantchekon, 2004; Ross, 2001, 2006, 2011; Bellin, 2004; Gassebner, Lamla & Vreeland, 2013; Colgan, 2010, Ramsay, 2011). The way in which natural resources impede democracy is that it provides governments a substantial amount of windfall revenue and, in turn, governments do not need to levy taxes from citizens as this windfall revenue will finance their budgets (Mahdavy, 1970; Beblawi, 1987; Luciani, 1990; Gelb, 1988). Thus, governments do not need to incorporate citizens in the decision-making process, because no taxes (as sources of government revenue) are needed from the people and, therefore, there is no need to negotiate with the public. This is why many scholars in the resources curse literature claim that reliance on resources is a curse on the people because it impedes democracy and supports authoritarianism.

Oil revenue is not an inevitable curse. We cannot simply say that countries that rely heavily on oil revenue are doomed and this is a curse on the country as a whole. Oil is an important global commodity and demand for it is not only confined to energy. Hence, this valuable commodity, with global demand for it, enriches countries endowed with this natural resource. Therefore, oil revenues do contribute in state building; this revenue pays salaries, builds roads, buys arms for internal and external defense, builds state bureaucracies, builds schools and universities, etc. This is all made possible by a windfall revenue that does not require much economic diversification or activities. But, the very negative term the theory has been attached to (curse) makes us wonder what is wrong with resource dependency? Let us review what scholars have said about this theory.

The underlying assumption in the resource curse literature is that the viable path way for democracy in resource endowed countries materializes when those governments depend on their citizens for finance and not on natural resources. This need forces governments to negotiate with citizens to determine taxes. And, in this negotiation, which reflects an interdependent

relationship, citizens force their governments to represent them, so taxation truly reflects representation. This line of arguments resembles Welzel's (2009) explanation of democracy and resource redistribution. He argues that the best possible environment where democracies easily emerge is when resources are in the hands of the people (Welzel, 2009). This power in the hands of the people compels authorities to agree for political concessions (Welzel, 2009). These concessions ultimately lead to democracy for which people agree to enable authorities to have monopoly on the legitimate use of coercion, but under the condition that the government would be run by the people.

The resource curse literature is not homogeneous on the central thesis that resource dependent countries are less likely to democratize. There are two strands of research that have different arguments that present the impact of resources on democratization. One adds a conditional factor for the curse to prevail and the other rejects the overall argument of resource dependence as an obstacle to democratization (Kennedy and Tiede, 2013; Morrison, 2009; Robinson, Torvik and Verdier, 2006; Rudra and Jensen, 2011; Cotet and Tsui, 2013; Humphreys, 2005). The line of research that adds a condition to the resource curse shows variation on regime type and/or a certain percentage of resource dependency's impact on governments' budgets (the more a government is dependent on resources for revenue, the less likely it will democratize, and vice versa). The seminal study published in the *American Political Science Review* by Haber and Menaldo (2011) supports these conditionalist arguments on the resource curse. They find that among the 18 resource dependent countries they incorporate in their study, there was significant variation among the level authoritarianism. They conclude that "increases in resource reliance are not associated with authoritarianism." (Haber and Menaldo, 2011, p. 1). Their findings

challenge the widespread resource curse argument on the correlation between natural resource dependency and authoritarianism.

Liou and Musgrave (2014) posit that there is variation on the effects of oil revenue on democratization among countries. Though they do find evidence that high oil revenue does impede democratization in some countries, but they find the exact opposite in Nigeria and Ecuador (Liou & Musgrave, 2014). In their data results, all countries varied in the rate of democracy, with Ecuador having the best democracy rate (Liou & Musgrave, 2014). The interesting thing about Liou's and Musgrave's (2014) study is that it utilizes the 1973 oil shock prices as a quasi-experiment to assess the impact of oil rent on democratization. Their theory holds that before 1973's oil spike in prices, some countries were not resource dependent (Liou & Musgrave, 2014). But, after the rise of oil price those countries became resource dependent and, interestingly, not all countries became authoritarian, which challenges the generalization of the resource curse thesis (Liou & Musgrave, 2014).

There is an assumption emphasized by resource curse proponents that lack of taxation automatically silences calls for democracy. Okruhilk (1999) finds empirical evidence that challenges this assumption. She focuses on oil rich states, especially Saudi Arabia, and argues that "oil states often foster their own civil opposition because of the way revenues are deployed" (Okruhilk, 1999, p. 295). The problem with an extraordinary oil rich state like Saudi Arabia is that the distribution of oil revenue is unequally deployed and elites get the lion's share (Okruhlik, 1999). This unequal distribution of wealth created a systematic procedure of nepotism and favoritism (Okruhilk, 1999). Thus, one important reason why some opposition groups start to express their grievances is based on relative gains from the distribution of wealth and not absolute gain.



After the above summary of the main arguments and counterarguments in the resource curse theory literature, I will review some of the main studies which argue that natural resources maintain authoritarian survival and mention how rentier income has maintained the Arab Gulf monarchies' survival. Focusing on the impact of rentier income and the survival of Arab monarchies, Levins (2013) argues that rentier income has empowered Arab monarchies to an extent that it solidified their hold on power. The impact of rentier wealth has not changed the tribal-government relations, but it rendered an unprecedented distributing power to monarchs that made elites in the society highly dependent on the government (Levins, 2013). The power provided by oil income has maintained the survivability of monarchs by rendering easy solutions to any possible problems in their countries by simply pouring in more money (Levins, 2013). Simply put, Arab rentier monarchies can buy-off loyalty and maintain stability by distributing oil income to societal elites, even in hard times (Levins, 2013). A good example that supports Levins' (2103) argument is what late King Abdullah of Saudi Arabia did in the midst of the Arab uprisings in 2011. The late King Abdullah cut his vacation and came back to Saudi Arabia to announce a government spending program in the amount of \$130 Billion dollars, which consists of an allowance of two salaries to public sector employees, a new fund for housing projects and jobs (Abu-Nasr, 2012). Although this example might support Levin's (2013) argument, but as this dissertation will reveal, pouring money is not the main strategy that has maintained the monarchy's stability.

Analyzing the difference between oil revenue from the domestic economy and abroad, Giacomo Luciani (1987) argues that what characterizes an oil rich state to be a rentier state is not based on the abundance of oil. However, a rentier state is a state that receives its oil revenue from abroad (Luciani, 1987). If the state's oil revenue is depended on the domestic economy, it

will not have the same independence of monetary allocation as it might have if oil revenue is from abroad (Luciani, 1987). This is based on the fact that, for a domestic economy to be well established to finance the government by paying taxes, it has to be diversified (Luciani G. , 1987). A diversified domestic economy incorporates more groups and individuals in the economy which and, thus, the government does not have a monopoly on revenues that comes from this economy. In cases where oil revenue comes from abroad, the government enjoys a monopoly on this revenue making it a rentier state according to Luciani (1987). In the early stages of the rentier state theory in the 1970s and 1980s, many oil rich states that preformed the role of allocation have not invested much in diversifying their domestic economies (Luciani, 1987), because the benefits of oil revenue from abroad outweigh the costs of allocation.

Allocation states that are free from citizen pressures to take part in governance is a result of the ability of the states to finance itself and employ citizens without relying on domestic taxation (Luciani, 1987). According to Luciani (1987) allocation states, especially Arab monarchies, have maintained their stability not through modernization, but by the virtue of selling oil abroad. During the decades when Luciani (1987) published his study, modernization theory was still considered a main factor or prerequisite for democracy and state stability. But, the importance of oil revenue in politics has emphasized the stabilizing role oil revenue plays.

Michael Ross (2001) titles his article with this question: “Does Oil Hinder Democracy?” and his answer is yes, oil does hinder democracy. His quantitative study tests the main argument of oil hindering democracy and concludes that it does so in producing three alternative effects (Ross, 2001). The first effect is the “rentier effect” where oil rich regimes use oil revenue for patronage and to levy minimal taxes from their people, which in turn, mitigates the demand for democracy (Ross, 2001). The second effect is the “repression effect” where oil revenue helps

finance the regimes' security apparatus and, thus, facilitates repression (Ross, 2001). The third effect is the "modernization effect" is a result of the reliance on one export that reduces the possibility of a diverse economy (Ross, 2001). By doing so, the middle-class will be so dependent on the government that it will not have the opportunity to make the cultural and social changes for democracy (Ross, 2001).

What is implied by Ross's (2001) article is that authoritarian oil rich countries are able to survive because of the revenue oil brings to them. Hence, the oil rich Arab monarchies, by virtue of oil revenue, can continue their patronage, make the middle-class dependent on them and repress dissent in a cost-effective way. We can also imply from Ross's (2001) arguments that as long as the government can finance its self from oil revenue and not from levying taxes, the possibility of democracy will be weak, for which citizens will cope with the "rentier, repression and modernization" effects. Ross's (2001) argument on the negative impact oil has on democracy is challenged by counterfactual arguments by Herb (2005).

Analyzing the impact of oil on politics, Jill Crystal (1990) argues that oil has not only maintained the stability of the royal families in the Gulf, it also pushed merchant elites away from politics. According to Crystal (1990) this impact of oil is similar, but not identical, across the Arab Gulf monarchies (with the exception of Oman (Allen & Rigsbee, 2000)). Studying the cases of Kuwait and Qatar, Crystal (1990) posits that in the pre-oil era, the ruling families in both countries relied on merchant families to finance their governments. This was made possible through taxing the pearling industry owned by merchant elites (Crystal, 1990). With taxation came the engagement of merchant elites in politics (Crystal, 1990). Indeed, as Crystal (1990) argues, the merchant families had political leverage to a point where they were directly incorporated in political decision making. This is not to say that the pre-oil political environment

was not stable, but the political leverage the merchant families enjoyed gave them a powerful bargaining tool that can threaten the royal families in any time. The geographical nature of pearling makes it easier for the merchant families to relocate to another Gulf shore, should the royal families of Qatar or Kuwait exclude them from politics (Crystal, 1990). As cited in (Crystal, 1990) the merchant families had powerful political choices (like the choices of organizations in Hirschman's (1970) terms) of either to "exit" the country to find another shore, or gain a "voice" in politics and render their "loyalty" to the ruling families.

When oil revenues were factored in the equation, the political dynamics and the interdependent relationship between the royal family and merchant elites changed dramatically (Crystal, 1990). Indeed, oil extraction does not require intense labor, which makes it a domestic commodity enriching the royal families without much dependency on domestic labor (Crystal, 1990). In turn, the royal families of both Kuwait and Qatar are not dependent on taxing merchant elites and, thus, the costs of excluding merchant families from politics is now lesser than the benefits for the royal families. Crystal (1990) argues that this is what exactly happened in Kuwait and Qatar; the ruling families pushed merchant families away from politics, but gave them a large share of oil revenues. Crystal (1990) makes it clear that "economic elites once entered politics to protect their economic interests, after oil, merchants left the realm of formal politics to preserve those interests" (p. 1). By doing so, the ruling families of Kuwait and Qatar strengthened their role in politics and, thus, added another element to the survival of the ruling families. And, this is due, as Crystal (1990) argues, to the impact of oil on politics. But, maintaining the loyalty of merchant elites by giving them large oil revenue shares is not that easy, because there is a caveat to this new relationship between merchant elites and the royal families, as this new relationship is based on the volatility of oil prices (Crystal, 1990). Crystal

(1990) posits that as oil revenues decline, merchant elites begin to “question the political arrangements prompted by oil” (p. 2).

In resource abundant countries that have weak institutions, Leonard Wantchekon (2002) argues that these weak institutions help consolidate authoritarian governments and draw democratic governments back to authoritarianism. What Wantchekon (2002) means by weak institutions is a weakness in government capacity to enforce the law and/or an absence of a constitutional clause or statutes that explicitly details the distribution processes of rent income. For already authoritarian governments, windfall income enables the government to allocate public jobs, perks and money to citizens in order to garner more support for the government (Wantchekon 2002). By doing so, the government mitigates any citizen support for potential opposition (Wantchekon, 2002). Even if opposition groups try to mobilize against the government, the political stability and the distribution of rent revenue to citizens or key groups makes the authoritarian government repress the opposition while enjoying the support of the people. According to Wantchekon (2002), weak institutions in authoritarian governments enable them to have significant discretion in allocating and distributing rent income to their desired groups.

It is quite similar in resource rich democratic countries with weak institutions. Wantchekon (2002) posits that in those countries, ruling parties play the same role as authoritarian leaders by the power of discretionary distribution. When opposition parties compete to garner support for them, this competition is not even and is in the ruling party’s favor (Wantchekon, 2002). The ruling party can distribute rent income to the people in order to get more support for the government and, thus, the opposition party will be in a weak position given that it is not in a position to provide the same benefits to the people (Wantchekon, 2002). In

Nigeria for example, the discovery of oil and the weak institutions that preceded it made the government more centralized and the incumbent party solidified its position in power through discretionary distribution of oil revenue (Wantchekon, 2002). “This discretionary power generated a more centralized federal system and incumbency advantage. Excluded or marginalized political groups reverted to nonconstitutional means of political competition that lead to political instability and repressive political rule” (Wantchekon, 2002, p. 11).

Countering the above arguments, that oil-rich states utilize their oil revenues to suppress, buy off opposition or prevent civil wars, Benjamin Smith (2004) argues that oil does in fact contribute to the robustness of regimes, but it is not achieved by distribution of oil revenues. This means that in oil-rich states, their survivability is only dependent on high oil prices and as soon as oil prices decrease, due to supply and demand fluctuations, oil-rich states will fall (Smith, 2004). This has not been the case for oil-rich countries, as most of them have survived the 1980’s significant decrease in oil prices (Smith, 2004). Thus, Smith’s (2004) main argument is that oil-rich countries have weathered the negative impact of low oil prices on their regimes because they have built strong institutions that stabilize their regimes during oil shocks. Hence, the causal impact of oil and regime robustness is not simply explained by how oil revenue can buy off opposition, prevent civil wars or finance the repression apparatus. Instead, oil revenue is factored in a causal mechanism that starts with oil revenue used for building institutions that help absorb all of the possible consequences that lead to regime collapse during periods of shocks in oil prices (Smith, 2004).

### 2.3 Foreign Support

When it comes to foreign support to Arab monarchies, it seems that western powers prefer the survival of the monarchical systems in the region (Yom & Gause, 2012). When this western preference is put to an empirical test, the first monarchy that comes to mind is Bahrain. During the Arab uprisings, peaceful Bahraini citizens swept the streets to raise their demands for reform, yet the Bahraini government did not respond peacefully (Yom & Gause, 2012). The Bahraini government did not only resort to violence to curb the protests, it also asked for military assistance from Saudi Arabia to crush the protesters (Yom & Gause, 2012). With all the repression against the Bahraini citizens, “the United States barely criticized Bahrain’s brutal crackdown, noting human-rights protests but ultimately accepting the al-Khalifa monarchy’s hard-line stance against opposition forces” (Yom & Gause, 2012, p. 84). Another example of western powers supporting Arab monarchies is France’s position in supporting Morocco during the Arab uprisings (Yom & Gause, 2012). Moreover, U.S. aid to Jordan has been increasing annually, even though there is considerable domestic criticism against aid to foreign countries (Yom & Gause, 2012). All in all, Yom and Gause (2012) argue that the guarantee of U.S. diplomatic backing holds true for Saudi Arabia and the other kingdoms: “regardless of the scale of protest, the U.S. position during the Arab Spring was to favor incremental reform over revolutionary transition” (p. 84).

With respect to Saudi Arabia’s survival backed by foreign patrons, Yamani (2009) argues that the monarchy’s survival depends more on the United States security assistance than on its internal legitimacy. This U.S. backing is quite evident in the history of Saudi-U.S. relations (Yamani, 2009). For example, the United States supported Saudi Arabia during the war in Yemen in the 1960s when Egypt was supporting the republican rebellion against the *Imami*

government that was backed by Saudi Arabia (Safran, 1988, as cited in Yamani, 2009). In 1981, the United States sold military arms and fighter jets to Saudi Arabia as a result of the growing fear of the impact of Iran's 1979 revolution in the region (Safran, 1988, as cited in Yamani, 2009). According to Yamani (2009), "many Saudi intellectuals" (p. 97) are against the Saudi-U.S. alliance specifically on military expenditures. These intellectuals argue that the large military expenditures should be spent domestically on development and the Saudi-U.S. alliance is the main impediment to this (Yamani, 2009).

With respect to American foreign policy objectives, Gause (2013) argues that the United States favors stability over democracy for Arab monarchies. The stability of Arab monarchies is important for the United States because "the monarchies share American policy goals in the Middle East and cooperate with the United States on military, diplomatic, and intelligence issues" (Gause, 2013, p. 30). Indeed, this policy does raise concerns for the United States' global commitment in promoting democracy, but this global democracy promotion means that the royal families in the monarchies will have to transfer their political power to their people (Gause, 2013). This will more likely put American interests in the region in jeopardy, because the royal families are the ones who guarantee American interests (Gause, 2013). Even though, rhetorically, American calls and pressures for democracy in the pseudo monarchies of Morocco and Jordan can be made possible in reforming their parliamentary institutions, but the United States is not in any way questioning the monarchs place in their regimes (Gause, 2013).

Kuwait, a dynastic monarchy, has a powerful parliament. But should not a parliament in Kuwait increase the possibility of legislations that might negatively affect U.S. interests? Gause (2013) posits that the Kuwaiti society, including the opposition, do not want to replace the Al Sabah ruling family. This means that, even if the Kuwaiti opposition dominate parliament, they



will less likely overthrow the royal family and, thus, the strategic interests of the United States will be assured by the position of the royal family (Gause, 2013). In Saudi Arabia, the exact opposite is the case (Gause, 2013). The good relations between the society and the royal families, including the opposition, in Qatar, Oman and the United Arab Emirates are similar to Kuwait (Gause, 2013), but without a powerful parliament. However, according to Gause (2013), this is not the case in Saudi Arabia and Bahrain. The relationship between both Saudi and Bahraini societies, especially the opposition, with the royal families is not as good as the other gulf monarchies (Gause, 2013). Hence, U.S. pressure on them to establish representative institutions will more likely affect U.S. interests (Gause, 2013).

Huntington's (1968) theory on "king's dilemma" seems that it could not predict nor analyze the persistence of Arab monarchies. Huntington (1968) argues that with the necessity of modernization in modern governance, monarchs who want to maintain their absolute rule cannot do so while attempting to modernize their society. This is because modernization will create a strong middle-class that will eventually oppose the monarch's absolute rule in the name of citizen participation in governance (Huntington, 1968). Eventually, this has not been the case for Arab monarchs, as they still persist and have also weathered the Arab uprisings without any Arab monarch being overthrown.

Hillel Frisch (2011) explains why Huntington's (1968) "king's dilemma" theory did not work in the case of Arab monarchies by arguing that the monarchs applied what he calls "omnibalance." Given that Arab monarchs have coped with external and internal threats they "have been involved in a two-level game of 'omnibalancing' – allying with strong outside powers when possible while continuing to employ divide-and-rule and balancing techniques domestically" (Frisch, 2011, p. 167). This strategy of "omnibalancing" has been successful for

Arab monarchies and it cannot work by only applying one level game, either internal or external (Frisch, 2011). The Shah of Iran had focused on the internal game which made his government more centralized and forced modernization on his society (Frisch, 2011). However, the Shah of Iran neglected the external element of the game which, in turn, resulted in a revolution against him (Frisch, 2011). The Yemeni dynasty, on the other hand, put more emphasis on the external alliance part of “omnibalancing” and, thus, lost their rule to the Yemeni republicans during the war in the 1960s (Frisch, 2011).

With respect to the surviving Arab monarchies, “because of either strategic location (Morocco and Jordan), oil wealth, or both (Saudi Arabia), had the opportunity to omnibalance and made the most of that opportunity in ensuring their survival” (Frisch, 2011, p. 184). Although Frisch’s (2011) argument emphasizes both internal and external strategies; his theory shows us the importance of special foreign support for monarchies. The support is special because it can be argued that Mubarak’s Egypt had played the two-level game of omnibalancing, for which it had a strong centralized government in Cairo and strategic relations with the United States. Yet Mubarak’s regime was overthrown by the people in 2011 during the Arab uprisings. Hence, according to Frisch’s (2011) theory, Arab monarchs’ persistence shows how omnibalancing is a successful two level game that can only be utilized by monarchs, not Arab presidents.

Now that we have covered the important factors of authoritarian survival and focused on the main strategies of survival in Arab monarchies, I will briefly review the literature on elite co-optation. Many characteristics of elite co-optation are utilized by the Omani and Saudi government. Thus, it is worth reviewing what the literature on elite co-optation not only to understand the ways in which governments or leaders co-opt elites, but also to identify the gap

this dissertation is attempting to fill in the literature by providing evidence of elite co-optation by land distribution.

## **2.4 Elite Co-optation**

### **2.4.1 Global**

Bove and Rivera (2015) argue that while electing elites to legislative bodies is a successful strategy for co-opting them (elites) in order to prevent coups, repressing elites produces an opposite effect that facilitates coups. In other words, “elected authoritarian legislatures mitigate threats from insiders and reduce the probability of leader change as a consequence of a coup. [Bove and Rivera] find the opposite for purges, which are positively related to the onset of coups” (Bove & Rivera, 2015, p. 454). Hence, their argument focuses on within elites interactions and how the authoritarian government deals with them (Bove & Rivera, 2015). The central premise of their argument is that co-opting elites decreases the possibility of coups while suppressing them more likely leads to a coup (Bove & Rivera, 2015). Their study analyzed empirical data on all authoritarian regimes from 1950 to 2004 (Bove & Rivera, 2015).

The existing literature on the start of any coup emphasizes the role of structural causes (for example, Putnam, 1967; Needler, 1979; Jackman, 1978; Luttwak; 1979; Zald & Berger, 1978; as cited in Bove & Rivera, 2015). These studies focus on the causes of coups from bottom-up (Bove & Rivera, 2015). Bove and Rivera (2015) emphasize the role of elites in the onset or prevention of coups. Instead of utilizing a top-bottom approach, they have used elites as their unit of analysis to explain the interactions that occur in the top (Bove & Rivera, 2015). Their theoretical framework focuses on the ways in which authoritarian governments use co-optation or repression when dealing with intra-elite conflicts (Bove & Rivera, 2015).

The authors' statistical data results support their argument that co-opting and not repressing elites prevents a coup d'état and this action is most attainable when the authoritarian government has an elected legislature (Bove & Rivera, 2015). While repression or co-optation strategies may produce the desired effects in preventing the masses from mobilizing, only elite co-optation will produce the desired outcome in preventing a coup d'état (Bove & Rivera, 2015). The authors conclude that their study presents two main variables (repression/co-optation) that enhance our ability to forecast the start of a coup (Bove & Rivera, 2015).

The previous study was published in 2015 and the authors focus on their variables (repression/co-optation) to assess the possibility of a coup d'état (Bove & Rivera, 2015). Another study published two years before that by Tanneberg, Stefes and Merkel (2013) utilizes the same variables in analyzing variance in impact by them in authoritarian governments during economic hardships. The authors of that study state that they have used the repression/co-optation variables from a then forthcoming collaborated study conducted by Greschewski et al. (2013) in German language. To assess the durability of autocratic regimes during periods of economic hardships, they start their study by using the dataset on 'Global Politics Regimes' compiled by Geddes, Wright and Frantz (2012) and data from 'Penn World Tables.' They have utilized this data to test whether economic declines have an impact on the continuation of autocratic regimes and they have confirmed that they do: "The more pronounced the economy declines, the more likely it is that horizontal or vertical threats emerge, fatally weakening the ability of autocrats to stay in power" (Tanneberg, Stefes and Merkel, 2013, p. 126).

However, they argue that this structural impact is not the only variable in explaining the threats to authoritarian regimes, because it only brings a vertical and horizontal threat to the regimes and does not collapse the regime in and of itself (Tanneberg, Stefes, & Merkel, 2013).

To assess the main reasons under the structural impact of economic hardships on authoritarian regimes, they incorporate the repression and co-optation variables into their data on authoritarian regimes from 1981 to 2008 (Tanneberg, Stefes, & Merkel, 2013). Their statistical study confirms their argument that, during economic hardships, soft repression<sup>7</sup> not only outweighs the benefits of hard repression,<sup>8</sup> it also significantly offsets elite co-optation through legislative institutions (Tanneberg, Stefes, & Merkel, 2013). They argue that elite co-optation through legislative institutions is context specific and lacks scrutiny that occurs in large N studies (Tanneberg, Stefes, & Merkel, 2013).

We see that Tanneberg, Stefes and Merkel (2013) results are the opposite of Bove and Rivera (2015); the former argues that soft repression has more impact in the persistence of authoritarian regimes, while the latter argues that co-optation through legislative institutions, not repression, plays a significant role in the continuation of such regimes. The reason why Tanneberg, Stefes and Merkel (2013) argue that co-optation thorough legislative institutions is not the reason why authoritarian regimes survive is because their regression models have showed that there are authoritarian regimes that do not have legislative institutions and have survived during economic decline. Bove's and Rivera's (2015) study, while published after Tanneberg's, Stefes's and Merkel's (2013) study, has not cited the study. It would have been interesting to see their argument against the aforementioned study.

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<sup>7</sup> The authors operationalize 'soft repression' by measuring the instances of where "Autocrats stifle public opposition by constraining political freedoms such as workers' rights and the right to electoral self-determination as well as the freedoms of speech and assembly" (Tanneberg, Stefes and Merkel, 2013, p. 121).

<sup>8</sup> The practical definition of 'hard repression' is when the authoritarian regime detains, ousts, or kills opposition groups (Tanneberg, Stefes, & Merkel, 2013).

The seminal book by Wintrobe (1998) *“The Political Economy of Dictatorship”* analyzes an important issue in dictatorships, which is the problem of information. In democracies, freedom of expression is a constitutional right and, in turn, unsatisfied citizens can express their grievances towards government at the ballot box (Wintrobe, 1998). This gives the government an assessment of the population’s support (Wintrobe, 1998). However, in dictatorships, it is difficult for the dictator to know the population’s perception of him and, thus, he lacks this viable source of information (Wintrobe, 1998). Continuous repression by the dictator on citizens will bring more problems to his regime and will increase the risk of him being assassinated (Wintrobe, 1998). This is what Wintrobe (1998) calls the “dictator’s dilemma” (p. 22), because the dictator does not know if citizens support him or do not, out of their fear of him and he cannot solely rely on repression, as it raises the level of personal threat to him. Some might say that the solution to this dilemma for the dictator is simply buying off some of the constituents that are powerful (Wintrobe, 1998). Yet, this solution runs the risk of trust problems from the beneficiaries (Wintrobe, 1998). In other words, there is no legal contractual document that can assure the individuals or groups who are co-opted that the dictator will not renege on his material or political support to them (Wintrobe, 1998).

Wintrobe (1998) asserts that the best solution for this dilemma that can avoid the problems associated with it is to “overpay supporters” (p. 336). This ‘overpaying’ can be provided to individuals or groups in the forms of high wages, capital value, or price (Wintrobe, 1998). By doing so, the dictator no longer has to worry about those powerful constituents’ perception or attitude of him, because the premium benefits from overpaying them makes their costs of turning against the dictator more than their benefits (Wintrobe, 1998).

### 2.4.2 *China*

The previous studies emphasize the role of domestic variables in co-opting or repressing elites. Wong (2012) utilizes globalization as an international factor that authoritarian governments take advantage of to co-opt elites and asserts that the existing literature assumes that authoritarian regimes function in closed economies and neglects the impact on those regimes from globalization. His study focuses on how Beijing co-opted elites who own well-known firms prior to Hong Kong's sovereignty transfer to China in 1997 and after this transfer (Wong, 2012). He argues that "Beijing strategically co-opted renowned Hong Kong firms because these firms yield the greatest demonstration effect; co-opting them can send other capital owners a signal that it is safe and profitable to invest under the current regime. This [signaling] effect was of paramount political importance because a confidence crisis had broken out in the pre-handover Hong Kong, seen in the massive outflow of both capital and people throughout the 1980s and early 1990s" (Wong, 2012, p. 183).

His data from the Hong Kong Stock Exchange was collected to identify the firms owned by elite families that have been co-opted by Beijing (Wong, 2012). The apparent data on Hong Kong firms revealed the challenges in the age of globalization that Beijing had to cope with when dealing with capital mobility<sup>9</sup> (Wong, 2012). Wong (2012) asserts that capital mobility and the 'exit' option in the hands of elite firms posed a new threat to Beijing in two imperative ways: It brings more threats to the authoritarian regime and gives elites, who own the firms, a destructive tool to 'exit' and put the economy in jeopardy. Again, a globally interconnected economy cannot forcefully prevent mobile capital from fleeing the country. The scale of Hong

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<sup>9</sup> Wong's study was inspired by Boix's (2003) theory on capital mobility and Hirschman's (1970) theory on firms 'exit and voice' options.

Kong elites' capital outflows is significantly high which makes it difficult to assume that Beijing can manage to prevent all capital outflows (Wong, 2012).

Beijing has co-opted renowned firms owned by Hong Kong elites by recruiting “directors or major shareholders of renowned firms into the Election Committee” (Wong, 2012, p. 205). Wong’s (2012) study found that “many of these firms have directors or major shareholders serving in a Beijing-designed co-optation institution, the Election Committee” (p. 205). The Election Committee as a “co-optation institution” has been a successful recruiting strategy adopted by Beijing to not only assure Hong Kong elites that it is safe for their firms to operate in the country, it also increased the benefits to elites for staying in the country (Wong, 2012).

In the context of China and how it coped with globalization, we should observe a decrease in public sector bureaucracies. However, Ang (2016) argues that public sector employment has dramatically increased in China, although its economy shifted from centrally planned to market driven economy. Why has public employment in China increased so much to an extent that in 2007 there were 50 million government employees? (Ang, 2016). To answer this question, Ang (2016) argues that this surge in public employment is a co-optation strategy utilized by provincial elites to increase their political power by creating a network of clients.

The political threats to China’s regime lies in the ethnic minority groups who reside in faraway provinces (Ang, 2016). Provincial elites have taken advantage of their political status and the decentralization policy of the central government to co-opt those ethnic groups by granted them public sector jobs (Ang, 2016). Ang (2016) collected his own dataset on “sub-national (provincial-level) public employment” (p. 237) from the Ministry of Finance. This co-option strategy by provincial elites in China is at odds with the central government’s policy to control the growth of public employment (Ang, 2016). “It would be misleading to treat the



“central” as a homogenous entity that is consistently unified and separate from the “local” levels. The central layer of China’s political system is itself made up of elite actors with divided goals— on the one hand, they are part of an elite circle that makes national redistributive and reform decisions; but, on the other hand, each actor is concerned with extending his or her own networks of power” (Ang, 2106, p. 253). Therefore, Ang’s (2016) study concludes that this paradox that the Chinese government is in is due to the elites’ strategy of co-optation and clientalism that they strive for to gain more political power.

Ang’s (2016) research shows us that authoritarian countries will allow co-optation even if it is at odds with the regime’s economic policy. While co-optation in some democracies and semi-democracies can be done to secure votes and maintain party loyalty, in single-party authoritarian regimes this co-optation strategy is utilized for the survival of the regime. In those democracies, the competition between parties in engaging in co-optation is centered around the survivability of the dominant party and if the party fails the competing party can take its place. However, in single party regimes, if the party falls, this means the whole regime is more likely to collapse. This is why, according to Ang’s (2016) study, we find that the Chinese central government allowing co-optation by provincial elites, because it further supports the survivability of the authoritarian regime.

Kun-Chin Lin (2012) reviews four major books by (Landry, 2008; Dickson, 2008; Tsai, 2007; Perry & Goldman, 2007) that analyze a shared theme on the survivability of the Chinese authoritarian regime in the era of “post-Mao Zedong reforms” (p. 73) and how the regime has maintained its continuity with the economic and political challenges of globalization. He argues that “the shared focus of several authors on the Chinese Communist party’s exercise of individual-level controls – either through internal disciplinary and reward mechanisms or

through the strategic co-optation of private interests and civil society groups – provides valuable insights into the organisational basis of authority and exchange emanating from the party-state” (Lin, 2012, p. 74).

In the literature of political liberalization, the emphasis on the correlation between decentralization and democratization is challenged by Landry (2008), for which China has not democratized even though its central government decentralized (Lin, 2012). Even modernization theory’s emphasis on the surge of private wealth’s correlation with political liberalization is challenged by Dickson (2008) in his study on China (Lin, 2012). Moreover, Tsai (2007) posits that “the level of economic development in Chinese villages does not positively relate to more accountable and responsive governments as measured by the level of public goods provision (Lin, 2012, p. 74).

Lin (2012) argues that the findings of both Landry (2008) and Dickson (2008) emphasize the significant role of the Chinese Communist Party’s (CCP) in co-opting elites in the new reformed market economy by aligning their interests with the CCP and making them supportive of the regime’s policies and strategies. Lin (2012) also finds elite co-optation strategies carried out by local officials in Tsai’s (2007) study to corroborate with his argument on co-optation contribution to China’s authoritarian survival.

Moreover, Lin (2012) cites Landry’s (2008) study in explaining how the regime successfully adopted co-optation strategies. Landry (2008) points to “Mexico and other countries where, in devolving power and resources to potential opposition forces and fostering market-driven economic growth, dominant political parties have lost grass-roots political control. In contrast, the CCP, through an active application of its cadre management system – the appointment, promotion and removal of party officials – has successfully diffused and managed

the risks of rank-and-file disobedience and thus avoided intra-party decay” (Lin, 2012, p. 76). Hence, the CPP, through its political party institutions, has stabilized its decentralization scheme by co-optation measures that have strengthened the survivability of the authoritarian regime.

### **2.4.3 *Russia***

Turovsky’s (2014) study is a within-case study on Russia’s uneven distribution of power. His study focuses on regional politics in Russia and shows that the opposition is not effective when recruited in regional executive institutions, because they are absorbed by the authoritarian regime’s political influence making the opposition change its affiliation. When it comes to regional legislatures, the authoritarian regime does not attempt to co-opt or repress the winning opposition figures if they win seats in a weak local legislative body (Turovsky, 2014). This explains why in Russian municipal and local government institutions the same opposition party might win in one place while losing in others (Turovsky, 2014). This all depends on the institutional strength or weakness of local municipalities and legislatures (Turovsky, 2014).

Co-optation is widely observed in Russian powerful legislative bodies and repression is apparent in the executive institutions (Turovsky, 2014). Turovsky (2014) asserts that we should not simply view the Russian party system as a one-party dominating the whole system. The measures of co-optation and/or repression apply to all parties (Turovsky, 2014). “Our analysis shows that the regional legislatures fall into a system of patronage rather than reflect the ‘typical’ cleavage between the ruling party and the opposition. That is, the system of United Russia’s patronage over the party system, as a subsystem of the executive power’s patronage over both United Russia and all other parties. In other words, it is a system of multi-tier patronage executed by federal authorities, regional governors and United Russia’s federal and regional structures” (Turovsky, 2014, p. 73).

#### **2.4.4 South Asia**

Wenner (2015) attempts to analyze a sub-national phenomenon in the seemingly free democratic state of India. Her case study on the separatist and ethno region of north-eastern India, Darjeeling, shows that the democratic institutions in India on the national level does not apply to that region, making her argue that it is best described as a competitive authoritarian sub-national regime (Wenner, 2015). She asserts that political legitimacy in Darjeeling's is not maintained by repression nor ruler-elite co-optation relations; instead, it is based on "demand side of legitimacy" (Wenner, 2015, p. 241) that is made possible by unelected regional leaders' co-opting individuals by moral and instrumental patronage. Wenner (2015) posits that the decline of electoral co-optation in Darjeeling caused the rise in maintaining political legitimacy through co-optation measures of moral and instrumental patronage.

The moral side of patronage exhibited by the regional leaders is a strategy adopted by them to make them appear legitimate leaders (Wenner, 2015). The leader's appearance of being generous is a quality revered by citizens in Darjeeling (Wenner, 2015). The instrumental side of patronage is exemplified in the leaders' allocation of public funds to individuals and granting social jobs to them (Wenner, 2015). The risks of this patronage strategy rise when public funds are not available to leaders making them unable to deliver, because the co-optation strategy already made citizens have high expectations (Wenner, 2015). Eventually, this runs the risk of negatively impacting the moral image of the leaders and makes subjects consider this as an act of selfishness (Wenner, 2015).

The problem of the moral and instrumental patronage practices in Darjeeling is that it is carried out as an alternative strategy to maintain political legitimacy in a regional political environment run by a dominant party in the legislature (Wenner, 2015). The central government

in India maintained national legitimacy in Darjeeling by supporting the dominant political party (Wenner, 2015). In turn, the daily politics in the region is left with patronage in order to establish local legitimacy and patronage set a standard for individuals that will cause instability when public funding is decreased (Wenner, 2015). The central government could offset declining public funds by opening the region's party competition environment and this could possibly allow co-optation through the legislative institution. However, this will harm the national government, because the region is prone to separatist claims, which might run the risk of declaring autonomy of the region if separatist parties win elections.

Now we turn to Afghanistan. The aftermath of the United States led war on Afghanistan dismantled the Taliban regime and the international coalition facilitated transitional government (Sharan, 2011). In 2004, Hamid Karzai was elected president and in a year, legislative elections took place (Sharan, 2011). The newly unitary government coped with a surge in factional, tribal and ethnic elite claims for power (Sharan, 2011). Sharan (2011) argues that Hamid Karzai has adopted an elite co-optation strategy to consolidate power and legitimacy. The new Afghani president incorporated some elites into his regime and accommodated other elite interests as well (Sharan, 2011). This has been done to enable the new regime to survive, yet it has not been successful (Sharan, 2011).

Sharan (2011) posits that competition for power is not new in Afghani politics, because elites have done so in the 1980s. The first competition for power among elites took place during the Soviet-backed regime and after that regime collapsed in 1991 (Sharan, 2011). The elite co-optation strategy adopted by Hamid Karzai has not been successful, given the civil war that started in 2002 to 2009 (Sharan, 2011). Sharan (2011) argues that "the failure of the Bonn Agreement following the US conquest of Afghanistan at the end of 2001 set in motion an

internal war (2002–2009) between two opposing elite networks: the *Jihadis*, in particular the Panjsheris in *Shura-yi Nezar of Jamiat Tanzim*, who controlled most of the security ministries in the government and whose power emanated from their regional bases, and the newly formed Western technocrats around President Karzai whose power was limited to Kabul” (p. 1110). After successfully repressing and moving the *Jihadis* out of power, the “Karzai network then continued to consolidate its power within the state and gain a semblance of legitimacy by depending on patron–client networks and manipulating ethno-regional ties” (Sharan, 2011, p. 1111). However, nation building has been weak in Afghanistan due to Karzai’s regime’s inability to successfully implement his co-optation strategy (Sharan, 2011). Therefore, Sharan’s (2011) study is an example of failed co-optation strategy that could not stabilize the country in the ongoing civil war and terrorism it is facing. I think the assessment of the feasibility of co-optation could be more accurate in a stable country, rather than a war-torn country like Afghanistan.

#### **2.4.5 Southeast Asia**

Some view Singapore as a full-scale dictatorship and the government can implement any policies it pleases without any group or elite resistance. Abdullah (2015), in his study on state-society relationship in Singapore, sees otherwise and argues that Singapore’s government falls into Levitsky’s and Way’s (2010) “competitive authoritarian regime” categorization of such regimes. Abdullah (2015) argues that this categorization of the regime in Singapore reflects the political environment in the country that elites play a significant role in. Among those elites that Abdullah’s (2015) focuses on are the Islamic scholars (*Ulama*). Studying the interactions between the regime and the Islamic elites, Abdullah (2015) posits that there are many examples where the regime co-opted those religious elites, which show that the government cannot

forcefully adopt a policy without relying on their support. For example, the religious institution of the “Religious Council of Singapore” (Abdullah, 2015, p. 467) is under “the purview if the Ministry of Culture, Community and Youth” (p. 469). Members of this religious government institution are Islamic elites that the government has appointed them in an attempt to co-opt them (Abdullah, 2015). This co-optation has proved to be successful in approving state involvement in banning women from wearing their Islamic veil (*Hijab*) in schools (Abdullah, 2015). The grand Mufti<sup>10</sup> of Singapore sided with the government by saying that wearing *Hijab* is not as important as education (Abdullah, 2015). Eventually, religious elites are government employees that the government made sure to appoint to have them render religious approval of its policies. Employment of religious scholars is a co-optation measure that shows the importance of elite backing, although the country is constitutionally secular.

Turning to other Southeast Asian countries, Fukuoka (2105) challenges the assumption that the two dictators of Indonesia and the Philippines were taken down by “people power revolutions driven by civil society mobilisation” (p. 411). He argues that Marcos of the Philippines and Suharto of Indonesia were both overthrown by a split in elites that were not kept united because of the dictators’ failed co-optation strategies (Fukuoka, 2015). The patronage systems in both regimes marginalized the elites which made them (elites) challenge the dictators and favor the democratic transition (Fukuoka, 2015). It should not be thought that elites’ support for the democratic transition their strong belief in democracy, rather, it is because they wish to advance more patronage than they had under the dictatorships (Fukuoka, 2015). Moreover, Fukuoka (2015) does acknowledge the impact of the people’s revolution, but he emphasizes the causal impact of the old regimes’ elites in pushing for the transition in governments. He adds that

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<sup>10</sup> A Muslim scholar occupying this position can issue verdicts and is the highest reference for interpreting Islamic scripture.

the powerful role of elites in both countries during the transition is best exemplified in the presence of their oligarchic networks of influence in modern day post-revolution Indonesia and the Philippines (Fukuoka, 2015).

#### **2.4.6 Arab Countries**

Although Morocco and Mauritania have different types of political structures, Buehler (2015) posits that their survival strategies through co-optation are similar. Both governments have used repression, concessions and reforms, yet their co-optation strategy that had started long ago has helped both regimes to survive the Arab uprisings (Buehler, 2015). “Targeting rural politicians with weak party affiliations for co-optation, regimes used it to build and reinforce loyalist political parties in the late 2000s. Once the uprisings began, both regimes deployed these loyalist parties to undertake counter-revolutionary activities to contain and counterbalance the power of youth and Islamist movements” (Buehler, 2015, p. 364). Hence, what is interesting about Buehler’s (2015) findings is that he shows the impact of rural parties on urban politics during turbulent times. This survival strategy adopted by both regimes is analogous to a reserve army to be deployed when needed, and what more time needed than during the Arab uprisings that could have changed both regimes.

The previously mentioned regimes have not been overthrown during the Arab uprisings, but their neighboring Tunisia was the first to experience a revolution. Tunisia’s post-revolution democratic regime was, and to some extent still, is the best model for the Arab countries that have experienced the wave of the Arab uprisings. The prominent example of the democratic success in Tunisia is how the Islamist party has respected the new democratic process and institutions. However, Boubekeur (2016) sees otherwise and argues that “the new Tunisian order is the result of a particular type of post-authoritarian political culture that [she] call[s] bargained



competition. It consists in Islamists and old regime elites bargaining on their mutual reintegration and their monopolization of the post-revolutionary political scene while fiercely competing over political resources through various (often informal) power-sharing arrangements” (Boubekeur, 2016, p. 107). Hence, the “bargained competition” is what, according to Boubekeur (2016), has kept the new democratic system intact.

Although her argument focuses on underlying variables behind the façade of a democratic political culture in post-authoritarian in Tunisia, her argument sheds light on a common problem that has been seen in Egypt where both post-Arab uprising Egyptian governments<sup>11</sup> have excluded some important groups from the bargaining process. It can be argued that the Egyptian regime has not established an institutional framework that enables old elites and Islamists (namely the Muslim Brotherhood) to engage in a “bargained competition” that might have enhanced their unstable political structures.

Asseburg and Wimmen (2016) agree with Boubekeur (2016) on the negative consequences of elites’ competition to gain power. They argue that post-revolution countries of Egypt, Tunisia, Yemen and Libya are in an ongoing “contested and open-ended transformations” (Asseburg & Wimmen, 2016, p. 1). The authors add that the “Politically Relevant Elites (PRE)” (p.1) have taken advantage of the transformation process to have greater political resources (Asseburg & Wimmen, 2016). The “PRE” have marginalized the citizens in Egypt and Tunisia by bringing back the old way of control of top-down politics, and when the “PRE” have not managed to bargain with each other they have contributed to failed states and civil wars in Yemen and Libya (Asseburg & Wimmen, 2016). What we can conclude from the previous studies is that failed co-optation strategies by previous authoritarian regimes have contributed to

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<sup>11</sup> The first government under President Morsi and the second one under President El-Sisi.

their removal and those failed strategies have continued during the transition process in the new regimes.

## **2.5 Summary of the literature review**

In this chapter, I have reviewed the most important factors of survival in the authoritarian survival literature and reviewed the regional literature on elite co-optation. Regarding the authoritarian survival literature, I have chosen to review only three factors of survival (institutions, natural recourses and foreign support), because I argue that they are the most prominent ones in explaining the survival of Arab monarchies. Those factors are prominent in the literature and this dissertation will contribute to the ‘institutions’ category in the authoritarian survival literature for the following reasons. Oil revenue, taken alone, as the only factor that makes Arab monarchies survive is not an accurate explanation. If this argument is general about any type of regime in the Middle East, then Muammar Gadhafi would still be in power, given the oil wealth Libya has. In addition, if the rentier argument is specific to monarchies, then the Shah of Iran would also remain in power, as Iran also is an oil rich country. This is not to say that oil revenues do not support the survival of authoritarian systems, but I argue that it cannot be used alone to explain their survival and not be considered as the main factor in maintaining authoritarian survival. Therefore, my dissertation will contribute to the authoritarian survival literature in adding an institutional survival strategy of distributing land to elites that eventually led to the unintended consequence of White Land.

With respect to foreign support, the Jordanian monarchy can easily become an absolute monarchy and not need a parliament, because of the foreign support the monarchy has. And, this can also be the case in Morocco. Yet, we know that both monarchies have parliaments that deal with daily politics. This shows that the need for those institutions are necessary for the

governments to function and the monarchies to survive, because it will not be feasible nor possible for the monarchs to call for help from western powers every time they are threatened from their people. Some might say that Morocco and Jordan are resource poor monarchies, therefore, they cannot only rely on foreign support and that is why they established parliaments. Well, Kuwait is a resource rich monarchy that has foreign support, but also has a parliament. Thus, foreign support argued as the only factor that makes monarchies survive is not empirically accurate.

The role and the necessity of institutions is what I argue are the most important factors that explain the survivability of Arab monarchies in general, and Oman and Saudi Arabia in specific. The reason why I make this argument is because institutions are the vehicles that deal with daily politics. When it comes to the institution of land distribution, in the following chapters, I will show how this institution granted land to elites to assure regime survival, while at the same time this distribution has led to the unintended outcome of White Land.

Yes, oil revenues and foreign support are important, but they are not only factors that contribute to institutions, because they assist the institutions that carry out daily politics. Foreign support is a structural factor that maintains stability in the background and oil revenue is an input that provides easy cash to monarchs to solve problems quickly. The problems that oil rich monarchies faced during low oil prices were solved slowly, but did not lead to their collapse. Hence, institutions established by the monarchies are made to maintain their survival by dealing with daily politics that oil revenues and foreign support alone cannot do the same thing.

With respect to the elite co-optation literature, this dissertation will contribute to that literature in emphasizing the role of urban land distribution as a strategy to co-opt elites. This co-optation strategy via land distribution is an under researched theme that requires scholarly

attention. To fill this gap in the literature, I have mentioned the various strategies of elite co-optation to show that land distribution, which unintentionally produced White Land, is another important strategy of elite co-optation that requires close attention. As we will see in the following chapters, this co-optation strategy has assisted both monarchies in their survival. However, this strategy has put Saudi Arabia in a paradox regarding the housing crisis, while the implementation of this strategy in Oman has not produced the same outcome.

All in all, this dissertation will contribute to both literatures in emphasizing variations in the role of institutions in monarchical survival, specifically in their land distribution co-optation scheme to elites. Thus, the focus will be on the monarchical institutions and how they distribute land in Oman and Saudi Arabia that led to varying outcomes. As we have seen in this literature review, Arab monarchies have benefited from their use of institutions to solidify their rule. But, some monarchies have different institutions than others. Hence, the distribution of land and how Saudi Arabia and Oman utilized it will be analyzed in this dissertation to show how they institutionalized this type of co-optation distribution and how it led to different outcomes.

## **2.6 Methodology**

This dissertation utilizes a structured, focused comparative study (George & Bennett, 2005) between Saudi Arabia and Oman. The premise of this structured comparison is that the data collection pertains to the specific research questions “thereby making systematic comparison and cumulation of the findings of the cases possible” (George & Bennett, 2005, p. 67) between Saudi Arabia and Oman. This structured, focused comparison focuses on certain details of history that specifically pertains to the cases in the study (George & Bennett, 2005). Hence, this study is not a historical narration; it is confined to specific historical events that specifically focuses on the following:

- How in the 1970s, both Saudi Arabia and Oman started with similar strategies for survival, but the continuation of Oman's old elites changed the outcome for White Land in the country, whereas the replacement of the old elites with new ones in Saudi Arabia exacerbated the issue of White Land in the country.
- How newly created elites in Saudi Arabia solely depend on White Land for profit and how Omani old established elites do not exclusively depend on White Land to make profits.

With respect to testing my causal mechanism and selecting my cases, the method of most similar systems (Przeworski & Teune, 1970) is utilized for this purpose. As mentioned before, this method not only justifies my case selection, it also gathers many similar independent variables as possible to control for them (Przeworski & Teune, 1970). By doing so, this permits a suitable test for my causal mechanism in Saudi Arabia and reflects how variation in the independent variable leads to variation in the outcome in the causal mechanism for Oman.

Hence, the method of most similar systems (Przeworski & Teune, 1970) is utilized for case selection and a structured, focused comparison (George & Bennett, 2005) is used to compare the cases. The empirical evidence for both cases' causal mechanisms will be presented following the method of process-tracing (George & Bennett, 2005). Hence, the structured, focused comparison will be the framework of the case studies and process-tracing will be the tool. The method of process-tracing is defined by George and Bennett (2005) as:

ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information, or matter to other entities. In doing so, the causal agent changes the affected entities' characteristics, capacities, or propensities in ways that persist until subsequent causal mechanisms act upon them. If we are able to measure changes in the entity being acted upon

after the intervention of the causal mechanism and in temporal or spatial isolation from other mechanisms, then the causal mechanism may be said to have generated the observed change in the entity (p. 137).

As this dissertation strives for a rigorous analysis, the causal mechanisms will be assessed following the process-tracing criteria developed by Bennett and Checkel (2015). For process-tracing to be accurate the researcher should “cast the net widely for alternative explanations and be equally tough on the alternative explanations.” Moreover, the researcher has to “make a justifiable decision on when to start” while being “relentless in gathering diverse and relevant evidence, but make a justifiable decision on when to stop.” It is important to “consider the potential biases of evidentiary sources.” (Bennett & Checkel, 2015, p. 28-39).

With respect to analyzing the cases the researcher must “take into account whether the case is most or least likely for alternative explanations.” Also, “combine process tracing with case comparisons when useful for the research goal and feasible.” The researcher should “be open to inductive insights and use deduction to ask “if my explanation is true, what will be the specific process leading to the outcome?” Finally, the researcher should “remember that conclusive process tracing is good, but not all good process tracing is conclusive” (Bennett & Checkel, 2015, p. 28-39).

Since this dissertation will utilize the most similar systems design (Przeworski & Teune, 1970), I will illustrate why I chose Oman to be a comparable case to Saudi Arabia. Both countries share the following characteristics:

1. They are among the founding members of the Gulf Cooperation Council.
2. They are Muslim majority countries.
3. Arabic is their official language.
4. They are both absolute monarchies.

5. They both do not have a written constitution and have a written basic law of governance.
6. They are bordering countries.
7. They are oil producing countries.
8. Their budget relies heavily on oil revenues.
9. Their economies are minimally diversified compared to OECD countries<sup>12</sup>.
10. The majority of their societies are tribal and have relatives in both countries.

## **2.7 Field Work**

My proposal got awarded by the American Political Science Association and Carnegie Foundation by receiving funding for this field work. My field work was done in the summer of 2016 and I have traveled to Saudi Arabia and Oman to conduct interviews with concerned citizens, officials and realtors. The interviews were mostly casual talks with both Saudi and Omani citizens, with the exception of the interviews made with officials in both countries. I made sure to respect the confidentiality of the interviewees, as you will see in the chapters where I transcribe interview data, I do not mention their names. I only mention the dates and the location where the interviews were conducted.

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<sup>12</sup> Oman's economy is more diversified than Saudi Arabia.

### 3 CHAPTER THREE: CASE STUDY OF SAUDI ARABIA

In this chapter, I will provide empirical evidence to each variable in the causal mechanism for Saudi Arabia. The method of process tracing will be used to link each cause and effect in the chapter's causal mechanism. The explanation and empirical evidence for each variable will be mentioned under a subheading of the concerned variable.

#### 3.1 Causal Mechanism for Saudi Arabia's Case:

**1970s Oil Boom → Government Distribution of Wealth and Land → Creation of New Elites → Elites Enter the Real Estate Market → White Land → Housing Crisis → Weak Government Intervention**

#### 3.2 1970s Oil Boom

The oil-boom in the 1970s as due to an increase in global demand for oil and the 1973 oil embargo<sup>13</sup> decreased the supply of oil in the international market and, correspondingly, raised the price of oil. The impact of the rising price of oil on Saudi Arabia was so significant that in 1974 oil income for Saudi Arabia was \$22.6 billion dollars (around \$200 billion dollars in relative value nowadays) (Looney, 1984). In fact, this income alone in 1974 is more than all previous annual income combined (Looney, 1984). This windfall income for a new state that was united in 1932 translated into new government behavior in the domestic economy, to say the least. It is interesting to know what did the Saudi government do with all this wealth.

The Saudi government started to invest in infrastructure, build and expand existing bureaucracies and create new ones (Chaudhry K. A., 1997). The government transformed from being extractive, in a sense it used to depend on fees and taxes to finance the bureaucracies, to

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<sup>13</sup> Due to the United States' military assistance to Israel during the 1973 Arab-Israeli war, Arab member states of OPEC imposed an oil embargo on the United States.



distributive as the new wealth enabled it to finance itself (Chaudhry K. A., 1997). This also changed the relation between the government and businesses, guilds and merchants; they became subordinate to the government as it took full control of their activities (Chaudhry K. A., 1997). This control should not be confused with a socialist take over by the government, rather, their activities in the economy highly depends on the government to succeed. As Chaudhry (1997) argues, “Business, once a staggeringly diverse collection of guilds, merchant associations, and independent traders, had been transformed into a much smaller, nationally organized corporate group with strong formal ties to the bureaucracy” (Kindle Location Page 3479).

What is also interesting about the impact of the oil-boom era in Saudi Arabia is how the government managed to take the lead in the economy without social protest from the previous beneficiaries (Chaudhry K. A., 1997). Indeed, the ease by which the transformation of the bureaucracies from extractive to distributive seemed to have pleased individuals that paid taxes (Chaudhry K. A., 1997). This result can be claimed as a success by the Saudi government, as it did not accumulate all of the new wealth to itself and not distribute it. The Saudi government distributed a large part of its oil revenue to the society by new creating new jobs and investing in infrastructure. To the Saudi government’s credit, it could have taken most of the wealth and invest little into the country like some other oil rich countries had done, but it did not do the same comparatively.

With respect to taxes, the Saudi government abolished many of taxes (Chaudhry K. A., 1997). Among those taxes that were abolished were foreign companies’ taxes that were canceled for five years, income taxes on foreign workers were abolished, road taxes and some commodity taxes were also canceled (Chaudhry K. A., 1997). This tax cancelation policy also reached the religious tax *zakat* (religious tithes) as “the government simply stopped collecting *zakat* in 1976”

(Chaudhry, 1997, Kindle Location Page 3569). What we can discern from these actions is what the literature on the resource curse informs us of some implications of windfall resource income; governments, by virtue of this new income, can independently finance itself and, thus, taxation is not necessary. An example of the government's abandonment of taxation was clearly exemplified by the fact that the position of director of revenues was vacant for four years, between 1974 and 1978 (Hertog, 2010).

An important emphasis in the literature on rentierism is placed on the ability of the rentier states to survive by 'buying off' the society to insure they will not make political demands (Mahdavy, 1970; Beblawi, 1987). "This is problematic, because people are rarely that apolitical or, let us say, naïve. Although people are provided with all kinds of welfare, it is still not likely that they will turn their blind side to obvious nepotism, corruption, lack of rule of law, absence of transparency and non-existence of democracy. Given that the Saudis are very much exposed to the outside world, it is completely unlikely that ideas of an alternative political order do not find fertile ground (Stenslie, 2012, p. 13-14). Hence, we should not misunderstand the information I am mentioning about the abolishment of taxes as being the rentier effect that enabled the Saudi government to survive. As my theory indicates, authoritarian governments employ different strategies to survive and this dissertation reviles a new strategy of survival, the strategy of land distribution.

The end of the extractive nature of the Saudi bureaucracies might have pleased tax payers and consolidated the centralization of the state. However, that came with a cost to the government's micro data on residents' incomes<sup>14</sup> (Chaudhry K. A., 1997). When crucial income

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<sup>14</sup> Hertog (2010) does not agree with Chaudhry's (1997) argument here, as he argues that the bureaucrats at the time were simply "uninterested in systematic collection of information on activities outside of their agencies" (Hertog, 2010, p. 76). This is quite obvious because the main employer was the government and, thus, it already had detailed information on a large amount of Saudi employees' incomes.

data is not available, it will bring negative consequences for the state in allocating unnecessary funds to welfare programs to individuals who are not in need. The negative consequences were felt recently as the Ministry of Social Affairs (now Ministry of Labor and Social Development), which is responsible for giving out welfare paychecks to the poor and disabled, found out that it was paying people who own land and are wealthy (Al Khamsani, 2016).

In the 1970s, before and after King Faisal's assassination<sup>15</sup>, King Fahad (when he was prince) surrounded himself with technocrats with clear dedication for development and investment in Saudi Arabia (Hertog, 2010). The implications of the expansion of the state reached far "to provide state-of-the-art infrastructure free and comprehensive public services, employment guarantees, and the conditions for industrial growth as quickly as possible" (Hertog, 2010, p. 85). This not only reflects the expanding nature of the Saudi government, but also to its credit it indicates a clear dedication of the government to invest and develop the nation.

The new distributive nature of the Saudi government is translated into distributing the new oil wealth. The perks of this distribution were not confined to elites, although they have received the lion's share, it spread to citizens by massive public sector guaranteed jobs. Public sector jobs had risen "from 96,000 in 1972 to 298,000 in 1983" (Chaudhry, 1997, Kindle Location Page 3620). Public sector jobs were lucrative (Chaudhry K. A., 1997) and are still to some extent nowadays.

The 1970s oil-boom was a major factor that enabled the Saudi government to expand. Once in the past when the government relied heavily on fees and taxes to finance itself, now it is free from that burden. The burden I mean here is the fact that the Saudi government prior to the oil-boom had to negotiate with prominent society figures and heads of tribes (Chaudhry K. A., 1997). The position of the state was weaker than its strong position afterwards. Indeed, Chaudhry

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<sup>15</sup> King Faisal was assassinated by his nephew in March 25<sup>th</sup>,1975.

(1997) argues that prior to the oil-boom, the Saudi government had hard time levying taxes as it was not an easy process and it was met by some resistance. This resistance to taxes is quite obvious in authoritative countries, because the state is imposing taxes on people that are not participating in government decisions.

The centralization of the state changed geographically as the ministries and embassies that were located in the city of Jeddah in the Western province relocated to Riyadh the capital in the Central province (Chaudhry K. A., 1997). This relocation happened when King Khalid assumed the throne after his brother King Faisal died. New ministries “were created in the 1970s: Justice; Higher Education; Industry and Electricity; Municipal and Rural Affairs; Planning; Housing and Public Works; and Post, Telephone and Telegraph” (Stenslie, 2012, p. 64).

The first Central Planning Organization that was established in 1970 during King Faisal started a five-year development plan that ended in December 1974 (Hertog, 2010). The second five-year development plan’s expenditure allocation was five times more than the first one with a total of 500 billion Saudi Riyals (Hertog, 2010). This government approach in investing in infrastructure marked the beginning of the private sector’s dependency on government spending.

### **3.2.1 Land**

This was the golden era for real estate development companies. “The Real Estate Development Fund made interest-free loans for the purchase and development, residential and commercial, of urban land” (Chaudhry, 1997, Kindle Location Pages 3675-3676). With a domestic economy that is fed by the input of oil revenues and an economy that is undiversified, the real estate market is by far the most lucrative market in the kingdom. Due to government spending on infrastructure projects by virtue of oil revenue, the prices of land have increased rapidly. It was from this period of the oil-boom time where the ownership of land became a

golden opportunity. Real estate and housing development “were potential sources of large-scale capital accumulation” (Chaudhry, 1997, Kindle Location Page 3735).

As Chaudhry (1997) argues, growth was the only end the Saudi government aimed for during the oil-boom days. There was no clear plan before the exogenous impact of the price hike of oil (Chaudhry K. A., 1997). What we can learn from this period is that the Saudi government changed institutionally from extractive to distributive and, accordingly, state-society relations drastically changed. The new distributive institutional form of the government increased the values of businesses, trade, commodities and most importantly land. Our central focus of this era is the impact of distribution on the value of land. The government’s spending on infrastructure expanded major cities rapidly and, thus, land ownership started to become an important means for profit. Now we turn to the second variable that resulted from the oil-boom era to see how the government distributed land and who were the main beneficiaries.

### **3.3 Government Distribution of Wealth and Land→ New Elites**

The previous section showed us the impact of the 1970s oil-boom on the Saudi state. This impact was a turning point for the nation as a whole, as it not only changed the nature of the previous extractive institutions to distributive ones, it also empowered the state above all previous societal entities and expanded the impact of the state on the whole nation. As mentioned earlier, government spending of oil income was mostly allocated into domestic development in infrastructure (Chaudhry, 1997; Hertog, 2010; Stenslie, 2012). This distribution also went to education, health and employment. Hence, we can say that the vast majority of citizens received in some form the distribution of oil wealth. However, there was a special group that got the lion’s share of that distribution, namely elites.

It is worth mentioning that an interesting government approach had taken place in Saudi Arabia as a result of the oil-boom; “the government used oil revenues to eliminate the old economic elites of one region and create in another an entirely new class of entrepreneurs directly dependent on the favor and financial support of the government” (Chaudhry, 1997, Kindle Location Pages 702-703). This empirical evidence, well documented by Chaudhry (1997), is interesting and quite surprising because there is no clear answer why the government replaced old elites with new elites and made them dependent on government support.

In order to understand the how the Saudi state replaced its old elites from one region and created new elites from another region we have to lay out in detail the historical events prior to the oil-boom. In his effort to united the tribes and urban dwellers of what is now Saudi Arabia, King Abdul-Aziz, the founding father of the new Kingdom of Saudi Arabia, prioritized the extractive bureaucracy’s activities in each region that was included to the Kingdom (Chaudhry K. A., 1997). The Eastern province, namely Al Hasa, was a good source of tax revenue but “between 1936 and 1952 the Hijaz [the Western province] provided the bulk of state revenues” (Chaudhry, 1997, Kindle Location Page 1460). The Western province had a vital economy due to the Muslim pilgrimage to the two holy cities of Makkah and Medina and the sea port of Jeddah city that facilitated maritime commerce. Commercial and guild communities were the two dominant communities in the region’s economy (Chaudhry K. A., 1997). Unlike all other local elites in Saudi Arabia at that time, what is interesting is that those two communities had institutional bargaining power that mediated with the King, which other local elites did not have (Chaudhry K. A., 1997). This institutional power may have been possible due to what Al-Nuaim (1986) mentions about the Hijazi merchants having significant ready cash compared to other merchants in Saudi Arabia, and, of course, the government at that time was in financial need.

Before I illustrate the dynamics of the bargaining power of the old established Hijazi elites, it is necessary to mention the importance of the Hajj to the economy of Saudi Arabia before oil. According to Al-Nuaim (1986), unlike Najdi and Al Hasa merchant elites, the Hijazi merchant elites, prior to oil and the unification of the Saudi state, were the most independent elites because their trade routes and pilgrims coming for Hajj were mainly entering from Jeddah's red sea port. The sea port freed Hijazi elites from seeking protection from the government to insure the safety of commercial routes from being raided by tribes' men (Al-Nuaim, 1986). Therefore, Hijazi merchant elites relied less on the government for protection, which made them independent from government, unlike other merchant elites (Al-Nuaim, 1986).

With respect to Hajj's significance to the economy before oil, Al-Nuaim argues that "[t]hanks to the annual influx of well-to-do pilgrims Hijazi trade yielded significant annual customs revenues. That surplus was disproportionately beyond traditional Arabian productive capacity" (p. 142). In "June 8, 1929 the Hijaz yielded an annual revenue of 1,174,362 pounds sterling... Jidda's economy was highly monetarized. Money was always available for cash deals. The consignment of an arriving ship at Jidda's port was usually in cash on the spot" (Al-Nuaim, 1986, p. 94). In 1944, the revenues from pilgrims coming for Hajj were around 13 million riyals, whereas oil income was around 2 million riyals (Wawro, 2010). This was an important revenue for the government, because oil was not a major source of revenue during that time. The significance of Hajj is that the influx of pilgrims to Jeddah's sea port in order to travel to the Holy city of Makkah made this location an important commercial hub, as wealthy pilgrims usually bring commodities to engage in trade. Hence, Hijazi merchant elites benefitted from pilgrims coming in for Hajj in facilitating commercial activities in a designated location that attracts pilgrims every year.

To regulate disputes and mediation with the government, King Abdul-Aziz issued a constitution and electoral laws (Nizam Al-Intikhabat Al-'Ammah) to legally sanction elections among municipalities, guild masters and public officials (Chaudhry K. A., 1997). These institutions facilitated and managed the relations between the economic elites of the Western province and the King (Chaudhry K. A., 1997). The major merchant families of the region were able to win representation posts in the government's (Majlis Al-Shura) Consultative Council (Chaudhry K. A., 1997). The position of the economic elites of the Western province was so powerful that it shows in some court records and documents of the Consultative Council that they had their political reach was not only confined to mediation and resolving disputes, it reached far to structure local government institutions like the police and the municipal system (Chaudhry K. A., 1997).

The economic elites, through the Consultative Council, have often blocked the King's effort "to increase fees and unify taxes" (Chaudhry, 1997, Kindle Location Page 1491). As the King attempted to create a national market, the economic elites resisted his attempt because it meant that their monopoly will break down as a result (Chaudhry K. A., 1997). An interesting incident happened in 1932 where a prominent merchant from the Central province (Najd province) appealed to King Abdul-Aziz about the unfair monopolistic activities of the Western province's economic elites that prevented him from entering in the market (Chaudhry K. A., 1997). The King had to react to enforce his sovereign powers in maintaining a free and competitive market and, thus, the King decided in favor of the Central province's merchant (Chaudhry K. A., 1997). After deliberation in the Consultative Council, the Western provinces economic elites overturned the King's decision by basing their action to do so on a document signed in 1878 by the region's merchants, arguing that the King's decision violates the



agreement for market sharing in the document (Chaudhry K. A., 1997). These examples not only show that King had a hard time in enforcing government regulations on the economic elites of the Western province, it also shows that the extractive bureaucracy of the time coped with co-equal powers. This may give us a hint as to why the Saudi government replaced the old Western province economic elites with newly created elites from the Central province.

The Al Saud dynasty is from Najd and being from that area does not mean that the royal family has not coped with struggles with the local Najdi tribes. Al-Nuaim (1986) argues that the Najdi tribes were fragmented and functioned in a state of anarchy. The tribes were strong and war prone, even amongst each other (Al-Nuaim, 1986). The Najdi tribes lacked a central authority, which required an ideology to unite them under an authority and, thus, Wahhabism in 1745 was introduced for that cause (Al-Nuaim, 1986). “Towards that end, which required violent means, Wahhabism wrapped itself with extravagance (that entailed the strictest possible interpretation of Quranic verses and prophetic tradition) that justified, rationalized and hailed such an endeavor. Thus, Najdi towns and nomads were engaged in a long struggle that ended with the triumph of the new movement” (Al-Nuaim, 1986, p. 107).

Al-Nuaim (1986) posits that the Najdi merchant class were reluctant to support, then young, Abdul-Aziz bin Saud in his conquest to unite central Arabia. The reason why they were hesitant was due to their fear of the survivability of the new regime (Al-Nuaim, 1986). Thus, King Abdul-Aziz struggled to garner their financial support and was under pressure to prove to them that his new regime and cause (through Wahhabism) was worth to count on. Moreover, as King Abdul-Aziz successfully won more regional wars and annexed more territories in Najd, the Najdi merchants started to support his regime financially, because his regime proved it would survive, especially when Abdul-Aziz won the battle against Ibn Rasheed (Al-Nuaim, 1986).

We can conclude that the Al Saud royal family struggled to unify Najd, because of its war prone nature and the lack of a central authority. It was not until the third Saudi state where King Abdul-Aziz, with the financial support of Najdi merchants and Wahhabism religious-political ideology, had usefully achieved the goal of establishing a central authority in Najd (Al-Nuaim, 1986). “The Najdi stage has been characterized by an excessive reliance on merchant capital” (Al-Nuaim, 1986, p. 306). However, their capital was not nearly as much as the Hijazi merchants, which shows us why the Saudi state expanded and enriched itself more when the Hijaz region was united under the new regime.

As the Saudi state building was gradually evolving in 1953, the new King Saud assumed the throne after his father King Abdul Aziz passed away. King Saud had different governing style which favored traditionalism over his brother prince Faisal’s cosmopolitanism (Chaudhry K. A., 1997). This difference led to disagreement between him and prince Faisal, because prince Faisal at that time was the governor of Hijaz (Western province) and foreign minister (Chaudhry K. A., 1997). Chaudhry (1997) argues that the result of this disagreement made prince Faisal form a strong coalition with the Hijazi merchant elites to garner support for him (Chaudhry K. A., 1997). It seems that the merchant elites took advantage of this coalition and marginalized the guilds (Chaudhry K. A., 1997). This action set the scene for the Hijazi merchant elites to be the only elites that a voice in the economic activities on the Western province (Chaudhry K. A., 1997).

As the Hijazi merchant elite guaranteed its position in the economy, they paved the way in tandem with the government to centralize the new national regulatory institutions (Chaudhry K. A., 1997). These institutions “included a systematic program, implemented through the newly created Ministries of Commerce and Finance and National Economy, to monitor prices, consult

with the Chambers of Commerce, study and recommend protective tariffs, and collect information on all issues relating to commerce and trade— including the distribution of subsidies, registration of companies, and enforcement of the boycott on Israeli products” (Chaudhry, 1997, Kindle Location Pages 1709-1711).

The steady growth of the economy in the 1960s increased the need for the government to expand its infrastructure projects (Chaudhry, 1997). Given that the Hijazi merchant elite had the expertise to take on these projects and their strong ties with prince Faisal at the time, they were given the contracts for those projects, and namely it was a small group of families from Jeddah city (Chaudhry, 1997). The Hijazi elite was not alone as oil extraction in the Eastern province expanded by the oil company Arabain American Company (ARAMCO) brought new groups from Al-Hasa (Chaudhry, 1997). Contracts and construction were shifted to the Eastern province and this left the Hijazi merchant elites with commodity imports (Chaudhry, 1997). What is interesting is that these two groups were not in competition with each other (Chaudhry, 1997), maybe this is due to the fact that each province had an advantage, oil in the Eastern province and a vibrant sea port commercial activity from pilgrims entering the Western province. Hence, the two groups were not in a position to compete in two immobile and geographically distant economic activities.

Speaking of ARAMCO, Robert Vitalis (2009) published a book dedicated to revising a commonly held belief of the positive impact of ARAMCO, a company that brought miracles. There is no doubt that ARAMCO did contribute to Saudi Arabia’s development and it also created more jobs in the kingdom. However, Vitalis (2009) does not agree with the utopian description of the company and how it assisted in modernizing the conservative kingdom. More importantly, Vitalis (2009) seeks to debunk the commonly assumed special relations between the

United States and Saudi Arabia that is based on a strategic deal of 'oil for security.' Vitalis (2009) counterargument to this widely-held belief on the positive role of ARAMCO is twofold. First, the author argues that ARAMCO's interests were prioritized over US interests and, thus, the company (Vitalis, 2009).

During the 1960s, there was a steady but ineffective growth of civil servant employment in the bureaucracies by Central province individuals (Chaudhry, 1997). It was ineffective in a sense that Central province individuals had little influence in the economy, but by the 1970s oil-boom those individuals gained the necessary leverage to penetrate the economy when a national market was established (Chaudhry, 1997; Hertog, 2010). As mentioned earlier, the Hijazi commercial elite made the elite group exclusive to them when they marginalized the guilds. As a result, the Western province elite was small enough to not be able to compete with a growing Central province state employees who, by their position in the growing bureaucracy, had the upper legal hand in regulating the national market (Chaudhry, 1997).

At the time when the Hijazi commercial elite had the privileged position in the economy and formed an obstacle to Central province individuals to enter the market, in the 1970s, the Central province individuals entered the market through their legal regulatory position in the bureaucracy. Hence, the small Hijazi commercial elite were not able to use their privileged position as the growing Central province public employees now formed the same obstacles as the Hijazi commercial elite did so before. Therefore, due to the establishment of a national market, spearheaded by the government and increasing number of public employees mainly from the Central province, the Hijazi "commercial middle class, entirely uninterested in democracy, literally prepared the way for its own destruction" (Chaudhry, 1997, Kindle Location Page 1829).

It is obvious why Chaudhry (1997) attributed this destruction to their disinterest in democracy by the Hijazi commercial elite, because if democratic institutions were formed at the time, this elite would have had institutional power to challenge the government's favoring of Najdi individuals to intervene into the Western province's economic activities. Or, they might lose this influence in legislative power to Najdi influence backed by the state. But, it seems that the Hijazi commercial elite thought that the government would hold on to them and preserve their privileged position in the economy and, hence, there is no need for them to demand for little democracy.

Yamani (2009) provides interesting insight on the cultural tension between the Hijazis and Najdis. She argues that Najdis are more politically powerful than Hijazis, hence, the latter seeks to be recognized by the former in order to build trust and assure that they will not be marginalized (Yamani M. , 2009). Yamani (2009) further elaborates that "Najdis, who today form almost the entire governing and religious elite, reciprocate this view, perceiving and treating Hijazis as second-class citizens. As a result, Hijazis have also sought to assert their distinctiveness vis-à-vis the Najdi elite, particularly as assimilation into the Najdi ruling elite is virtually impossible" (Yamani M., 2009, p. 11). As the state started to grow and expand via vast oil income, the competition between Hijazis and Najdis grew as well (Yamani M. , 2009). Though things have changed nowadays as the competition between them has lessened to some extent, this does not mean that the impact of the marginalization of the Hijazi old established elites has faded, especially with regards to its impact on the prevalence of White Land.

As we have seen in the previous paragraphs, the Saudi government, that relied heavily on taxation and fees administered by its extraction bureaucracy, was not the dominant player as it had to bargain with many groups, mainly the Hijazi elite. When the government, by virtue of the

1970s oil-boom, managed to change its extraction bureaucracy to a distributive one, the government had the upper hand and dominated the economy. Correspondingly, the Saudi government marginalized the Hijazi elite and replaced it with a newly created elite from the Central province (Chaudhry K. A., 1997). Marginalization of the Hijazi elite can be explained as the intent of the government to subordinate an elite that competed with it and in some cases, as mentioned earlier, blocked government policies in the past. Yet the unexplainable action by the Saudi government to create a new elite from the Central province needs further exploration.

The shift and focus on government expansion coming out of the capital Riyadh in the Central province started benefiting the newly created elite. State employment was increasing so rapidly that many of the new employees were unqualified and it resulted in an oversaturated bureaucracy (Al Awaji, 1971; Hertog, 2010), which means using public sector employment to distribute wealth. This does not mean there was no qualified bureaucrats, because “the growth of the 1970s also allowed for a considerable degree of meritocracy, with ambitious and qualified young Saudis advancing rapidly to senior positions” (Hertog, 2010, p. 105).

The new deal into making profit started from the level of connection to the bureaucracy and the bureaucrats themselves (Hertog, 2010). Landing a construction contract for government projects and gaining an exclusive sponsorship (Kafala)<sup>16</sup> of a foreign company to operate in the kingdom were all means to make profit for Saudi individuals. This legal action started officially by the royal decree in 1962 by King Faisal that required a Saudi sponsor for every foreign goods and services to enter Saudi Arabia (Hertog, 2010). Empirical evidence shows that 61 percent of the higher-up positions of bureaucrats were from the Central province (Al Awaji, 1971) and, thus, the main agents of imports were from the Central province (Hertog, 2010).

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<sup>16</sup> The ‘Kafala’ system is a government enforced policy that requires a Saudi sponsor for any imported goods and services company, foreign labor and any other foreign company that wants to operate on Saudi soil.

What is more interesting, and central to this dissertation, is that in the 1970s the distributive bureaucracy started to give out large parcels of land to the newly created elite from the Central province. This particular land distribution policy marked the beginning of what gradually made about the White Land phenomenon nowadays. In the 1970s, “land was usually granted by the king and then resold to a restricted set of commoner clients, who would parcel it out further for higher prices, creating a veritable cascade of patron-client relationships” (Hertog, 2010, p. 111). Hertog (2010) did indeed mention the distribution of land during those days, but he only gave one line of profit for this distribution when he said that commoners raised the prices by parceling out land that they had purchased. What he did not mention is that the individuals who were granted land during those days did not sell all their land. As we will see in the next section, the unsold large parcels of land that was granted to the new elite gradually sprawled out to become the White Land phenomenon nowadays. It is worth mention that hoarding land to engage in real estate speculation does not cost anything to land owners, because there was no taxation on land. This means that land speculation, even if it continues for decades, will not cost land owners due to lack of taxation and, thus, they are not forced to develop their land.

Based on the previous paragraph, we can see that the distribution of oil-boom wealth in the 1970s not only expanded the state, it also benefited Saudi citizens in forms of employment, exclusive ‘Kafala’ sponsorship of foreign labor and companies and land grants. Indeed, this distributive outcome benefited Saudi citizens’ incomes, but the main profit generator that made fortunes for the new elite was land grants. Chaudhry (1997) argues that “the distribution of urban and rural land set the stage for the accumulation of wealth in the 1970s” (Kindle Location Pages 4052-4053). A 53 percent increase in private land ownership was in the Central province alone and private land ownership in the whole kingdom “grew from 1.1 million hectares in 1974 to 2.3

million hectares in 1981” (Chaudhry, 1997, Kindle Location Pages 4077-4078). According to Chaudhry (1997), by the end of the 1980s the Saudi government did not own any land<sup>17</sup>, which shows that land distribution by the government was strategic plan part of the distributive bureaucracy. Although some of the distributed land was for agriculture purposes, as we will see later, construction and government projects have expanded urban cities and this made land owners to change their agriculture land to urban land. According to Chaudhry (1997), cultivated land in Saudi Arabia was 80 percent in 1960 and in 1984 it went down to 20 percent.<sup>18</sup>

Now that land distribution was a viable profit generating business, land was mainly distributed to prominent families from Najd of whom had close connections with the government (Chaudhry K. A., 1997). A government report proves this land distribution exclusive nature detailing that “[i]t is striking that the main recipients of these allotments are nearly exclusively members of a specific set of socio-professional categories (large merchants, important officials) or otherwise individuals with some local eminence (heads of tribes, members of socially influential families, etc.)” (Social, 1981). Those recipients mentioned in this report are, I argue, the newly created elite and the large amount of land at their disposal made real estate speculation a lucrative business for their economic base. Making fortunes was simple, because the land allotment to the elite were free grants, the elite group would sell back the land to the government when needed for projects or infrastructure with above market prices (Chaudhry K. A., 1997). In the oil-boom decade, the reselling price of land increased even more “a key method for well-connected individuals to turn huge, instantaneous profits” (Chaudhry, 1997, Kindle Location Pages 4672-4673).

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<sup>17</sup> This is an exaggerated statement by Chaudhry (1997), because the government owns all land that are not registered.

<sup>18</sup> Again, this statement is exaggerated by Chaudhry (1997), because the vast majority of land in Saudi Arabia was neither agricultural nor urban.



Although in 1971 the cultivated land in the Central province was only 11 percent of the whole kingdom, recipients from the Central province received 45 percent of Agriculture Development Bank loans and this percentage increased to 72 percent in 1983 (Chaudhry K. A., 1997). This systematic bias or favoritism enriched the new elite from the Central province, because the profits that were made possible by changing agriculture land to urban and development projects were designated to some of those new urban lands. It is worth mentioning that many of the agricultural land was changed to urban land when the major cities were expanding and this raised the value of the newly changed land. Moreover, this newly created elite relied on the government that created them in the first place. This reliance brought fortunes to them, but not the type of independent fortunes that were made by the old Western province elite. As the empirical evidence shows, the distribution bureaucracy benefited many Saudi citizens in the oil-boom era, at the same time it created a new elite that not only enjoyed the perks from the government, but also it built its new economic base on the land grants. This economic base on land was and still so important for the new elite that created the White Land phenomenon as we will see in the next section.

Before shifting to the next section of the casual mechanism, it is necessary to summarize this section's sequence of arguments. The 1970s oil-boom changed the government's extraction bureaucracy, that mainly relied on the Western province elite to finance its budget, to a distributive bureaucracy that positioned the state above all elites. The expansion of the government created new jobs, increase in imports, new foreign companies entering the Saudi market and distribution of land. The government marginalized the old established Western province elite and created a new elite from the Central province. This newly created elite enjoyed many perks from the government and most importantly they started to make fortunes from land

allotments that was mostly distributed to them. The new most lucrative market was real estate and speculation was a useful means to make profit. Thus, the new elite built its economic base on land speculation which, in turn, marked the beginning of the White Land phenomenon.

### **3.4 Real Estate Market → White Land**

As the previous paragraphs have elaborated, land grants opened a new highly lucrative commodity in the real estate market. The government did not purposely grant land to elites to produce White Land, because White Land is an unintended outcome of the land distribution scheme. Moreover, selling granted land in any price is a profit and, indeed, some individuals have parceled out their land and sold it. But, in the current real estate market, where White land prevails, it seems that most of land grants were not sold. The most important element in the availability of its vital commodity, which is land. The unsold land that was withheld by the owners who have gotten it by government grants obscured the real estate market in Saudi Arabia. The prevalence of White Land (see Figure 1. 2. and 3.) not only has a negative effect on the real estate market, it is argued that it is one of the important factors in the housing crisis in Saudi Arabia (Al Amri, Aham 10 Hulool Limowajahat Azmat Al Eskan [The 10 Important Solutions to the Housing Crisis], 2015). As Hertog (2010) argues, granted land, as a means of government distribution after the 1970s oil-boom, was a massive profit generating scheme. Fortunes were made by either selling back the land to the government, parceling out and selling it to commoners, or simply holding on to the land to increase its price (Chaudhry, 1997; Hertog, 2010).



Figure 4 White Land in Saudi Arabia

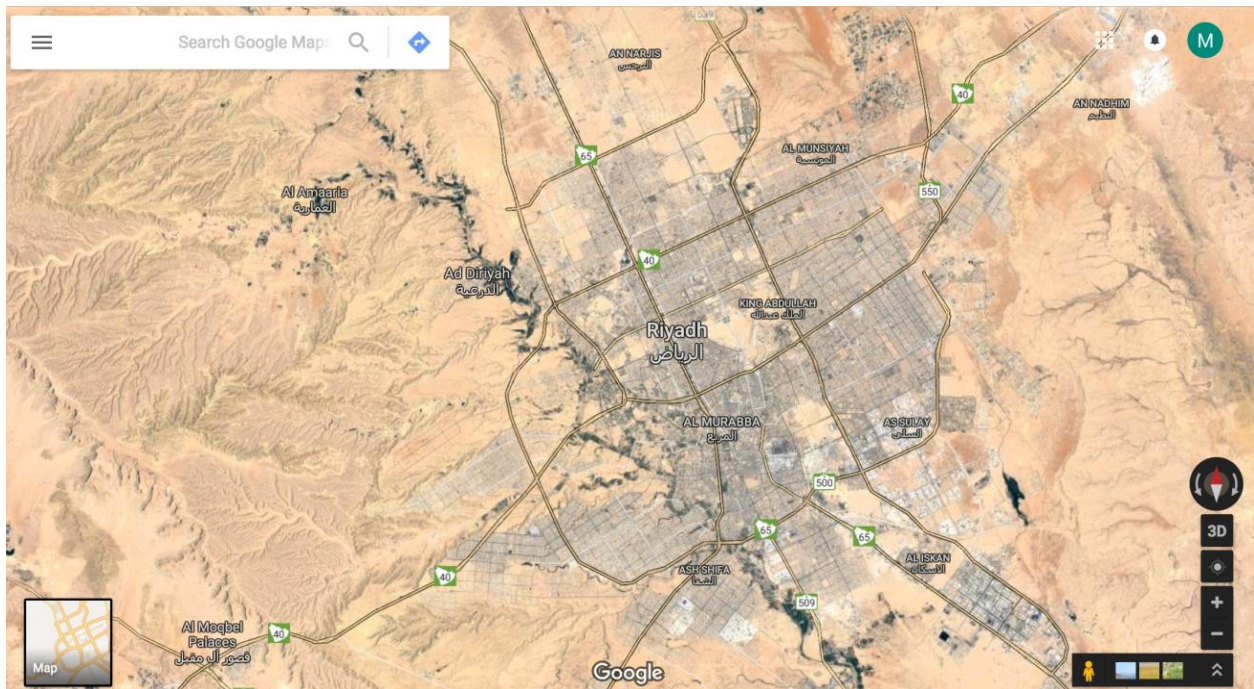
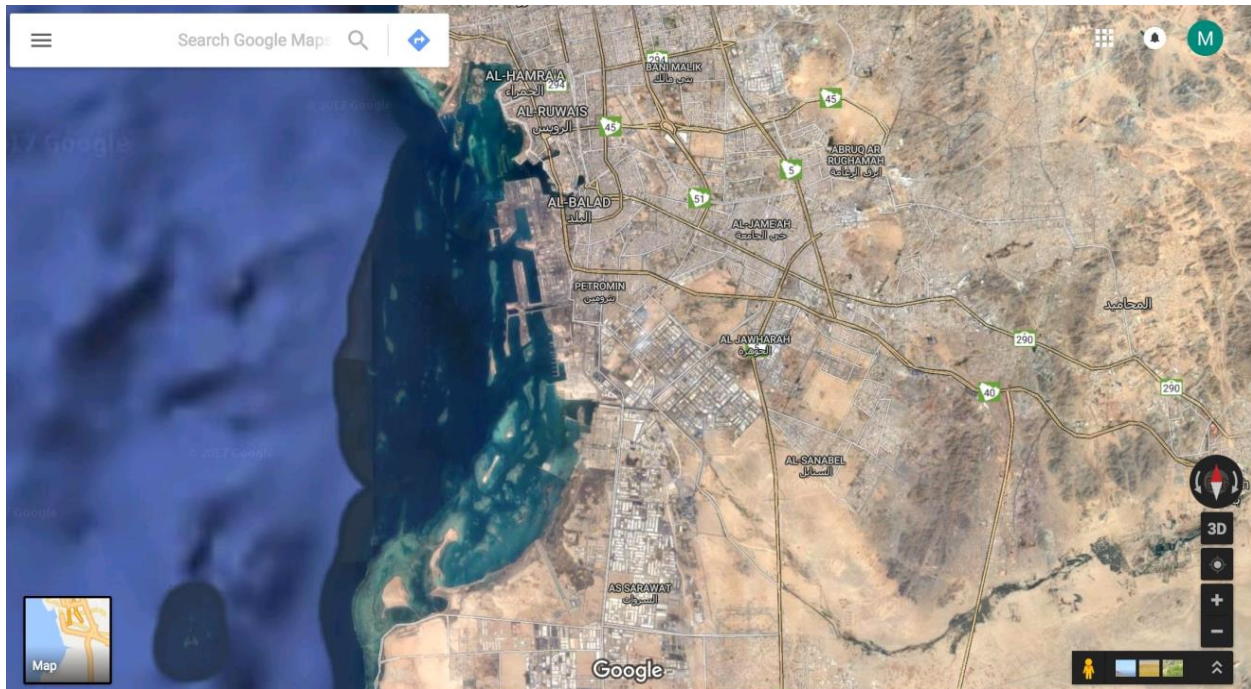


Figure 5 White Land in the Saudi Capital Riyadh



*Figure 6 White Land in the Economic City Jeddah*

An interesting study conducted by Alfouzan (2013) scientifically analyzed the underlying factors that have contributed to the skyrocketing prices of housing in Saudi Arabia. His case study was on Saudi Arabia's capital Riyadh (Alfouzan, 2013). Given that Saudi Arabia's economy is based on oil, the housing market comes next as the largest market (Alfouzan, 2013). Of course, the oil market is international and the housing market is domestic, yet the impact of oil income, especially when the price of an oil barrel is high, increases demand and housing prices. This is due to Saudi Arabia's un diversified economy which means construction materials are imported and, thus, high prices of oil increases imported materials.

More than a decade ago, an average price of a 4305 square feet house in the capital city of Riyadh was, on average, worth \$155,000 dollars, but now this same house is worth around \$320,000 dollars (Alfouzan, 2013). This significant increase could not possibly be based on rising income, because this increase has made many Saudi middle-class citizens unable to

purchase homes and, thus, it is not proportionated with average Saudi income (Alfouzan, 2013). This means that there are other underlying factors in the real estate market that are contributing to the rising prices.

To tackle this issue, Alfouzan (2013) identified 16 factors that may have escalated the rising prices. Those 16 factors are as follows:

- 1- Oil prices.
- 2- Increase in demand for construction materials.
- 3- Increase in demand for engineering services.
- 4- Increase in demand for housing.
- 5- “Poor construction productivity” (Alfouzan, 2013, p. 50).
- 6- Population growth.
- 7- “Monopoly and other unethical practices of suppliers” (Alfouzan, 2013, p. 53).
- 8- Lack of trained labor (Alfouzan, 2013, p. 55).
- 9- “Government’s poor role in monitoring [material] prices” (Alfouzan, 2013, p. 56).
- 10- “Poor Inspection and Monitoring of Government Projects” (Alfouzan, 2013, p. 58).
- 11- Black market.
- 12- Inflation.
- 13- “Contractors who undertake projects beyond their capacity” (Alfouzan, 2013, p. 62).
- 14- “Speculative purchase of undeveloped [land]” (White Land) (Alfouzan, 2013, p. 64).
- 15- “Corruption in assigning/selling undeveloped [land]” (White Land) (Alfouzan, 2013, p. 65).
- 16- Export of construction material.

In order to determine the main factors impacting housing prices among those 16 factors, Alfouzan (2013) distributed a survey to 237 “specialists, experts, engineers, and individuals in related fields” (p. 70). Ranging from 1 to 5 (1 having very low impact and 5 having very high impact), the highest one respondents answered as having the main impact on rising housing prices is factor number 15, “Corruption in assigning/selling undeveloped [land]” (White Land) (Alfouzan, 2013, p. 65). The mean average result of this factor was 4.49 (Alfouzan, 2013). Then, factor 14, 4 and 6 were shown to have a significant impact on rising housing prices (Alfouzan, 2013). What is interesting in the study’s findings is that factors 15 (“Corruption in assigning/selling undeveloped [land]” (White Land) (Alfouzan, 2013, p. 65), 14 (“Speculative purchase of undeveloped [land]” (White Land) (p. 64) and 4 (Increase in demand for housing) are all about White Land. The last one, number 4, is related to White Land because it is the major cause of the rise in demand for housing. The number of people on the market seeking to purchase homes increased because White Land shortened the supply of land. This empirical evidence shows us that the presence of White Land not only prompted relators to resort to negative practices in the market, it also obscured the real estate market as a whole.

Alfouzan thoroughly explains the impact of White Land arguing that “The corruption of selling undeveloped lands begins when investors buy a very large piece of land, such as one million square meters, in an undeveloped area. When the urban sprawl reaches their land in a few years, investors refuse to sell their land so that they can increase the price of all lands around it and thus control the market’s prices. After waiting for the prices to skyrocket, investors start to sell pieces of the land at very high prices” (p. 74). This argument explains the way in which White Land is a major factor in the rise of housing prices, because owners withhold significant amount of land out of the market to raise its prices, in turn, the prices of homes escalate

accordingly. This results in a shortage in the supply of land, which enable owners to have a monopoly on large undeveloped land (Alfouzan, 2013). Alfouzan (2013) suggests a 10 percent tax on White land to resolve this issue, but now in 2017 the Saudi government only placed a .25 percent tax. This minimal tax, as we will see later, reflects the government's weak intervention in the real estate market.

In the summer of 2016, I traveled to conduct field work research in both Saudi Arabia and Oman. The field work research was to collect data on the real estate market in both countries. This data was collected via face-to-face interviews with concerned citizens, officials and realtors. It is worth mentioning that although my research attempts to analyze the political component of White Land, the interviews were confined to economic questions pertaining to the real estate market. The reasons why I avoided questions about the political aspect of the phenomenon is because first, asking questions about politics is highly sensitive in both countries and second, I only need the empirical evidence from the participants on what they think is the main reason for the housing crisis. In the following paragraphs, I will transcribe the interviews I conducted and for the purpose of avoiding redundancy, I will group similar answers into few sentences. I will do that to maintain consistency in transcription and avoid long repeated answers. In addition, I will report the main themes in these interviews, taking care to report the views that challenge my thesis.

On Wednesday August 10<sup>th</sup>, 2016, I conducted an interview with five Saudi citizens at a café in Jeddah, Saudi Arabia. Since I wanted to ask the same questions about the same topic, all participants wanted me to ask them all simultaneously in the room. I agreed and started with my main question "is it difficult to purchase a home?" All participants unanimously answered "yes, it is very difficult." One of the participants said, "if it was easy to purchase a home, I would not

have lived in an apartment in my father's building as a married man." He added "had it not been for my father buying his old building a long time ago, I would have struggled with paying rent for an apartment." Another participant said that "I work in the private sector and you know how salaries in this sector are low, so the apartment I am currently renting takes out a large amount of my salary, which makes it hard for me to buy my wife personal things she wants." Another participant said, "I live in my parents' home and I find it difficult to get married, because this will make me move out to rent an apartment and my salary is not enough to pay rent."

Continuing the interview, I asked them all to tell me what, in their opinion, is the reason why it is difficult for them to buy a house. They all said that "White Land is the reason." Their answer was not surprising for me, as White Land is a wide spread phenomenon, which many Saudi citizens are aware of and its negative consequences to the real estate market. Indeed, they all agreed that "the presence of White land in an unregulated real estate market raises prices of land" and, thus, "that is why houses are expensive." One of the participants who lives in his father's building said, "my father has bought and sold land in the past, but unfortunately he switched to invest in the stock market and sold almost all of his properties and land to have ready cash to buy stock." He added, "when the Saudi stock market crashed, my father lost a lot of money and the only property he had left is the building we are living in."

The issue of the Saudi stock market crash in 2006 shows us that the stock market, that actually pulled out much of the concentrated cash in the real estate market, proved to be unreliable. The stock market suffered from the same reasons of the real estate market. As with the government favoring an elite in distributing land, which in turn, resulted in the White Land phenomenon, in the stock market, "many were concerned that the market favored large investors at the expense of smaller ones, by giving these large investors access to information that resulted



in an unfair advantage” (Alkhalidi, 2015, p. 141). The Saudi economy is claimed to function in a free capitalist market and relies on the notion that the market will adjust itself. Yet, when government intervention is needed, we find its intervention makes matters worse by favoring large investors. This intervention had had a negative impact on Saudi citizens to an extent that “[t]he 2006 crash brought about a major change in many peoples’ attitudes about the government’s ability to manage the economy. Some investors openly questioned the integrity of the system, and called for more intensive government supervision and intervention to better control market dynamics” (Alkhalidi, 2015, p. 141). Eventually, the stock market that was supposed to balance out the real estate market crashed and many Saudis went back to the real estate market because it is more sustainable.

From August 11 to 18, 2016, I have managed to interview 19 individuals and realtors. They all were not pleased with the current inflated housing prices. Again, not surprisingly, all of them said that White Land is the main reason for the price hike in housing. One of the participants who is a realtor added that “the prices of building materials is expensive as well.” Her entry to the real estate market was not by purchasing land to start her business, she inherited some parcels of land from her father in the city of Makkah. She sold some of her land in Makkah to invest in Jeddah, but complained that when she was in the market to buy a new house, the prices were too expensive. Hence, she bought a used house, which is still expensive but she had the cash for it. The reason she bought a used house is because she wants to demolish it and build a five-story building. The building process is slow because she said, “building materials is expensive.” When I asked her, what is she panning to do, she said “I will wait until I get a good price for the remaining land I have in Makkah and then use that money to purchase building materials for my building in Jeddah.”

It was difficult for me to find an employee that works at the housing ministry, but fortunately I was able to find one who was willing to participate in an interview. On August 24<sup>th</sup>, 2016, I met that employee at a café in Jeddah, Saudi Arabia. I asked him what is the reason for the housing crisis in Saudi Arabia and he mentioned many reasons. He said that “White Land is indeed an important factor in raising housing prices and decreasing the supply of land.” But, he argues that “White Land alone is not the only reason.” He said that “in the early 2000s, rent was so low that many Saudis preferred to rent an apartment or a house and not save money to buy their own homes.” He added, “when rent prices increased, due to high demand, citizens started to think about owning their homes.” When many citizens began searching for home ownership in the real estate market, he said “they were surprised that houses were too expensive and they were unable to purchase them.” I asked him about the Ministry of Housing’s new tax on White Land to which he replied, “tax on White Land is only a temporary solution and not the core solution to housing problems.” He argued that “the solution lies in vertical building not horizontal... as we see here in the city of Jeddah, people are building small apartment buildings instead of housing towers that can occupy more residents in a small parcel of land.” He added that, “the city’s infrastructure is able to sustain many tall housing buildings, but unfortunately, building in the city is sprawling horizontally, which means fewer residents occupying large parcels of land.” We can discern that the specific evidence that the interviews provide is evidence that Saudi citizens widely blame White Land for high housing prices.

Saudi economist Al Amri (2015) argues that the main cause of the housing crisis in Saudi Arabia is the issue of White Land. According to Al Amri (2015), because of White Land and its consequential impact on the rise of land prices, Saudi citizens are not able to afford to own homes. This all started from the deliberate scarcity of land, not scarcity of land in and of itself

(Al Amri, 2015), because land is available but it is withheld from the market. This deliberate action, taken by the few who own massive amount of land (which he names them ‘Tojar Al Torab’ dirt merchants), has dried out the supply of land (Al Amri, 2015). Al Amri (2015) lays out three major factors that have exacerbated the housing crisis in Saudi Arabia as follows:

- 1- Large amounts of land were granted to specific individuals, which made them take advantage of this lucrative commodity by leaving it undeveloped (Al Amri, 2015).
- 2- Then, large amounts of this land have been transferred to wealthy business men who have bought these parcels of land below market value. And, those business men have repeated the same behavior of leaving these large parcels of land undeveloped (Al Amri, 2015).
- 3- Then, realtors have bought some of this land to make profit from it through real estate market speculation. But at the same time, they also have continued the same pattern of behavior in holding a lot of this land out of the market to raise prices (Al Amri, 2015).

As Hertog (2010) argues that the beginning of this land business started in the 1970s, it seems that this behavior moved down vertically to business men then to real estate speculators. This lucrative business has two profitable elements. The first one is receiving land grants for free from the government, then selling it back to the government when it needs land for public projects (Hertog, 2010). The second element is either holding on to the land until prices rise or selling this land to business men, who in turn, withhold it from the market to increase prices or selling it to realtors who repeat the same behavior. As we can see this top-down behavior in land business has not only produced White Land, it also obscured the real estate market to an extent that it raised land prices and, thus, prevented a majority of Saudi citizens from owning their own homes.

Essam Al Zamel (2008), a prominent Saudi economist, titled his article “Kingdom of Monopoly” in a clear attempt to depict the nature of the real estate market in Saudi Arabia. He starts his article with the board game ‘Monopoly’ as an analogy for the Saudi real estate market (Al Zamel, 2008). He says that in the ‘Monopoly’ board game, all players start with equal amounts of money distributed to them, but in Saudi Arabia’s real estate market this is not the starting point (Al Zamel, 2008). He hypothetically says that in Saudi Arabia, players from Najd get 5 thousand Saudi Riyals, southern people get 3 thousand Saudi Riyals and northern people do not get any money (Al Zamel, 2008). This unfair playing field, he argues, goes further as players from Najd also get large plots of housing land by virtue of their family origins (Al Zamel, 2008). He concludes this analogy by arguing that this distribution behavior transcends the rules of the ‘Monopoly’ game and adds that this clearly describes the Saudi real estate market’s unfairness and how White Land was produced. Al Zamel’s (2008) hypothetical example reveals an important empirical issue that was raised earlier; the fact that the distributive bureaucracy that started in the 1970s had indeed favored a group of people from the Central province.

Al Zamel (2008) raises an important issue about the situation of land in a fair and free market. He argues that land is an immobile commodity that cannot be imported like other commodities and, thus, we cannot import land to increase supply and lower prices (Al Zamel, 2008). His argument is directed at those who say that land owners are free to do what they want. He adds, the presence of White Land with no regulating mechanism from the government will not only raise housing prices, it will also raise rent prices and other commodities as well (Al Zamel, 2008). For example, a landlord who buys land and builds an apartment building will eventually set a high rent price for the apartments, because of the high price he paid for the land (Al Zamel, 2008). And, if this apartment building is on a business road, the landlord will increase

the rent for the stores he is renting from the road side of his building, which will make store keepers to raise the prices of their merchandise (Al Zamel, 2008).

Al Zamel's (2008) argument about landlords increasing rents does not mean that this increase is met with other lower rent prices in the market. Prices in the real estate market are already inflated, because of how White Land increases the prices of land. Therefore, landlords are compelled to increase rents, as prices of purchased land by landlords is already high. In a healthy real estate market, tenants can find cheaper rent and landlords have no other option but to succumb to market forces and decrease rents. However, in Saudi Arabia's obscured real estate market, due to the impact of White Land, prices are already high for land, which eventually translates into increased rent prices.

Before suggesting solutions to the issue of White Land, Al Zamel (2008) gives an excellent example in real estate regulation in Kuwait and urges the Saudi government to implement the same law. He says that in 2008, Kuwait enacted a new law to prevent White Land by banning businesses from buying land to buy land designated for housing to engage in real estate speculation and an annual tax will be imposed on citizens who own land that is 5000 square meters or more (Al Zamel, 2008). Al Zamel (2008) argues that the Kuwaiti law has decreased the prices of land significantly.

The solution Al Zamel (2008) suggests are enforcing the following:

- 1- Zakat (religious tithe): He proposes this tax to be levied on all owners of White Land for a 2.5 percent of the land's market value and revenue should be allocated to Zakat accounts.

- 2- Tax: This is proposed to be a rent tax on benefiting from land, for which Al Zamel (2008) argues that land is owned by all citizens. Thus, who wants to use land for any purpose should pay rent tax of around 10 percent of the land's market value.
- 3- Banning new land trading: The government should stop selling land or granting it and this system should be replaced with a land renting system. Whoever wants to use land should rent it from the government.

Although Al Zamel (2008) is a proponent of free market economy, but as we see from his solutions to the issue of White Land, he is proposing a radical approach in abolishing land ownership and replacing it with a renting system owned and regulated by the government. While I do not think Al Zamel's (2008) solutions can be easily implemented, but what is interesting is that the issue White Land is a major problem in the real estate market that it made an economist propose radical solutions for it.

Al Zamel (2008) concludes that owners of White Land are a new type of feudal lords, because the old feudal lords in past centuries were at least developing their land in agriculture which contributes to the economy. But the new feudal lords of White Land are not contributing to the economy, because their lands are not developed (Al Zamel, 2008).

We have seen in this section of the causal chain that the real estate market in Saudi Arabia is suffering from deregulation and soaring housing prices which resulted in White Land. As mentioned in the previous causal chain section, the entrance of new elites with their large granted land into the Saudi real estate market has distorted the real estate market and made it harder for citizens to own homes. In turn, the White Land phenomenon prevailed so rapidly that land speculation using White Land is now the new face of the Saudi real estate market. Now we turn to the last section of the causal chain.

### **3.5 Housing Crisis → Weak Government Intervention**

There is no doubt that Saudi Arabia suffers from a housing crisis. In the midst of the Arab uprising, the late King Abdullah of Saudi Arabia cut his vacation and came back to the country to announce the establishment of a new ministry of housing and a plan to build 500 thousand housing units with an earmarked \$67 billion for the plan (Rashad, 2014). Then housing minister Shuwaish Al Duwaih in 2011 mentioned that all qualifying applicants for the new housing program who have had their online application approved will receive a housing product within 7 months (Rashad, 2014). I was among those who applied online and was approved. To this day, Fall 2017, I have not received anything.

Although increase in oil prices contribute to the Saudi Arabia's inflation in the domestic economy, even with relatively low oil prices from 2002 to 2005 the annual increase in housing prices was 13.7 percent in that period (Delmendo L. , 2012). This is consistent with my argument about the undiversified nature of Saudi Arabia's economy which concentrates most of wealth in the only most profitable real estate market. Therefore, in the foreseeable future we will not see elites exiting the real estate market until the Saudi government diversifies the economy.

White Land plays a significant role in the housing crisis in Saudi Arabia. White Land constitutes around 77 percent of undeveloped urban land in the Central province of Riyadh, around 60 percent in Jeddah city and around 60 percent in the Eastern province (Oboud, 2015). For this gap to be filled with rising demand for housing, real estate developers must build 4 million housing units within the next 15 years (Oboud, 2015). Oboud's (2015) data is based on a study conducted by a U.S. based real estate and investment firm named CB Richard Ellis. In order for real estate developers to be able to build those housing units they need land, which unfortunately is still within the hand of the elites. This is obvious because with shortage of land,

the 4 million housing units in need to be built within the next 15 years is not possible until the issue of White Land is resolved, which if so, will flood the real estate market with large supply.

The University of Business and Technology (UBT) in Jeddah, Saudi Arabia conducted a study named “The Housing Crisis in the Kingdom of Saudi Arabia: Causes and Suggested Solutions” (Sultan et al., 2013) and presented its findings at the annual Jeddah Economic Forum in 2013. This interesting academic study lays out the main factors in the housing crisis in Saudi Arabia. The main factors and explanations the study put forth are the following:

- 1- Population Growth.
- 2- Housing Land.
- 3- Building Costs.
- 4- Housing Prices.
- 5- Real Estate Finance.
- 6- Real Estate Development Companies.

#### *Population Growth*

85 percent of the population in Saudi Arabia reside in cities and 65 percent of residents live in the major three provinces of Riyadh (Central province), Makkah (Western province) and the Eastern province (Sultan et al., 2013). In 2004, the population in Saudi Arabia was around 16 million citizens and 6 million non-citizens (Sultan et al., 2013). With the annual growth in population rate in Saudi Arabia, the study projects that by 2025, the citizens’ population will be around 24 million and non-citizens will be 12 million totaling a population of roughly 37 million (Sultan et al., 2013). This population growth in Saudi Arabia is and will continue to increase demand for housing, because the majority of citizens are in the ages of 15 to 44 which means they will search for home ownership.



### *Housing Land*

The Saudi government's ninth development plan mandated an important implementation rule for housing units: allocated land for housing must have all infrastructure and the size of land needed is 350 million square meters, assuming that the average housing unit is 280 square meters (Sultan et al., 2013). The authors argue that this development plan cannot be fully met, because it did not take into consideration that some housing units will be more than 280 square meters and the rising demand for land by real estate speculators (Sultan et al., 2013). Only 266 million square meters can be made available and this will cause a big gap in the government's 350 million square meters it mentioned in its ninth development plan (Sultan et al., 2013). This will increase the prices of land which will eventually raise housing prices, granted that the price of land is 60 percent of the total price of a house (Sultan et al., 2013).

The study's micro data compared the prices of one square meter of land in neighborhoods in both Riyadh and Jeddah. The data revealed that prices of land in suburb neighborhoods lower than land in urban neighborhoods (Sultan et al., 2013). Land for sale in suburban neighborhoods not only lack proper infrastructure, the parcels of land for sale are large which, the authors argue, means that owners are hoarding those parcels of land not to build on them but resell them for high prices (Sultan et al., 2013).

### *Building Costs*

The rise in building costs are many and among those are exaggerated architecture spaces that are difficult to build, exaggerated spaces and huge amounts of concrete used, unqualified developers, using cheap building material and neglecting the details of architecture projects (Sultan et al., 2013). Add to all of the mentioned issues impacting building costs the inflation in the economy due to the rise of oil prices (Sultan et al., 2013). With no government intervention

in this sector, the average price of one square meter of land rose from 170 Saudi Riyals to 220 Saudi Riyals, a 30 percent increase that has contributed to the increase of housing prices (Sultan et al., 2013). It is worth mentioning that this increase might have to do with the actual plain size of houses that are built.

### *Housing Prices*

The Saudi conservative culture that prefers privacy in housing makes them desire houses over apartments (Sultan et al., 2013). It is estimated that around 28 percent of Saudi citizens live in apartments (Sultan et al., 2013). This preference raised the average price of a small house 20.5 percent in 2011 than in 2010 and raised the average price of a large house 13.2 percent (Sultan et al., 2013). The average rent of an apartment rose 9 percent in 2011 due to the rise in the prices of homes (Sultan et al., 2013).

### *Real Estate Finance*

The scarcity of real estate financing companies in Saudi Arabia is due to the fact that the majority of Saudi citizens do not have enough income to pay off the loan (Sultan et al., 2013). For example, if a salary of a citizen is 8 thousand Saudi Riyals and the finance company gives him a loan 60 times his salary, he will end up with 480 thousand Saudi Riyals (Sultan et al., 2013). If the loan was for 20 years and annual interest on the loan is 7 percent the monthly payment will be 50 percent of his salary (Sultan et al., 2013). 480 thousand Saudi Riyals cannot even get him an apartment with the rising housing prices. The other viable option for citizens is to take an interest free loan from the Saudi real estate development fund, but this fund cannot keep pace with the high demand and the waiting list lasts for years (Sultan et al., 2013). In addition, unfortunately the fund only provides 500 thousand Saudi Riyals per applicant which is still too low to purchase an apartment.

### *Real Estate Development Companies*

The major issue with real estate development companies is that 90 percent of those companies are established and run by individuals (Sultan et al., 2013). This has not only brought low quality development, it also increased prices of housing because small companies do not own most of their building materials and machines (Sultan et al., 2013). Moreover, most of those companies build luxury housing units, which only caters to a small group of wealthy citizens (Sultan et al., 2013).

The UBT study is important in that it details the major factors for the housing crisis in Saudi Arabia. As we have seen in those six factors, the low supply of land plays a significant role in most of the factors. Indeed, the authors argue that all six factors combined are the main reasons for the housing crisis. But, it is quite obvious that the issue of White Land needs to be resolved in the first place to cancel out many of the factors, then the rest can be addressed. Development finance and building cannot possibly be assessed independently if there is no available land to build on. In the end, this study shows us that Saudi Arabia does indeed suffer from a housing crisis and White Land plays a significant role in it.

#### ***3.5.1 The role of the government in the real estate market***

What has the Saudi government done for this housing crisis? I argue that the Saudi government did indeed intervene in the housing market to resolve the housing crisis issue, but its intervention was weak. Three main interventions were made by the government, the establishment of the new ministry of housing, raising government housing loans from 300 thousand Saudi Riyals to 500 thousand Saudi Riyals and enforcing tax on White Land. As I have mentioned earlier, the establishment of the housing ministry by the late King Abdullah came as a

political response during the Arab uprisings in 2011. This shows that the government is well aware of the housing crisis in the country and its political consequences if not prioritized.

The ministry of housing's main mission was to intervene in the market by spearheading the supply side. The new ministry started off with a huge fund of \$67 billion to build 500 thousand housing units spread in all provinces of the kingdom (Rashad, 2014). The new minister was appointed to a burdensome position, because he was responsible for resolving the issue of housing. Unfortunately, the new ministry failed in reviving supply of housing units and could not build 20 percent of the targeted 500 thousand housing units. But, this minister was vigilant and he knew that White Land was the main obstacle preventing his ministry to build the housing units (Al Harbi, 2014). He wanted to impose a tax on White Land, therefore, he took his case to the Council of Senior Scholars to get their religious approval (Al Harbi, 2014). Unfortunately, members of the council postponed his request and referred it for further study to the Supreme Economic Council, then the Council of Senior Scholars will study it again (Al Harbi, 2014). One of the scholars was the one who insisted on refusing tax on White Land<sup>19</sup> (Al Harbi, 2014).

It seems that the minister's insistence on resolving the issue of White Land cost him his job, as in 2015 he was dismissed from his position as the minister of housing. According to then minister of education, he said in an interview that the reason for dismissing the minister of housing was because he could not deliver on his promises with an already well funded ministry (Akhbar, 2015). Maybe his dismissal was due to his repeated efforts to impose tax on White Land (AlHarbi, 2014). Some authors cited in this chapter have called for tax on White Land. Therefore, I argue that this is a weakness by the government for which it could not, at that time, enforce tax on White Land that is mostly owned by elites.

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<sup>19</sup> It is worth mentioning that this senior scholar serves on numerous bank religious committees to approve loans and among those loans are housing loans.

The second intervention was the government increasing housing loans from 300 thousand Saudi Riyals to 500 thousand Saudi Riyals. This was also a weak intervention by the government because this raise in the loan is still too low to purchase a home and this also just raises prices if there is no increase in housing supply. The third intervention was the council of ministers' decision to approve a 2.5 percent tax on White Land in June 2016 (Sophia, 2016). The question here is: why did the government not approve this White Land tax when the previous housing minister demanded it? As a close observer of Saudi media, I have seen in the period after the dismissal of the former housing minister an increase in television programs, social media and newspaper articles talking about the need for a tax on White Land. The momentum was so high that almost any social gathering you will most likely hear someone talking about White Land tax. As a result, the government did act and indeed imposed the new tax on White Land in June 2016. The swift response from the new government shows a clear change not only in policy, but also a change in the government's understanding of the consequences of avoiding the issue of White Land.

The ministry of housing created a website made for White Land registration. All owners of White Land were given 6 months to register their land online so the ministry can calculate the tax on it. The implementation of the new tax started in the first quarter of 2017. With the council of ministers' approval of the new White Land tax and the ministry of housing opening a website for owners to register their land or be issue a violation, we might say that the government now is serious and there are no obstacles that might stop it from resolving the issue of White Land once and for all. Not to my surprise, according to the supervisor of White Land Tax Program at the Ministry of Housing, only 8 people paid their tax bills for their White Land in the whole Kingdom (Al Shareef, 2017). This goes back to the weakness in government intervention I

argued for, because even if more people pay their tax bills, the major owners of White Land will not easily pay their dues. Thus, the government will still face a major obstacle in dealing with this issue as long as it does not find a strategy to payoff elites or change them.

## 4 CHAPTER FOUR: CASE STUDY OF OMAN

In this chapter, I will provide secondary empirical data and transcribe my filed work interviews' data. This data will be presented following my causal mechanism for Oman and each corresponding information will be written under the subheading of the pertaining variable of the causal mechanism. The method of process tracing will be used to link each cause and effect in the chapter's causal mechanism. I will follow the same method used in the chapter for Saudi Arabia for this chapter.

### 4.1 Causal Mechanism for Oman's Case:

**1970s Oil Boom → Government Distribution of Wealth and Land → Continuation Old Elites → Elites Enter the Real Estate Market → White Land → Strong Government Intervention**

### 4.2 1970s Oil Boom

All Arab Gulf monarchies have significantly benefited from the rising oil prices of the 1970s. What is interesting in Oman, compared to Saudi Arabia, is that prior to 1970 the country lacked well established bureaucracies and infrastructure. As mentioned in the previous chapter, the impact of the 1970s oil-boom in Saudi Arabia was first materialized in the expansion of the government and the change of its extractive bureaucracy to a distributive bureaucracy. In Oman, however, the oil-boom's impact was twofold. First, the current Sultan Qaboos ascended to the throne in July 23, 1970 by a palace coup marking a new and different reign (Rippenburg, 1998; Takriti, 2013). The second was the significant revenue from oil. Rippenburg (1998) argues that in Oman "prior to the coup a government had existed on paper" (p.50) and, thus, he describes the era after the coup to be the modernization of Oman. The state's nature prior to the ascent of Sultan Qaboos to the throne was clearly illustrated in a 1985 interview with then Minister of

Education Mahfoudh Al Mantheri by the Associated Press in saying that “Oman in 1970 was nothing. As we say in Oman, we are running, not walking, to get our infrastructure built” (Al-Yousef, 1995). This is an overstatement by Al-Yousef (1995) given that there were state institutions in Oman before 1970. The state institutions were not very developed, and the state did not provide many services, but there was a state of sorts.

It is necessary to describe the political and economic situation of Oman prior to 1970, because it will give us the necessary historical background of how the 1970s oil-boom transformed the country both politically and economically. In 1932, Sultan Sa'id bin Taimur (the current Sultan's father) inherited a country in dire debt and ongoing tribal rebellion (Riphenburg, 1998). Putting all his effort to pay off public debt, Sa'id bin Taimur had imposed rigid austerity measures on the country that isolated the whole nation from the world (Riphenburg, 1998). This economic austerity expanded to the point that Sa'id bin Taimur opposed education<sup>20</sup>, banned some citizens from traveling and he was the one who issued Visas (Riphenburg, 1998).

Sultan Sa'id bin Taimur's reign from 1932 to 1970 suffered from weak government control of certain territories. Takriti (2013) argues that the ascension of Sultan Sa'id to the throne was in the British's favor. Takriti (2013) adds that Sultan Sa'id bin Taimur was loyal to the British to an extent that not only his foreign policy was aligned with Britain's interests, but also his dictatorial governing in domestic affairs. The interior region of Oman in the 1920s and 1930s was ruled by Imam Isa Al Harthi then from 1946 to 1954 Imam Muhammed Al Kahlili (Riphenburg, 1998). Then in 1954 to mid 1960s, Imam Ghalib bin Ali assumed power in the region (Riphenburg, 1998). This weak central government control over its territories was a major burden to the economy, because it was an obstacle for the Petroleum Concessions Limited

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<sup>20</sup> His opposition to education was not due to his hatred of it as he was well educated himself. But it was, as Riphenburg (1998) argues, out of his fear that educated citizens would challenge his rule.



company to explore the interior region for oil fields (Riphenburg, 1998). The oil company's already explored and established oil fields in the central government controlled territories was not enough. Hence, this divided the political landscape and forced the sultan to engage in regional wars to take back control of the hostile territories.

The defeat of Ghalib bin Ali by Sa'id bin Taimur with British assistance in 1959 was not an end to the rebel movements in the country (Riphenburg, 1998). This was a direct military assistance carried out by the British in full support to Sa'id bin Taimur against Ghalib bin Ali (Takriti, 2013). In 1962 or 1963, in Dhofar, the southern region of Oman, rebels who were against Sa'id bin Taimur "blew up an oil exploration vehicle and shot at Omani military" (Riphenburg, 1998, p. 49). Takriti (2013) mentions this incident taking place in April of 1963. The Sultan's reaction towards the rebel group isolated<sup>21</sup> them for a while until 1965 the Dhofari rebel group organized and created the Dhofar Liberation Front (Riphenburg, 1998). This local organization escalated their cause in 1967 to a regional and international cause by renaming their group to the Popular Front for the Liberation of the Occupied Arabian Gulf and the group got support from the Soviet Union, Iraq and China (Riphenburg, 1998).

The previous paragraphs describe the harsh political and economic environment in Oman during Sultan Sa'id bin Taimur's reign. To his credit, he managed to repay all of the nation's public debt yet the austerity measures that were implemented to pay off debts put a toll on the Omani people and the government. On July 23<sup>rd</sup>, 1970 Sultan Sa'id bin Taimur was overthrown in a palace coup in the city of Salalah in Dhofar by his son Sultan Qaboos (Takriti, 2013; Riphenburg, 1998). This date is important for Oman, because it marked the beginning of what Riphenburg (1998) names "the modernization of the sultanate" (p.49). By virtue of rising oil

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<sup>21</sup> The Sultan isolated the Dhofaris by banning them from travel, which means that he cut their main source of income because they used to work in neighboring Arab Gulf countries (Riphenburg, 1998).

prices and an ambitious new Sultan in power, Oman embarked upon nation building and the restoration of state control over all territories.

The 1970s oil-boom assisted Sultan Qaboos in winning the Dhofar war and relocating the new government to the capital Muscat (Takriti, 2013). Oil revenue enabled the government to start an overhaul of new social programs, infrastructures, building schools and hospitals and new ministries (O'Reilly, 1998; Rippenburg, 1998). Therefore, the inflow of oil revenue managed to stabilize the country (Owtram, 2004). "Between 1980 and 2000, state expenditure amounted to 40-45% of GDP" (Valeri, 2013, p. 84). In fact, Oman was in a rush to build the state's infrastructure because proven oil reserves in the country were limited and will eventually deplete in the near future (Limbirt, 2010).

The beginning of Sultan Qaboos's reign not only marked a new distributive nature of government, it also marked the inception of Oman's '*nahdah*' (renaissance) as officially proclaimed by the government (Limbirt, 2010). As we see here that the Omani government during the 1970s oil-boom became a distributive state at the same period as in Saudi Arabia. It is worth mentioning that this was not a transition from an extractive state compared to Saudi Arabia. Indeed, prior to the 1970s oil-boom, Saudi Arabia relied heavily on extracting taxes and fees from merchants and citizens to finance the government. In Oman, however, the country prior to the 1970s oil-boom coped with two important realities, internal wars and a ruler that neglected development. Thus, the Omani government did not change from extracting taxes and fees to a distributive government as in Saudi Arabia; it started its nation building with a distributive government by Sultan Qaboos. This does not mean that during Sultan Sa'id bin Taimur's reign there was no any sorts of taxes and fees. However, level of extraction was not as much as Saudi Arabia, before oil; as Takriti (2013) argues that almost all revenue from taxes and

fees were directly taken by Sultan Sa'id bin Taimur to his personal account. Hence, it is not surprising that the country lacked development during his reign.

In 1970, Oman literally began state building from nearly scratch (Limbert, 2010), to an extent that Valeri (2013) argues that "Sultan Qaboos inherited a territory without a state" (p. 71). Statistical data gives us a good ground for comparison on Oman's development before and after Sultan Qaboos. In 1970, there were only three Western schools<sup>22</sup> and by 1980 363 schools were established (Limbert, 2010). In addition, there were no schools for girls in Oman at that time (Al Farsi, 2013). Imagine there was only six kilometers of paved roads in the whole country, this increased to 12 thousand kilometers of paved roads by 1980 (Limbert, 2010). With respect to hospitals in the country, there was only one hospital and 28 new hospitals were built by 1980 (Limbert, 2010). Only Sultan Sa'id bin Taimur, his relatives and the Petroleum Development Oman company had telephones (Valeri, 2013). In 1974, Omantel (the national telecommunication company) was established and access to telephone landlines and then cellular phones reached various parts of the country through the 1980s and 1990s (Valeri, 2013).

The Omani renaissance is not only associated with material development, it is an awakening of the Omani character. "While in other places in the Arab world in the second half of the twentieth century eras referred to as *al-nahḍa* tend to be associated with literary and intellectual revival, the contemporary Omani renaissance tends to be linked to industriousness, cosmopolitanism, piety, and seriousness of purpose, an association that nicely overlaps with development discourses that emphasize private enterprise and hard work" (Limbert, 2010, p. 6). This is what Al Farsi (2013) calls a combination of "tradition and modernity" embodied by Sultan Qaboos's strategies.

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<sup>22</sup> Almost all schools in Oman at that time were Qur'anic schools (Limbert, 2010).

With respect to the impact of oil revenue on Oman as a country and individual citizens as well, Al Farsi (2013) argues that it is not oil revenues in and of itself that contributed to Oman's nation building. Al Farsi (2013) argues that oil revenues have indeed improved living standards for Omani citizens and facilitated infrastructure projects in the country. But, he asserts that this would not be possible to achieve had there not been a political will to do so (Al Farsi, 2013). He adds that the notion of oil revenue is the only reason for Oman's nation building "is to some extent questionable because there are oil-producing states that have arguably misused oil revenues, such as Libya" (Al Farsi, 2013, p. 60).

Oil revenues have helped finance the war against the rebels in Dhofar and when they were defeated, Sultan Qaboos's policy of 'containment' represents the political will needed in Oman's nation building (Al Farsi, 2013). Al Farsi (2013) argues that Sultan Qaboos could have imprisoned all rebels and their leaders upon their defeat, but he appointed those tribal leaders in government positions in Dhofar as to enable them to assume key official positions in the development of their region.<sup>23</sup> It seems that Sultan Qaboos's policy of containment is, to some extent, unique in the Arab world, because there many examples in the history of Arab countries' nation building where new rulers imprison, deport to exile, or marginalize belligerent groups.

#### **4.3 Government Distribution of Wealth and Land → Old Elites**

The previous section illustrated the impact of oil revenues on Oman. The interesting point here is that the rising prices of oil in the 1970s benefitted Sultan Qaboos in nation building from near scratch and the new ruler ascendance to the throne marked a political rebirth of the nation. In addition, oil revenues assisted Sultan Qaboos to finance his war against rebels in Dhofar and started a full-scale development in that same region after winning the war (Peterson, 2004). This

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<sup>23</sup> This strategy of keeping old elites and enabling them in government is central to the chapter's section on old elites.

development process included government employment of Omani citizens, which helped curb any support for rebels in Dhofar<sup>24</sup> (Peterson, 2004). This is part of what the literature on rentierism calls the “rentier state ‘social contract’ whereby the state provides benefits to the citizen but does not place expectations upon them in the form of taxes or required military service” (Allen & Rigsbee, p. 92).

Prior to Sultan Qaboos’ reign, many of public sector employees were either Westerners or Arabs (mainly from Egypt and Tunisia) (Allen & Rigsbee, 2000). The Sultan’s royal court, *Al-Diwan*, focused on training Omani citizens to enable them to assume their new positions in the public sector and by 1988 a new Ministry of Civil Service was established to deal with all pertaining issues and policies for Omani public sector employees (Allen & Rigsbee, 2000). Citizen employment in the public sector reached its highest point in 1993 as 98,324 thousand Omani citizens were employed (Allen & Rigsbee, 2000) and the number has risen ever since. We can see that the impact of oil revenues in nation building also benefited many Omani citizens by providing them guaranteed public sector jobs, a public-sector employment strategy Valeri (2013) calls “bureaucratisation of employment.” This government strategy of maintaining stability in a past conflict prone environment assured citizens’ loyalty in the new unified Sultanate of Oman<sup>25</sup>. “The inexhaustible pool of jobs offered by the public sector, following the explosion of oil revenue, represents an even more decisive step in confirming the new Sultan’s political legitimacy and hence his social grip” (Valeri, 2013, p. 87). The surge in public sector employment has been observed in many post-communist countries in Eastern Europe, in which O’Dwyer (2006) argues that it is a form of ‘patronage politics.’ This strategy’s goal is similar to

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<sup>24</sup> Riphenburg (1998) mentions that citizens from Dhofar were the ones who went to neighboring countries for employment.

<sup>25</sup> Prior to Sultan Qaboos’ rule the country was named the Sultanate of Muscat and Oman, which reflects that the country was not united (Allen & Rigsbee, 2000).

Oman's in gaining loyalty of the subjects, although in Eastern Europe it was the loyalty of the constituency that parties strived for (O'Dwyer, 2006).

The process of nation building sought to unite the country and embark upon an overhaul of infrastructure projects. As mentioned in the previous section, the first infrastructure projects were in two main cities, Muscat the capital and Salalah in Dhofar. This concentration of new infrastructure made many Omanis in the interior region immigrate to the two urban cities (Nebel & von Richthofen, 2016). It is estimated that urban dwelling in 1980 was around 47.6 percent and this increased to 72.8 percent in 2010 (Nebel & von Richthofen, 2016). "The beginning of 'urban sprawling' can already be noticed during the 70s and 80s of the last Century" (Nebel & von Richthofen, 2016, p. 19). Urban expansion entails availability of land, of which the government spearheaded this endeavor by distributing land. Government land grants is considered a "public welfare system" (Nebel & von Richthofen, 2016, p. 21), and such a right is similar to Saudi Arabia.

In the 1970s, the government's initiative to distribute land to Omani citizens was not fully regulated. In 1970, the government institution responsible for land distribution was a department under the Ministry of Justice, called the Department of Lands (Ministry of Housing , 2017). Then in 1972, the government established the Ministry of Land Affairs (Ministry of Housing , 2017). With respect to formally regulating land distribution, it was in 1984 when the government issued the new Land Law (Nebel & von Richthofen, 2016). This new land law of 1984 was the precursor to the newly established Ministry of Housing in late 1984 (Nebel & von Richthofen, 2016). Prior to that, the Omani government was generously distributing land to citizens and elites (Al Bosaeedi, 2014) to revitalize the economy to an extent that in 1972 the government used to distribute four plots of land to each Omani citizen "(one each for housing,

agriculture, commerce, and industry), and established the land affairs and municipality ministry to oversee the distribution and registration of property” (Allen & Rigsbee, 2000, p. 162). To help citizens build their homes, the government established the Oman Housing Bank that provided interest-free loans to military and security forces and low income citizens, and a 2 to 4 percent interest set on those loans to all other Omani citizens (Allen & Rigsbee, 2000, p. 162). It is worth mentioning that prior to the Omani government fully-owning the Oman Housing Bank in 1993, 39 percent of this bank was owned by the Kuwaiti ministry of finance and 10 percent by the British Bank of the Middle East (Allen & Rigsbee, 2000, p. 162).

Old elites did benefit from the government’s land distribution scheme. Land grants were given to old elites and this had a cumulative effect in the real estate market later when plots of White Land had an impact in the market (Al Bosaeedi, 2014). However, the issue of White Land did not become a phenomenon in Oman, as I will discuss later in the section on strong government intervention, given the old established elites diversified economic base that is not solely based on land for profit. Moreover, in an interesting architectural study, Al Shueili (2015) distributed surveys and conducted interviews to collect data on the prospects of sustainability in the capital city of Muscat. What is interesting and important to my research is that in one of his interviews he states, “plots are given to influential people” (which are the elites) as causing an “imbalance in land distribution” and its effects occurred from 1980 to 2010 (Al Shueili, 2015, p. 231). This shows us that in Oman, similar to Saudi Arabia, elites were granted plots of land and have contributed to the presence in White Land in both countries, but in Saudi Arabia it was difficult for the government to intervene and in Oman it was comparatively easier for the government to intervene.

The previous paragraphs illustrated the impact of oil revenues in Oman's nation building and distribution of wealth and land to citizens. The important question here is how the Omani government dealt with its old elites, did it marginalize it and create new elites like Saudi Arabia? The Omani government did not marginalize the old elites, it actually enabled them politically and economically "whereby the traditional elites actually saw an increase in their political power following the coup of 1970 as state involvement in both economic and social programs increased and the bureaucracy grew. Merchants and tribal shaikhs were not relegated to the accumulation of wealth; their expertise and loyalty became necessary to the functioning of the state" (Allen & Rigsbee, 2000, p. 34). This approach is quite interesting because it was not done this way in other neighboring Arab Gulf monarchies. Jill Crystal (1990) argues that as a result of oil wealth, the ruling families in Qatar, United Arab Emirates, Saudi Arabia, Bahrain and Kuwait have dominated traditional elites in what she calls "a trade of wealth for formal power" (p. 1). Those ruling families were able to push elites out of politics; "where economic elites once entered politics to protect their economic interests, after oil, merchants left the realm of formal politics to preserve those interests" (Crystal, 1990, p. 1).

It seems that Oman is an anomaly in this pattern of oil wealth changing the relationship between ruling families and traditional elites. Rippenburg (1998) acknowledges this pattern and says that some might claim the reason why Oman followed a different political route is because the Omani ruling family is the smallest one among the other Arab Gulf ruling families. In fact, in 1970 only 5 out of 30 cabinet ministers in Oman were from the ruling family (Rippenburg, 1998). And, he adds that non-royal family members in Oman assumed important ministerial posts (Rippenburg, 1998). However, Rippenburg (1998) argues that Sultan Qaboos's appointment strategy is intentional, because "[a]s the power of the ruling family remains or



grows, it runs the danger of setting itself apart and above society” (p. 75). This elevation of the ruling family or domination purports the image of the family as “getting more than its deserved portion of oil revenues [and] could contribute to popular dissatisfaction (Gause, 1994, p. 75; as cited in Riphenburg, 1998, p. 75).

The minimal role of royal family members in Omani politics is interesting, because Sultan Qaboos’ coup was assisted and planned by the British (Takriti, 2013). This takeover by Sultan Qaboos was achieved by an alliance with a foreign power, unlike the coup in the United Arab Emirates and the ousting of King Saud in Saudi Arabia, which were both achieved by an alliance of royal family members. This minimal role in politics by Omani royal family members might be attributed to the foreign involvement in assisting Sultan Qaboos in overthrowing his father. Whatever the reason might be, the small political participation of Omani royals in politics had indeed made the current Sultan Qaboos the most powerful and prominent political figure in Oman.

Like the other Arab Gulf monarchies, prior to oil, merchants played a significant role in the private sector in Oman. But, the difference is that Sultan Qaboos did not replace old established elites nor he dominated them. This resulted in a pivotal role of the private sector in development programs in Oman after the discovery of oil (Allen & Rigsbee, 2000). For example, the Al Zawawi family were among the economic elite who were close to the Sultan Taimur Al Sa’id (Valeri, 2013) and his son Sultan Sa’id bin Taimur, and have maintained their status when Sultan Qaboos took power (Owtram, 2004). Yusuf Al Zawawi was an unofficial advisor to Sultan Faisal Al Sa’id (Sultan Taimur’s father) in late 1800s (Owtram, 2004; Valeri, 2013). Then his son, Abd al Mun’im was a commercial agent for Sultan Sa’id bin Taimur (Valeri, 2013). His two sons, Omar who was a dentist and Qais who was a manager at Pepsi Cola company in

Kuwait, both returned back to Oman in 1970 to build their family enterprise again (Owtram, 2004). They were welcomed by Sultan Qaboos and managed to start their business by opening a pharmacy in the city of Matrah (Owtram, 2004) and this small business expanded to a large business empire as we will see later. In 1973, Qais Al Zawawi was appointed by Sultan Qaboos to be minister for Foreign Relations and was also deputy chairman of the Development Council, which maintained the country's development policies (Owtram, 2004).

In an interesting article, Speece (1989) argues that pre-oil Oman functioned in an economic system of dualism from 1830 to 1930. This dualism was clearly depicted in the very name of the country: the Sultanate of Muscat and Oman (Speece, 1989). Speece (1989) describes the nature of economic dualism in the country where the interior's economic activities were based on modest means of self-sufficiency among the tribes, and Muscat's economic activities was more heavily engaged in foreign trade. The wealthy segment of the coastal society were mainly foreigners from India and the interior society were mainly Arabs (Speece, 1989). With respect to land, Speece (1989) argues that the wealthy foreigners in the coastal areas utilized their capital in purchasing land, which overtime brought them fortunes. However, "land and water tenure in the interior is highly egalitarian" (Speece, 1989, p. 508). It is interesting, as we will see later, that the Omani government was able to intervene in the real estate market with minimal resistance from the old owners of land, who eventually became citizens.

Going back to the elite families, the Al Zawawi family business expanded rapidly since the 1970s, where in the late 1980s this family had a firm control of the economy (Owtram, 2004). Among the Al Zawawi family owned and partly owned businesses are: Zawawi Trading, agents for IBM and Mercedes, Oman Mechanical (representing General Electric), Qurm Contractors, etc. (Owtram, 2004). The Al Zawawi family's rapid participation in politics and the

economy is an example of how Oman followed a different route than its counterpart Arab Gulf monarchies. Although Owtram (2004) asserts that the Al Zawawi family's involvement in public-private activities is clearly an act of corruption, their mere existence along with other old elites played a significant role in preventing White Land to become a phenomenon in Oman as I will explain in further detail later.

With respect to the other old elites along with Al Zawawi family, Allen and Rigsbee (2000) call them the 'old oligarchy' that consist of an alliance of tribes and commercial elites that include the following families: Al Harithi, Zubair, Al Shanfari and Al Sultan. Sa'id Al Shanfari was a prominent figure in Dhofar who had close ties with the Al Sa'id royal family during Sultan Sa'id bin Taimur's reign and his family elite status continued into the current Sultan Qaboos's tenure (Allen & Rigsbee, 2000). Zubair bin Ali was the Minister of Justice during Sultan Sa'id bin Taimur's reign and his son, Muhammad, a childhood friend to the current Sultan Qaboos, maintained his family's elite status until now (Allen & Rigsbee, 2000). In the reign of Sultan Sa'id bin Taimur, the Al Sultan family owned "arguably the largest commercial establishment in Oman", the W.J. Towell company (Allen & Rigsbee, 2000, p. 115). The large and powerful tribal family of Al Harithi were Sultan Sa'id bin Taimur strongest tribal allies and established large commercial entities because of their position in assisting the late Sultan in his attempts to unify the country (Allen & Rigsbee, 2000). Sultan Sa'id bin Taimur's business interests in Dhofar were handled by the Al Shanfari family and later in 1974 Sultan Qaboos appointed Ahmad Al Shanfari to lead development affairs for fisheries, agriculture, petroleum and minerals in the development council (Allen & Rigsbee, 2000).

The old established elites in Oman, like elites in all Arab Gulf monarchies, enjoyed a generous distribution of wealth from rent income in the form of earning favored government contract bids (Al Naqeeb, 1990). By virtue of oil revenue, Sultan Qaboos “the new ruler tried to win over both the whole population (by universal redistribution) and the politically most threatening social categories (by individualized redistribution)” (Valeri, 2013, p. 117). The main bids were for government infrastructure or public works projects of whom the Omani elites got the lion’s share of them (Valeri, 2013) and this is an example of the ‘individualized redistribution.’ The main bids were for government infrastructure or public works projects of which the Omani elites received the lion’s share (Valeri, 2013). Profiting from those contracts comes with minimal risk to the elites, because of the *kafala* system, a sponsorship system that obliges foreign companies to be sponsored by a citizen in order to operate in the country (Valeri, 2013). Valeri (2013) argues that this system brought fortunes to Omani elites, because it has minimal risks to them in which they receive a percentage of profits while the foreign companies do all the work that may bring them either profit or loss. This is a lucrative scheme, because elites only share profits but not losses. In an interview conduct in January 2003 in Oman by Valeri (2013) the interviewee told him that “some top Omani civil servants even believe that a few businessmen were awarded fixed percentage of oil revenue in 1970 in order to give them a direct stake in the new regime’s stability” (p. 102).

Among the Omani elites is what Valeri (2013) calls “the Muscat merchant elite.” The Khimji Ramdas group are the exclusive agents for the following companies: “Rolex, Compaq, Motorola, General Electric, Fujitsu, Procter and Gamble, Philp Morris, Marlboro and Pizza Hut” (p. 103). This family was involved in the military during Sultan Sa’id bin Taimur’s reign (Valeri, 2013). Other families who were historically engaged in trade with India are the Sampat and

Hamlai families (Valeri, 2013). In 1974, the Hamali family established the Al Bahja company that has various commercial activities (Valeri, 2013). According to Valeri's (2013) interview on March 4<sup>th</sup>, 2003, he mentions that the interviewee told him that the Dharamsey Nansey family is personally responsible for managing Sultan Qaboos' assets. The Lawatiyya family also benefitted from the expansion of the Omani state development in being the agents for UPS and Alcatel in Oman (Valeri, 2013). Those families are from non-Arab origin and this reflects the Sultan's elite cooptation strategy that is not only tribal, but commercial.

We can clearly discern from the previous paragraphs that in the 1970s, Sultan Qaboos did not replace the elites that were close to his father. His state started to get rich from oil revenues, yet he chose not to follow the same path of other Arab Gulf monarchies in marginalizing old elites and not create new elites like in Saudi Arabia. The 1970s in Oman marks a decade of two main incidences. The first was the oil-boom and the second was the palace coup. After the coup, Al Zawawi family spearheaded the effort to maintain all elite families' economic interests, so that the new rich government will not dominate them (Allen & Rigsbee, 2000). "The result was that Oman followed a *laissez faire* economic policy with, by Gulf standards, very limited government participation in business and industry. Although the royal family and those associated with the palace did receive a piece of the much bigger pie, Omani business still operated in an environment similar to that of the Sa'id b. Taimur era" (Allen & Rigsbee, 2000, p. 218).

The incorporation of Oman's old established elites in politics and economics empowered the private sector. This empowerment put Oman, as a country, in a path towards economic diversification before some Arab Gulf monarchies who followed suite later in their development schemes. Oman's early start to diversify its economy and not rely on oil revenues is not only

because of the incorporation of the Omani old elite in the economy. The Omani government was well aware beforehand that its oil reserves will soon deplete (O'Reilly, 1998). Hence, the depletion of oil was also a reason why Oman started its economic diversification programs early. "The Far Eastern Economic Review reported, in 1986, that "even before oil prices started crashing, Oman had been far more careful with its money than its neighbors"" (O'Reilly, 1998, p. 76).

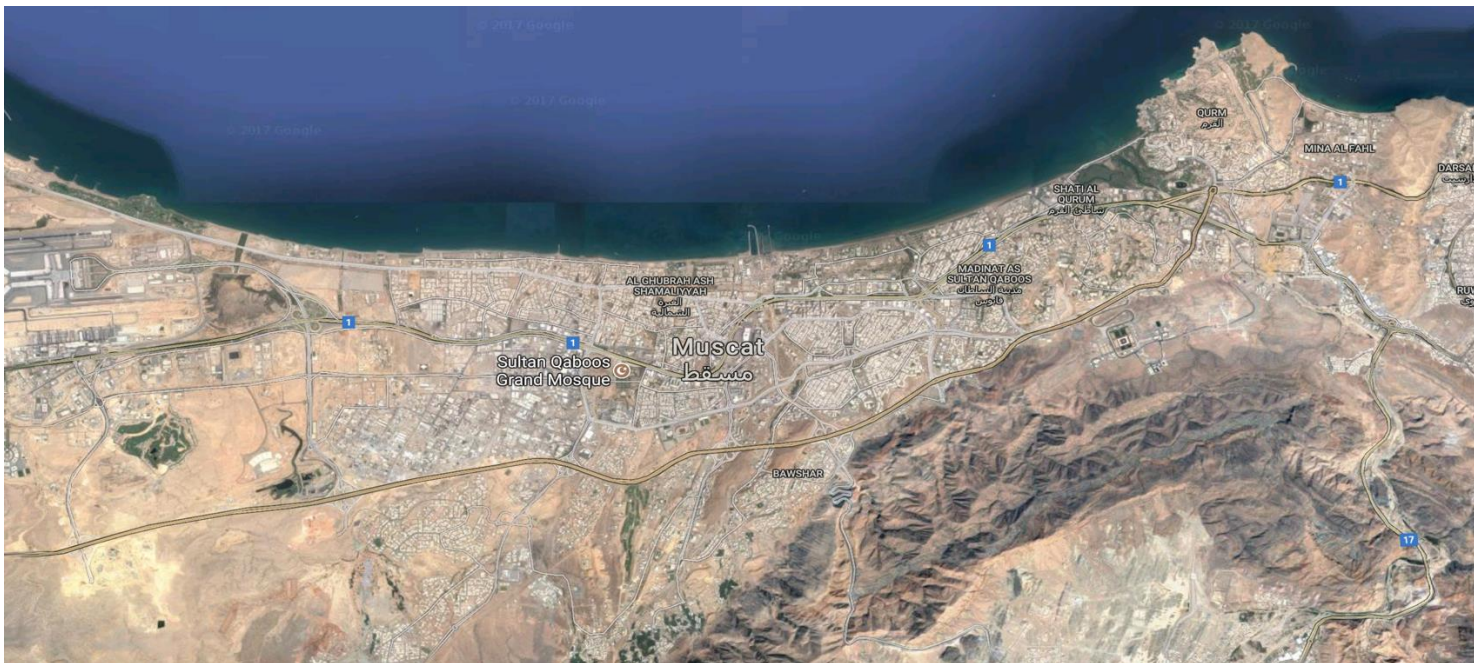
Although Oman had started to diversify its economy away from oil decades ago, yet this diversification scheme has not been successful, as the economy still relies on government spending and a great deal of spending occurred after the Arab uprisings. The protests during the Arab uprisings that occurred in Sohar (Worrall, 2012), which turned violent, indicates that the economic diversification scheme has not succeeded, as many Omanis were upset about lack of jobs. Omani citizens' grievances were met by a large government spending, an effort by Sultan Qaboos to mitigate the negative impact of the protests (Worrall, 2012).

Although a diversified economy with a powerful private sector will bring about mobile capital that will push for democracy as Boix (2003) argues, this did not happen in Oman, maybe because its private sector is balanced by the public sector in financing the state. In other words, had Omani elites' mobile capital, through the private sector, outbalance the immobile oil revenue of the state, we would see Oman democratizing according to Boix's (2003) theory. But, Oman's immobile asset (oil) still plays a role in financing the state. Although it is unfortunate that Oman did not democratize, we will see that this co-equal balance between Oman's public and private sector prevented White Land from becoming a phenomenon in the country like what happened in Saudi Arabia.

In this section of the causal mechanism, we have seen how Sultan Qaboos started nation building in the 1970s and his government began to distribute new oil wealth in the form of public sector jobs and distributing land to citizens and old elites. Unlike in the other Arab Gulf monarchies, the continuity of Sultan Taimur bin Sa'id's elites into Sultan Qaboos' reign played a significant role in preventing White Land to become a phenomenon in Oman. To understand how this came about, the next section's causal mechanism will explain it in detail.

#### 4.4 Real Estate Market → White Land

In the previous section of the causal mechanism, we have seen the impact of the Omani government's distribution of wealth and how it managed to bureaucratize the citizens (to use Valeri's (2013) term) and distribute land to citizens and old elites. Now we turn to effect of this on the real estate market and what it has done to the issue of White Land in Oman. The following figures shows urbanization in two of Oman's largest cities, the capital Muscat (Figure 7) and the city of Salalah (Figure 8).



*Figure 7 White Land in the Omani Capital Muscat*



*Figure 8 White Land in the Tourist City Salalah*

We can clearly see that both cities are highly urbanized, with some appearance of White Land. In order to describe Oman's real estate market, with a focus on White Land, we have to start with government regulations pertaining to it. In my field work done in the summer of 2016 in Oman, I went to the Ministry of Housing. It was quite interesting for me, because of the easy access I had to the ministry in Oman compared to Saudi Arabia. I was greeted by an official at the ministry who took me to the law affairs department. The employee introduced me to the employees at the department and told them that I am a researcher who needed information about rules and regulations of the Ministry of Housing. Without hesitation, an employee handed me three large official booklets that contains internal memorandums, laws, regulations and royal decrees pertaining to housing and real estate in the ministry. I later went with my Omani friend to the ministry's branch for real estate development.



The overall perception of the Omanis I have interviewed is that it seems relatively possible for citizens to own homes and the issue of White Land is blamed on some GCC citizens who have entered the Omani real estate market for the sole purpose of land speculation. The interviews' data is relevant to my overall argument, as the Omani government has intervened in the real estate market more forcefully compared to the Saudi government. Before I transcribe my interviews with officials at this branch, I will first mention the real estate rules and regulations on White Land in Oman.

#### **4.4.1 Regulations**

According to the royal decree No. 5/83:

White Lands which have a visible effect dating back to before January 1st, 1970, the Ministry of Land Affairs and Municipalities is authorized to adjudicate the claims and must verify, confirm, and make sure in all ways the validity of these claims and accept only the original deeds and documents. Photocopies of deeds, documents and movable provisions shall not be accepted. If there are witnesses for this matter, their testimony shall not be accepted without an oath on the Quran. (*Ministry of Housing, Electricity and Water, 2006*)

This royal decree on White Land was in 1983. This reflects an early realization from the government about the negative consequences of White Land, yet this early realization does not say anything about owners of White Land who have official ownership deeds. This also can be interpreted as normal registration of land like any other developing states. However, this also shows the ability of the Omani government to regulate a certain aspect in the real estate market that may lead to real estate speculators to take advantage of it and indeed it happened.

White Land in Oman, that required a royal decree to regulate it, was about undeveloped land that does not have an owner. In the past decade, White Land started to have owners and they have left their land undeveloped and out of the market to raise prices (Al Bosaeedi, 2014). Al

Bosaeedi (2014) raises serious concern about what he and other Omanis have realized about the prevalence of White Land in the Sultanate of Oman. He explicitly mentions in his article that the owners of those large parcels of land are from the Omani elite, but he does not see the problem in their ownership per se (Al Bosaeedi, 2014). He says that the Omani elite indeed are worthy of ownership of the land, which they either received through the Ministry of Housing or from grants provided by the Sultan (Al Bosaeedi, 2014). The problem, Al Bosaeedi (2014) claims, is the negligence of White Land. This White Land lacks any features of development and has been like that for 15 or 20 years. The mere negligence towards White Land is at the expense of the Omani youth who are waiting for a plot of land from the Ministry of Housing (Al Bosaeedi, 2014). He concludes by calling on the Omani government to resolve the issue of White Land as soon as possible (Al Bosaeedi, 2014).

Aside from regulations, “[o]il remains Oman’s top revenue generator. In 2016, oil and gas revenues accounted for more than 68% of total government revenues and about 57.9% of total merchandise exports, according to the CBO,” Central Bank of Oman (Delmendo, 2017, p.1). Delmendo (2017) argues that the recent decline in oil prices has negatively affected real estate prices in the Omani market. “Residential property prices and rents in Oman declined by about 10% to 20% in 2016 from a year earlier, according to local real estate experts. That’s because crude oil prices plunged to an average of just US\$40.1 per barrel in 2016, down by 29% from a year earlier and by more than 61% from US\$103.2 in 2014 (Delmendo, 2017, p.1). However, this decline was not steep, as the Omani government allowed more foreigners to enter the country and this has slightly mitigated the impact of declining oil prices on the real estate market (Delmendo, 2017). The presence of newly entering foreigners has increased demand in the real estate market (Delmendo, 2017). Overall, the Delmendo’s (2017) report does not

mention anything about White Land, as opposed to real estate reports on Saudi Arabia I have read all mention White Land's negative impact on the real estate market.

It seems that the Omani government has taken strict measures to resolve the issue of White Land. The purported main causes of White Land in Oman are three: 1- Omani citizens residing on or using state land without having a legitimate right to do so (AlJahoori, 2014). 2- Gulf Cooperation Council (GCC) citizens owning a lot of land in Oman and not developing it (AlFardan, 2015). 3- Some Omani elites owning White Land and not developing it (Al Bosaeedi, 2014). The royal decree No. 5/80 issued land laws in Oman in 1980 clearly says that citizens who own land must utilize it as per the purposes of the request of ownership.

With respect to the first cause of White Land, Al Jahoori (2014) argues that the new amendments to land laws mentioned in the royal decree No. 56/2014 will put an end to the disorder in the real estate market. The problem is that some Omani citizens take over government land to either use it for their herds or claim ownership of the land and sell it (AlJahoori, 2014). This behavior brings two harmful consequences in the real estate market: 1- Some claim ownership of the land and this decreases the supply of land in the market, and 2- Some sell parcels of White Land below market prices, which destabilizes land prices (AlJahoori, 2014). This has been made possible, unfortunately, because of lacking in the rule of law (AlJahoori, 2014). This new royal decree can prevent this behavior because of the punishments it enforces; imprisonment sentences ranging from six months to three years and a fine up to 10000 Omani Riyals (AlJahoori, 2014). The second consequence Al Jahoori (2014) mentions seems contradictory for land owners, because landowners want to make a profit from land hoarding and selling them below market prices does make sense.

The second cause of White Land in Oman is GCC citizens' ownership of land and not developing it. Foreign direct investment is beneficial for the economy. But, when investments take a form of real estate speculation, this is not a healthy sign in the economy. The Omani government realized that some GCC citizens who own land in Oman have not developed it and held it off the market to raise prices (AlFardan, 2015). The government's swift and responsible response was embodied in the circular the Minister of Housing issued in January 2015 (AlFardan, 2015). The circular instructs GCC citizens that the royal decree No. 21/2004 will be activated after it was temporarily lifted (AlFardan, 2015). The royal decree says that GCC citizens who intend to own land in Oman must develop it within four years; if the land is not developed the Omani government has the right to confiscate the land and compensate the owner (AlFardan, 2015).

No new law has been issued to prevent Omani citizens who have a deed of ownership for their land from holding their undeveloped land out of the market. But, the amendments of in the royal decree NO. 56/2014 have already regulated the prices of land in Oman (AlJahoori, 2014). Omani elites can benefit more from the unregulated real estate market prior to this decree more than the implementation of the decree that regulates GCC citizens' ownership of land. The latter decree was activated because many GCC citizens have not developed their land and Omani elites will not benefit from this unless GCC citizens build a mall or open a business on the land (e.g. Omani elites can become business partners with them).

Al Bosaeedi (2014) does caution from the negligence of Omani elites towards their undeveloped land and how this brought about White Land in Oman. But, what we infer from Al Fardan's (2015) article is that the issue of White Land that is disrupting the real estate market in Oman is due to GCC citizens who own land in Oman have not developed it and held it off the

market to raise prices. This is why the Omani government has taken action towards GCC citizens (royal decree No. 56/2014) and Omani citizens (royal decree No. 5/80) who take over government land; which can mean that these are the main causes of White Land in Oman.

In a recent article, Al Mataeny (2017) argues that it is time for the Omani government to impose fees on White Land, especially the ones in Muscat, even if influential owners protest this, because public interest is above all. Many of housing institutions in the world impose fees on White Land that are not developed by their owners and this is done to achieve many targets that are in the public's interests (Al Mataeny, 2017). These targets are aimed at achieving an added value for those plots of land instead of leaving them as they are (undeveloped) which obscures the urban image of the cities in Oman (Al Mataeny, 2017). He adds that the government must act fast in encouraging development of those plots of land by imposing a tax on them for not developing White Land (Al Mataeny, 2017). Many of White Land has been granted by the government years ago and owners have not developed their White Land according to the government's intentions in granting them the plots of land in the first place (Al Mataeny, 2017). He adds that the presence of White Land decreases supply and raises prices in market that is in constant demand for land (Al Mataeny, 2017).

Al Mataeny (2017) suggests a 2.5 percent tax or more on White Land's market value and says that revenue from this tax will add hundreds of million Omani Riyals to the state treasury. A tax on White Land will contribute in liquefying those frozen assets in either having them developed or bringing a good source of revenue for the government to allocate it to other development sectors that are in need for more revenue like education and health (Al Mataeny, 2017). He acknowledges the fact that influential owners of White Land and realtors will protest

this tax, but argues that the government must place the public's interest above any other private interests (Al Mataeny, 2017).

#### **4.4.2 Interviews**

Now that we have detailed the laws' and regulations' effects in Oman's real estate market, we now turn to the interviews I have conducted in my field work in Oman. On July 20<sup>th</sup>, 2016, I have conducted an interview with two Omani officials from the Ministry of Housing. I asked them about the real estate market's current situation and how the government plays a role in regulating it. One of the employees said that "the government takes serious measures to ensure that all plots of land are developed, especially in condensed urban areas like here in Muscat." I asked if Oman suffers from White Land causing an imbalance in the real estate market, to which one employee replied, "we try our best to closely monitor the real estate market and the presence of White Land is difficult in Muscat given the small area the city is situated in with the sea to the east and mountains to the west of it." The other employee said, "Muscat's urban sprawl is strictly limited by the terrain and White Land will make the city shrink while demand for construction is high." The interview continued as one of the employees said, "our ministry's regulations are strictly enforced to prevent any possible problems in the real estate market and one of them is to prevent White Land." He continued saying that "the law that enables GCC citizens to own land in Oman did cause some occurrences of White Land in suburban areas, but the law does also mandate that any plots of land purchased must be developed within 4 years and failure to do so will result in confiscation of the land with compensation." "Our ministry is here to enforce this law to prevent real estate speculation that results to White Land."

On July 21<sup>st</sup>, 2016, me and my Omani friend met with an Omani citizen at a café in Muscat. I asked him if he currently owns a house and whether it was difficult to obtain it to which he responded, “I do own a house and the plot of land was granted to me by the government.” The citizens continued, “the difficulty in obtaining this plot of land was in the time it took me to get the plot.” He continued, “it took me some years in the waiting list to finally get the plot of land to build my house.” The citizen added, “another issue I have is that the plot of land is located far away from Muscat and it takes me an hour or more to drive to work.” The citizen continued, “also, the area where my house is in is near a water stream that flows in the middle of the neighborhood and since the area is new, roads are not yet paved.” He added, “purchasing land in the city of Muscat is difficult due to the rising prices of land.” I asked him about the reason for the rising prices of land to which he replied, “I think that the reason for rising prices is the upsurge of demand, it was not difficult back in the day for Omanis to own homes in Muscat because it was a small city.” He added, “but now, the city not only expanded and grew large, the population increased, especially us the youth population who are starting their careers and getting married which requires owning homes.”

Continuing the interview, I asked him about the presence of White Land in Oman and whether it has an impact in the increase of prices. He was well aware of the meaning of White Land and said, “yes, there is White Land in Oman and their owners hoard them to increase the prices of land.” He added, “but I do not think it has become a phenomenon like Saudi Arabia, nor the prices of land are as high.”

My Omani friend and I traveled to Salalah, which is around 600 miles from Muscat. We arrived in the beautiful mountainous city of Salalah with its cool weather, even in the summer, a much better climate than the extremely hot and humid one in Muscat. I was able to conduct three

interviews in Salalah, two with Omani citizens living in Salalah and one with an Omani citizen who lives in Sohar (north of Muscat). The first interview, at a restaurant, was on July 22<sup>nd</sup>, 2016 with an Omani from an elite family in Salalah. Along with his daily job he is a real estate investor who sells and buys land in the tourist city. I asked him about the real estate situation in Salalah and whether there is White Land in the city. He replied by asking me “what do you mean by White Land?” It seems that this term is not well known to all citizens, so I explained to him what the term means, telling him that “it refers to plots of land, small or large, that are undeveloped and not in the market for sale, and owners of those plots of land intentionally leave them as they are and take them out of the market to decrease supply to raise the price of land.”

He understood what the term means and answered my second question saying that, “yes we do have White Land in Salalah, but the main owners of them are GCC citizens who engage in this type of land speculation.” He added, “as you know, Salalah is a tourist city that attracts many people from GCC countries and with tourism comes the fortunes for real estate investors and developers.” “Good thing the new land law put a time limit of 4 years for GCC landowners to develop their land or have it confiscated, if this law was not issued, we would see a lot of White Land in Salalah.” He continued, “it was going to become a phenomenon, but this law limited it.” He then answered my first question about Salalah’s real estate situation saying that, “the real estate market in Salalah is in good shape, because of the influx of tourists all around the year.” The citizen argues that, “prices vary based on the proximity of land near or far away from the city and we also have to take the uphill and downhill of urban land into account because of the mountains.” He then told me a story about White Land which was very interesting saying that, “the government wants to encourage tourism projects and provides financing for investors.” The citizen added, “so, a Kuwaiti investor applied for a loan for a large tourism project in Salalah,



and the government approved his loan and gave him a large plot of land to build his tourists project on.” He added, “surprisingly, the investor did not start his project and left the large plot of land as it is, undeveloped for years.” “I think his intention was to own that large land until prices rise then sell it.”

The next day, July 23<sup>rd</sup>, 2016, I conducted an interview with an Omani realtor from Salalah. I asked him my usual questing about the real estate situation in Salalah to which he replied, “Salalah is a tourist city and the growing real estate market there focuses on renting apartments either near the mountains or near the beach.” Instead of asking him a question about White Land directly, I explained what White Land means then asked him about it. He replied saying that “with respect to rising prices of land in Salalah, I do not think White Land, if it actually exists, has anything to do with the prices, because the rise in prices has to do with tourists’ demand.”

On July 24<sup>th</sup>, 2016, while I was still in Salalah, I interviewed an Omani citizen who is from Sohar. He works part-time in the real estate market along with his full-time private sector job. It is worth mentioning that Sohar experienced mass protest in the city calling for jobs during the Arab uprisings that swept the region (Worrall, 2012). During my trip, I went and saw the location under the bridge where Omani police clashed with protestors in Sohar. I asked him if he currently owns a house and if so, was it hard to purchase a house. He replied saying that “I currently live with my parents and since my family’s home is large, I will continue living there when I get married.” He will build a house next to his family in 5 years because his family’s house is built on their large farm land. He also adds that he is financially capable. It is worth mentioning that private agriculture land ownership in this area was widely available and, thus, this private ownership of land was there before oil. Moreover, I asked him about the real estate

market in Sohar and he said, “prices are high and this is due to many factors and among those is the difficulty in obtaining land from the government.” He thinks that prices will decrease now because of the low prices of oil and adds that “this situation will change after the changes in the economy in Oman.”

Continuing this interview, I asked him about White Land in Oman and whether it has a negative effect on the real estate market, since he works in the real estate market. He answered saying that, “with respect to White Land and how owners put a fence around their land, there are a couple of incidences that happened during the past decade, but it is minimal and the owners are influential people that are close to the Sultan.” The citizen continued, “yes, there are housing laws and regulations, which change from time to time, but the implementation of those laws is weak.” “For example, we have put a fence around a farm in 2001, which is around 20 acres, and we got it registered at the ministry, although it was banned to do so since the 1990s.” “This shows that the implementation of the laws is weak.” But, he thinks that White Land has not become a phenomenon in Oman, because of the small population and almost all Omanis own homes and he thinks that around 3 percent of Omanis rent.

Continuing the interview, he asked me about my research’s argument and I told him about it. He said, “indeed, the elites in Oman are not focusing on the real estate market because they are busy with their commercial interest that they had a long time ago.” He added, “the Omani royal family members are not as powerful as ministers in the government and do not have the same leverage and authority like them.” This last information about the Omani royal family is interesting, because it seems that this control on the royals is intentionally done by Sultan Qaboos exactly like what Riphenburg (1998) asserts that Sultan Qaboos did not let his family members dominate.

On July 26<sup>th</sup>, 2016, I was back in Muscat and had the opportunity to interview two Omani citizens, one who works in the private sector and the second works in the real estate market. The two interviews were conducted separately at different times in the day. The first interview was with the citizen who works in the private sector and I started off by asking him if he owns a house and, if yes, did he receive the land plot from the government. His answer was, “yes I own a house and have built it on a plot of land that was provided to me by the government in the interior region where I am from, and have paid the necessary fees for it.” I asked him if there is White Land in Oman and, if yes, do influential people own them and do you think White Land did contribute to any increase in prices of land? To which he replied, “buying a house is difficult and a person can only be able to buy at a reasonable price out of Muscat.” He added, “there are little plots of White Land that are owned by tribal leaders and White Land that was in Muscat has been developed because there is lack of large spaces in Muscat.” “The rise in real estate prices in Oman is not due to White Land, instead it is due to the manipulation done by wealthy people in the real estate market, some are Omanis and the majority are from GCC countries.” “They buy already developed housing blocks in the suburban neighborhoods of Muscat (Mualabya, Falj Al Sham and Barkaa) then they raise the price for the whole housing blocks around 50 percent.” He argues that, “they can do that because they own most of the supply.” It is worth noting that, to the contrary, I think this previous argument on raising prices is more likely due to demand.

The second interview was done with the Omani citizen who works in the real estate market. I wanted to focus on White Land with him, given that he works in the real estate market and I needed more information on the subject. I asked him two questions: 1- Do you think there is a rise in prices in the real estate market? 2- Do you think there is a White Land phenomenon in the real estate market, if yes, what did the government do about it? His answer was, “with respect

to your first question which is about the rise in prices of land in Oman, land prices fluctuate, sometimes they are high and others low, but because of the government's direct intervention in the market and the equal distribution of land to men and women, this decreased any irregularities in the real estate market." "Women, whether single or divorced can get a plot of land for housing like their male counterpart, when she reaches the age of 21 or 23, I do not remember the exact age, the plots of housing land are the same for men and women, 600 square meters." He added, "the government also raised the fees for selling and buying land, which made this intervention regulate the market more better." "The prices of land in Oman has not reached a point of a significant rise in prices like other Arab Gulf countries, therefore the rise in prices of land in Oman is based on real demand, especially in the capital and outside the capital prices of land are accessible to everyone, because they are inexpensive." He added, "with respect to White Land, it has not reached a point to become a phenomenon in the Sultanate, because the government prevented it a long time ago by confiscating White Land and some of it was made to housing blocks, and this is not like what GCC governments have done, the Omani government has limited White Land to a point where we cannot say there is a White Land phenomenon in Oman."

What we can conclude from the interviews is that there is White Land in Oman and the market manipulation behavior to increase prices has been done by some Omanis, but mostly from GCC citizens who enter the Omani real estate market for speculation. However, the interviews, along with other arguments by Omani scholars and reporters, show that indeed White Land has not become a phenomenon that is considered to be the main cause of any rise in land prices. We can also conclude that the Omani government's intervention in the real estate market did not stop at issuing laws and regulations, it actually intervened to prevent White Land.

As I have argued, this intervention was and still is easy for the Omani government because of the continuation of old established elites into Sultan Qaboos' reign with their diversified economic base that does not solely rely on the real estate market. The next section will detail this strong government intervention.

#### **4.5 Strong Government Intervention**

The previous section mentioned some of the main laws and regulations in Oman that were issued by royal decrees, a sign of government intervention from the highest official, the Sultan, and we have seen instances of White Land in Oman. In this last section, I will layout the effectiveness of government intervention in the real estate market and why I argue it is stronger than the Saudi Arabian government in this respect.

A Saudi real estate expert, Suliman Al Rowaishid (2015), mentions that Oman not only has the highest homeownership rate in the GCC, it is also ranked after Singapore. Oman's homeownership rate is around 89 percent and it is significantly higher than all Arab countries combined, which is averaged around 62 percent (Al Rowaishid, 2015). His data is from a real estate report published by AL Riyadh newspaper. Moreover, he compares the housing experience between Saudi Arabia and Oman and argues that Oman's homeownership rate is higher than Saudi Arabia because of the latter's regulations in housing subsidies (Al Rowaishid, 2015). The difference between Saudi Arabia's and Oman's regulations in housing subsidies is that Oman has two segments who qualify for the housing subsidies and Saudi Arabia only has one (Al Rowaishid, 2015). Saudi Arabia's housing subsidies only goes to low income citizens, where in Oman the subsidies are provided to low income citizens and the rest of citizens, and this policy encompasses more citizens (Al Rowaishid, 2015). According to this policy, land is distributed to all citizens who apply. The difference between low income subsidies and all other Omani

applicants is that the first segment earns a zero-interest loan, while the second's loan includes a 2 to 4 interest on their housing loan (Allen & Rigsbee, 2000). This is why Oman has an 89 percent home ownership rate (Al Rowaishid, 2015). Therefore, the difference between the housing policies in the two countries is that Oman's policy includes all citizens and Saudi Arabia's policy is only for low income citizens (Al Rowaishid, 2015). This shows us how the Omani government is strong in its intervention in the real estate market to a point where it put itself as the highest country in terms of home ownership among its GCC counterparts.

With respect to royal decree NO. 56/2014, which is promulgated to prevent GCC citizens from leaving their newly owned land undeveloped (i.e. to prevent White Land), this is a good example of the Omani government's swift intervention to regulate the real estate market. As Al Fardan (2015) argues that this royal decree was inactive in 2014, but became active in 2015 as soon as the Omani government realized that some GCC citizens who own land in Oman have not developed it and held it off the market to raise prices. This fast government response to a real estate market irregularity shows us that the government does not face obstacles in intervening in the real estate market. But this example pertains to outsiders who enter the Omani real estate market and disrupt it, what about Omani citizens who attempt to do the same behavior?

To answer the previous question, I will use my interviews' data<sup>26</sup>. With respect to White Land owned by Omanis, we can discern from the interviews that there are some plots of White Land in the country. However, almost all interviewees say that White Land cannot be considered to be a phenomenon in the country. The last interviewee said when answering my question about White Land that, "the government prevented it a long time ago by confiscating White Land and some of it was made to housing blocks, and this is not like what GCC governments have done, the Omani government has limited White Land to a point where we cannot say there is a White

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<sup>26</sup> Interview data only gives us the perception of the interviewees.

Land phenomenon in Oman.” With respect to Omani elites’ presence in the real estate market, one of the interviewees said that, “the elites in Oman are not focusing on the real estate market because they are busy with their commercial interest that they had a long time ago.” Hence, consistent with my argument, White Land in Oman is not a phenomenon that is negatively affecting the real estate market because of the continuation of Oman’s old established elites, who have a diversified economic base, and, thus, the government could easily intervene in the real estate market because it has not coped with strong opposition from elites that do not solely depend on real estate profit.

## 5 CHAPTER FIVE: COMPARATIVE ANALYSIS

The last two chapters utilized the method of process-tracing to explain, with empirical evidence, the causal mechanisms for both monarchies and the difference in the outcomes of White Land between Saudi Arabia and Oman. Both chapters illustrated how the Saudi Arabian and Omani monarchical institutions adopted similar strategies for their survival. Variation in the outcome of the strategies between the two countries was a result of Saudi Arabia's replacement of its old elites and the continuation of Oman's old elites. This has led to a variation in the outcome that pertains to the issue of White Land in both countries. In this chapter, I will test my deductive new theory<sup>27</sup> with the findings of the structured, focused comparison from the case study chapters. The main findings of the previous two chapter's causal mechanisms will be presented under subheadings that pertain to their relevant themes. Both causal mechanisms of the two case studies have followed Bennett and Checkel (2015) process-tracing criteria<sup>28</sup>, and in this chapter, I will illustrate the remaining two criterions on alternative explanations.

Before I begin presenting and analyzing the findings of the two chapters' structured, focused comparison, I will mention again the two causal mechanisms of the chapters to make it easier for the reader to read them in this chapter instead of going back to the previous chapters.

### **Causal Mechanism for Saudi Arabia's Case:**

**1970s Oil Boom → Government Distribution of Wealth and Land → Creation of New Elites  
→ Elites Entering the Real Estate Market → White Land → Housing Crisis → Weak  
Government Intervention**

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<sup>27</sup> George and Bennett (2005) explain that deductive theory testing is a test for a new theory or filling in gaps in the literature. My theory that explains land distribution as a strategy for authoritarian survival is a new theory, and that is why it is deductive.

<sup>28</sup> The criteria are mentioned in detail in the methods section of the dissertation.



### **Causal Mechanism for Oman's Case:**

**1970s Oil Boom → Government Distribution of Wealth and Land → Continuation of Old Elites → Elites Enter the Real Estate Market → White Land → Strong Government Intervention**

#### **5.1 Old elites vs. new elites**

Elite cohesion is central to preventing change in authoritarian regimes (O'Donnell G. A., 1986). "Elite unity is generally considered one of the most important factors in determining the stability of a regime. Obviously, deep division within the ruling elite is often a source of political conflict and paralysis decision-making. In other words, elite cohesion explains the effective and stable government in Saudi Arabia" (Stenslie, 2012, p.2). When five of the GCC monarchies<sup>29</sup> enjoyed windfall oil income, they have dominated their old elites (while keeping them united) and, thus, governments have become the dominant institution in both the politics and economics of the monarchies (Crystal, 1990). In the case of Saudi Arabia's old elites, Stenslie (2012) argues that they made them 'clients' of the state. Moreover, those five GCC governments' domination does not mean that their elites were ousted or kept out of everything; their role simply changed from being equal or sometimes above the governments to subordinates to their governments, e.g. the governments favored them in the distribution of wealth while being above them.

However, this was not the case in Oman, for which Sultan Qaboos did not replace nor dominate the old elites of his father Sultan Sa'id bin Taimur (Allen & Rigsbee, 2000). Conversely, the Saudi government did not only marginalize its old elites, it created new dependent elites from the Central province (Chaudhry K. A., 1997). When the issue of White Land was factored in, we have seen that the replacement of old elites and the creation of new

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<sup>29</sup> Saudi Arabia, United Arab Emirates, Kuwait, Qatar and Bahrain.

elites in Saudi Arabia put one of its survival strategies in a paradox. On the one hand, the Saudi government wants to please its elites by not strongly intervening in the real estate market to resolve the issue of White Land because it is the main source of profit for the new elites. On the other hand, the Saudi government also wants to please its citizens that are victims of a housing crisis, caused by White Land, that will more likely produce negative political consequences if not resolved, and according to Saudi economists, the solution of the housing crisis is putting an end to White Land. Which side will the Saudi government take is yet to be clearly known.

The creation of new elites in Saudi Arabia, as one result of the 1970s oil-boom, brought about a new influential group that lacks an economic base. As presented in Chapter Three, state expansion in Saudi Arabia was significant in two aspects: 1- The extractive bureaucracy that relied on revenues from taxes and fees on old elites changed to a distributive bureaucracy that started to distribute wealth and land. 2- The distribution of land was and still, one strategy for survival to ensure the loyalty of the new created elites. It was in the 1970s when the newly created elites in Saudi Arabia started to rely on acquiring land for future profits and, thus, they built their economic base on land grants from the government. This does not mean that they rely on land for income, because they have been appointed to high ranks in the government. It is worth mentioning that not all members of the elite hold government jobs, because some of them are heavily involved in business. This is where the distributive bureaucracy played a significant role (Stenslie, 2012).

The most influential and active monarchical institution in the distributive bureaucracy is the Royal Court 'Al Diwan' (Stenslie, 2012). Stenslie (2012) describes the Royal Court as "[t]he primary executive office of the king is the Royal Court in the Saudi capital. Here are the private offices of the king and the crown prince, and the offices of all the king's most important advisors

in domestic politics, religious affairs and international relations. The king conducts most routine governmental affairs from this office, including drafting regulations and royal decrees. In addition, the heads of several government departments have their offices at the court: the chief of protocol, the Office of Tribal Affairs; the Department of Religious Research, Missionary Activities, and Guidance; and the Commission for the Promotion of Virtue and the Prevention of Evil. The king also holds his regular majlis, ‘public receptions’, in the Royal Court” (p. 28). We can see the significance of the Royal Court in handling daily politics of the kingdom and, above all, it is more powerful than the Council of Ministers. This means that decisions for land distribution to elites were made in this important institution.

Moreover, for the new Saudi elites, land became a profit generating scheme and their high-ranking government jobs are for their income. As Hertog (2010) argues “land was usually granted by the king and then resold to a restricted set of commoner clients, who would parcel it out further for higher prices, creating a veritable cascade of patron-client relationships” (p. 111). Along this line of argument, Chaudhry (1997) argues that “the distribution of urban and rural land set the stage for the accumulation of wealth in the 1970s” (Kindle Location Pages 4052-4053). With respect to land grants to elites, Stenslie (2012) argues that the Ministry of Municipalities and Rural Affairs is really important for land grants, because it was responsible for distributing land to applicants and handed out most of the land to elites, which is a controversial issue<sup>30</sup> (Stenslie, 2012). Of course, that ministry gets its orders from the Royal Court.

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<sup>30</sup> It seems that Stenslie (2012) knows that the distribution of land grants to elites is controversial in the country due to the problems it has caused in the real estate market. But, he has not elaborated this issue in his book.

The newly created elites in Saudi Arabia are from the Central province and evidence shows that the majority of distributed land by the government was exclusive to the individuals from the Central province (Chaudhry K. A., 1997). I argue that, those are the new elites that the government created in the 1970s and they are the ones who took advantage of the land grants provided to them by the government to make fortunes out of them in either selling some of them for public projects, or hoarding them for decades to increase land prices (i.e. White Land). According to my theory, it is in this specific government action in replacing old elites and creating new ones that have had the accumulative effect of the prevalence of White Land in major cities in current Saudi Arabia.

Based on the previous paragraph, the importance of land became vital to elites and, thus, they significantly benefited from the land grants they received during the 1970s. The Saudi government, through the monarchical institution of the Royal Court had “initiated expansive infrastructure development, such as roads, waterworks and pipelines, airports and harbours” (Stenslie, 2012, p. 9). It is in the establishment of those important facilities and infrastructures that land became a lucrative possession for elites to sell to the government and make their fortunes. This is where the new Saudi elites formed their economic base that started to rely heavily on land.

With respect to Oman, we have seen in Chapter Four that the continuation of the monarchy’s old elites played a significant role in the government’s intervention to regulate White Land. As mentioned earlier, Sultan Qaboos decided to keep the previous regime’s elites. My emphasis on Sultan Qaboos’ decision to keep his father’s elites and enable them politically and economically does not mean that Oman’s old elites are more important than Saudi Arabia’s old elites in the regime’s survival. In other words, in both countries, old and new elites are

equally important for the survival of the regimes. The old elites in Oman are already well established economically before the 1970s and the old elites in Saudi Arabia, who are primarily from the Western province (Chaudhry K. A., 1997), are also well established economically. However, the Saudi government replaced its old established elites with new ones. This is where I argue that, the 'old elites' variable in Oman's case study causal mechanism had a different outcome than Saudi Arabia's case study causal mechanism.

It is in this change in the variable on 'elites' in the causal mechanism that made the outcome for both countries change. The newly created elites, who formed their new economic base on land, resulted in the prevalence of White Land that contributed to Saudi Arabia's housing crisis and, eventually, made it difficult for the Saudi government to intervene in the real estate market. In Oman, however, the continuation of its old elites, who have a diversified economic base, prevented White Land from prevailing and made it comparatively easier for the Omani government to intervene in the real estate market. Counterfactually, if Sultan Qaboos had replaced the old Omani elites with new ones like Saudi Arabia, the causal mechanism for Saudi Arabia will have the same variables and outcome in Oman's causal mechanism. The same applies to the old elites in Saudi Arabia; had the old established Saudi elites not been replaced, the causal mechanism for Oman will have the same variables and outcomes in Saudi Arabia's causal mechanism.

What is the relationship between the creation of new elites in Saudi Arabia and the prevalence of White Land along with a weak government intervention in the real estate market? Conversely, what is the relationship between the continuation of old elites in Oman and the prevention of the prevalence of White Land along with strong government intervention in the real estate market? I will answer those questions step-by-step starting with the elites. Saudi

Arabia had old established elites in its Western province (Chaudhry K. A., 1997). Those elites engaged in various commercial activities and the most important one is the services they provide to Muslim pilgrims coming to the country for Makkah and Medina (Chaudhry K. A., 1997). This shows us that long before oil revenues, the old Saudi elites had a diverse economic base. Along with their economic leverage in the country, they also had political leverage with institutional bargaining power that negotiated with the King, which other local elites did not have (Chaudhry K. A., 1997). Their economic and political leverage were justifiable, because the Saudi government relied on them to finance the government through taxation and fees. We can conclude that Saudi old elites were well established economically and land grants will less likely be their only source for profit, had they not been replaced by entirely new elites. This is because land will not be the only source of profit for them, which makes it easier for the government to intervene in the real estate market with minimal opposition from the elites, like in the case of Oman.

Then came windfall income from oil revenues in the 1970s, which “the government used oil revenues to eliminate the old economic elites of one region [the Western province] and create in another an entirely new class of entrepreneurs [from the Central province] directly dependent on the favor and financial support of the government” (Chaudhry, 1997, Kindle Location Pages 702-703). This particular action by the government cannot be conclusively explained, as we do not know the logic behind it. One possible explanation might be that this action has been taken because the old Saudi elites used to challenge government policies and sometimes veto it as mentioned by Chaudhry (1997). Aside from that possible explanation, our focus is on the impact of the creation of new elites and not why the old elites were replaced.

Saudi Arabia in the 1970s experienced two important factors, vast oil revenues and new elites that have no economic base. The impact of oil revenues expanded the state and changed the nature of its extractive bureaucracy to a distributive bureaucracy (Hertog, 2010; Chaudhry, 1997). This distributive bureaucracy, spearheaded by the monarchical institution of the Royal Court, distributed the lion's share of wealth and land to the new elites. This favoritism to the new elites, I argue, is a survival strategy to prevent any division in the new elites and to assure their loyalty. Moreover, as I have mentioned earlier, the newly created elites in Saudi Arabia lack an economic base and, thus, they have taken advantage of the new distribution bureaucracy in acquiring as much wealth and land they can. Hence, this cascade of distribution created their economic base and land became a vital source for their fortunes decades later.

With respect to the old elites in Oman, they were economically well established like the Saudi old elites. The Omani elites during Sa'id bin Taimur's reign were not participating in an economy based on oil rent, like the one when Sultan Qaboos took power. Instead, it was an economy that relied on trade, especially with India (Allen & Rigsbee, 2000). Omani elite families, whether from the interior region, Dhofar or coastal areas, have been exclusive agents to various foreign companies, both in Sultan Sa'id bin Taimur's and Sultan Qaboos' reign (Allen & Rigsbee, 2000; Valeri, 2013). As mentioned in Chapter Four, the elite families at the time of Sultan Sa'id bin Taimur were mostly merchants, who resided in Muscat and Matrah and the other tribal elites from the interior region were political allies to the Sultan (Allen & Rigsbee, 2000). The government at that time relied heavily on taxes and fees on commercial activities and political support from tribal elites. The mostly non-Arab merchants in Oman are heavily engaged in commercial activities, which makes them an important source of finance to the Sultan (Speece,

1989). As we can see, this reliance of the Omani government on taxation and fees is similar to what the Saudi government used to rely on.

Then came Sultan Qaboos' reign with windfall income from oil. The oil revenues changed the economy and lessened the Omani government's reliance on taxes and fees to finance itself. In that particular period, the government had a new source of income that can enable it to finance itself independently and the government can now be the dominant institution. We would expect that the Omani government will follow the same pattern as the other GCC governments by dominating the old elites as Crystal (1990) argues that happened in the five GCC monarchies. This has not happened in 1970s Oman. Sultan Qaboos did not replace nor marginalize the traditional Omani elites and his government actually enabled them politically and economically "whereby the traditional elites actually saw an increase in their political power following the coup of 1970 as state involvement in both economic and social programs increased and the bureaucracy grew. Merchants and tribal shaikhs were not relegated to the accumulation of wealth; their expertise and loyalty became necessary to the functioning of the state" (Allen & Rigsbee, 2000, p. 34).

Instead of becoming 'clients' of the state as Hertog (2010) argues about the new nature of Saudi Arabia's traditional elites, Oman's traditional elites were incorporated into vital government and private institutions in the country. This government-traditional elites' partnership, I argue, played a significant role in making elites more flexible when the government wanted to intervene in regulating important issues, specifically the issue of White Land. This does not mean that this partnership is free from corruption, for which Owtram (2004) argues that this is an act of corruption whereby Omani elite families engage in public-private activities. In other words, the ability of the government to intervene to regulate the real estate



market at the expense of traditional elites is a good sign, but this does not mean that the elites were willing to let the government expand regulations to their private-public interests. Indeed, the Omani old elites used their political connections to the Sultan to win government project bids (Valeri, 2013). However, the mere prominent positions of the Omani traditional elites give them first-hand experience in public policy making, which in turn, opens opportunities for negotiating policies before they are enacted. In order to preserve their economic and political interests, the traditional elites have to compromise with the Omani government in decision making. The evidence here is based on the ability of the Omani government to intervene in the real estate market with minimal resistance from the elites.

However, in Saudi Arabia, the new elites do not have the same political bargaining power, and thus, they are downgraded to the accumulation of wealth. This makes them act like economic interest groups searching only for what benefits them economically, because they do not have political power that might make them concede some of their economic interests to maintain their political interests. This is evident in their focus on acquiring land and profiting from it. They have established their economic base on land, thus, government intervention in this area has been offset by opposition from them. Some Saudi elites have political influence, but the government's minimal interference to resolve the issue of White Land pushed two influential elites away from politics. Those two individuals used to hold prominent political positions, but when they were dismissed, they have acquired most of White Land in the kingdom.

## **5.2 White Land vs. government intervention**

In both monarchies, elites have benefited from oil revenues in the form of distribution of wealth and land. The distribution of land grants is one of the authoritarian survival strategies this dissertation is contributing to the literature. The main difference between urban land and

agriculture land is that the latter requires development to raise its value and urban land's value can be significantly increased without developing the land, though not immediate returns to owning the land. No wonder why most owners of agriculture land in the 1970s Saudi Arabia have stopped harvesting their land and changed it to urban land (Chaudhry K. A., 1997). Moreover, when we factor in the GCC monarchies' development schemes, we find that government projects and urban sprawl raised the value of urban land. In the course of the two monarchies' expansive development schemes, their real estate markets have flourished as well. In the following paragraphs, I will explain the difference between the Omani and Saudi elites in the real estate market and how both governments differed in their response. The main factor that had an impact on White Land and government intervention in both countries is the nature of the elites; Saudi Arabian new elites with an economic base that relies on land and Omani traditional elites with a diversified economic base.

We will start with the Saudi elites. As explained in the previous section, those new Saudi elites have been created in the time of the first oil-boom. At that time, the new elites lacked an economic base, thus, the government distributed wealth and land to them increasingly more than others. This distribution has enabled the elites to establish their new economic base that relies on land for profits and high-ranking government positions for income. Some of their land has been parceled and sold to the government for public projects or construction. This transaction is by far the most lucrative of all in the real estate market, because land was granted to elites for free (Al Amri, Aham 10 Hulool Limowajahat Azmat Al Eskan [The 10 Important Solutions to the Housing Crisis], 2015) and simply selling parcels of their land for any price is a profit.

After making fortunes from selling land to the government, the new Saudi elites started to hoard the rest of their land and keep it out of the market to raise the prices of land in the real estate market. This behavior produced what is known as White Land. As my theory explains, the government's distribution of land to elites is one survival strategy to ensure their loyalty and unity. However, this does not mean that the government in 1970s knew that the distribution of land to elites will lead to the White Land phenomenon. The Saudi government did not intentionally grant land to groups while knowing that they will make almost 70 percent of citizens unable to own homes; land grants to elites was to ensure their loyalty and keep them united. I say this because low homeownership in Saudi Arabia is one of the most prominent challenges the government must deal with and the government does acknowledge that it is a challenge.

The unintended consequence happened. The land grants given to the new Saudi elites have turned into the White Land phenomenon in Saudi Arabia (Al Zamel, 2008; Al Amri, 2015). Decades of population growth has increased demand for land, but White Land has caused a problem in the supply of land. The evidence presented in Chapter Three's 'White Land' variable shows how White Land lowers supply of land in the real estate market and this act was intentionally done by the new elites. Thus, we cannot claim that the increase in the demand for land is due to population growth, because it is proportional to the supply of land, which has been distorted by the presence of White Land, that significantly decreased the supply of land<sup>31</sup> (Al Amri, Aham 10 Hulool Limowajahat Azmat Al Eskan [The 10 Important Solutions to the Housing Crisis], 2015).

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<sup>31</sup> This argument will be explained further in this Chapter's alternative explanations section.

With respect to my argument about White Land owners being the new elites, both Al Amri (2015) and Al Zamel (2008) mention that White Land owners are from a specific region and of high status. Specifically, Al Zamel (2008) says that the owners of White Land are from the Central province and Al Amri (2015) asserts that land grants were given to specific influential people. In addition, the data I have collected from the interviews I have conducted in Saudi Arabia suggests that influential people are the owners of White Land.

As I have mentioned in this chapter, the newly created Saudi elites have established their new economic base on land for profits and high ranking positions for income. Unlike the Omani traditional elites, the new Saudi elites are highly dependent on White Land. This dependency, I argue, has made it difficult for the Saudi government to intervene in the real estate market. The most prominent form of protest by the elites against government intervention to solve the issue of White Land was the former deputy then minister of Municipalities and Rural Affairs refusal of tax on White Land. This refusal angered a lot of Saudi citizens who were waiting for the government to intervene in the real estate market to put an end to White Land.

The former deputy minister of Municipalities and Rural Affairs<sup>32</sup> explained this refusal in a newspaper interview (Al Shamali, 2012). Before I mention the important details of the interview, I will mention the background to this issue. The issue of White Land was not the main subject in the Saudi society until journalists started to write about White Land and economists analyzed this issue in national television programs. In 2008, then deputy minister of municipalities and land affairs clearly stated that his ministry will not force owners of White Land to develop their land (Alrubaish & Alsaeed, 2008). Then, Social media amplified this issue to a wider audience and around 2010 the issue of White Land was an important issue that Saudis

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<sup>32</sup> He was deputy minister until 2009 he became the minister.

talked about. The issue was deliberated in the Saudi Shura Council<sup>33</sup> and raised a recommendation to impose a tax on White Land to the Council of Ministers (Al Shamali, 2012). In the 2012 newspaper interview, the minister was asked about tax on White Land, to which he replied saying that he thinks that all the talk about White Land tax emanated from the deliberation in the Shura Council on this issue and his ministry looks at this issue through the royal decree (No. 8875 م ب) (the Arabic letters here refer to the letters M and B), that agreed with the decision of the Senior Scholars that tax on White Land is religiously illegitimate (Al Shamali, 2012).

Based on the previous paragraph, the first momentum on the issue on White Land was offset by the government's refusal to resolve the issue of White Land to an extent that it took the issue up to the religious Senior Scholars. According to my theory, this is one example of weak government intervention in the real estate market, because the elites who are owners of White Land have put pressure on the government to prevent any regulation on White Land. According to a prominent Saudi economics professor Hamza AlSalem (2010), the Senior Scholar's decision is in favor of raising land prices and supports the monopoly of land in Saudi Arabia.

In 2011, during the Arab uprisings, the late King Abdullah of Saudi Arabia cut his vacation and came back to the country to announce the establishment of a new Ministry of Housing and a plan to build 500 thousand housing units with an earmarked \$67 billion for the plan (Rashad, 2014). Although this a clear government intervention to enable citizens to own homes, but it did not address the most important issue that caused the housing crisis, which is White Land. The controversy on White Land was still talked about widely among Saudi citizens, because economists and other specialists believe that White Land is the main factor in the rising

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<sup>33</sup> The Shura Council is Saudi Arabia's consultative government institution, whom members are appointed and provide consultation to the Council of Ministers.

prices of land. Hence, this issue should be resolved before the new Ministry of Housing can start its housing projects and programs.

The talk on White Land did not stop and was widely mentioned on social media outlets. The momentum was so high that at almost any social gathering you will most likely hear someone talking about White Land tax. As a result, the government did act and indeed proposed the new tax on White Land in June 2016. This new tax is a 2.5 percent of the value of White Land. The Ministry of Housing created a website made exclusively for White Land registration. All owners of White Land were given 6 months to register their land online so the ministry can calculate the tax on it. The implementation of the new tax started in the first quarter of 2017. Only 8 people paid their tax bills for their White Land in the whole Kingdom (Al Shareef, 2017). In addition, the Ministry of Housing refuses to impose the new tax on White Land as per the market prices of land (Aleqtisadya, 2017). Specialists and economists argue that this refusal will not bring much revenue to the government from the tax on White Land and will not stop the owners of White Land from engaging in this kind of practice (Aleqtisadya, 2017), because the practice of land hoarding will still be inexpensive if taxes were set below market prices. Based on that, we can clearly see that the government is hesitant to strongly intervene to resolve the issue of White Land. According to my theory, what explains this government behavior is the paradox it is in, where the government wants to assure the loyalty of the new elites by not regulating their only source of profit (i.e. White Land) and it also wants to find a way to resolve the housing crisis to please the citizens.

Now we turn to the Omani traditional elites and how their continuation into Sultan Qaboos' reign played an important role in enabling the government to strongly intervene in the real estate market and prevent the prevalence of White Land in the country. Unlike the newly

created Saudi elites, the Omani traditional elites are established economically and their economic base is more diverse compared to Saudi elites. Specifically, the traditional Omani elites' economic base does not solely rely on land to make profits. As mentioned in Chapter Four, Omani traditional elites have benefited from land grants, but land does not constitute the only source of profit for them, as opposed to Saudi elites. Again, I am referring to profits not income, as mentioned in Chapter Three, Saudi elites have sources of income, but the main source of profits is from land speculation.

Both Saudi Arabia and Oman expanded state development in the 1970s by virtue of the oil-boom, as indicated in the first variable of their causal mechanisms. Both governments' monarchical institutions followed the same strategy for survival by distributing wealth and land. The central difference in Oman is that Sultan Qaboos did not replace his father's elites and enabled them politically and economically. This crucial point changed the course of the casual mechanism for Oman's case. The continuation of the old elites played an important role in the issue of White Land.

The Omani elites enjoyed exclusive agency (Kafala) for numerous foreign companies and have received many infrastructure and project bids (Valeri, 2013). This expanded their economic base. When Sultan Qaboos ascended to the throne, Al Zawawi family spearheaded the effort to maintain all elite families' economic interests, so that the new rich government will not dominate them (Allen & Rigsbee, 2000). "The result was that Oman followed a *laissez faire* economic policy with, by Gulf standards, very limited government participation in business and industry. Although the royal family and those associated with the palace did receive a piece of the much bigger pie, Omani business still operated in an environment similar to that of the Sa'id b. Taimur era" (Allen & Rigsbee, 2000, p. 218).

The *laissez faire* economy that Allen and Rigsbee (2000) describe in Oman should not be confused with the same economies in liberal democracies, because Oman is an absolute monarchy. However, this type of economy in an absolute monarchy, I argue, continued into Sultan Qaboos' reign because he was in need of the elites to manage the state. As mentioned in Chapter Four, Sultan Qaboos appoints fewer members of the ruling family to his cabinet and appoints more from the Omani traditional elites. Rippenburg (1998) argues that Sultan Qaboos's appointment strategy is intentional, because "[a]s the power of the ruling family remains or grows, it runs the danger of setting itself apart and above society" (p. 75). Rippenburg's argument maybe an overstatement, because our evidence shows that Sultan Qaboos prefers to be the only highest political figure in his royal family to run the country and this is clearly the case by not appointing a successor until now. It also means that he does not want royal family members to compete with him.

The Omani traditional elites have been incorporated in the decision-making process, which gave them both political and economic leverage. This incorporation enabled them to establish a diversified economic base that also includes land. Their positions contributed to the expansion of their economic and political interests. Thus, I argue that, when the Omani government intervened in the real estate market to resolve the issue of White Land, the elites did not resist this intervention, because of two main factors: 1- They have a diverse economic base, thus regulations of White Land will not abolish their only source of profit because they have other sources. 2- They are willing to compromise profits from White Land to maintain their political leverage. To make the evidence for the second point clear, both Peece (1989) and Al Bosaeedi (2014) argue that elites are the major owners of land in Oman, and, as we have seen in Chapter Four, the Omani government was able to intervene into the real estate market. At the



same time, the same traditional elites were incorporated into Sultan Qaboos' government. Therefore, we have seen that the elites have maintained their political positions, while the government regulated the real estate market and prevented the prevalence of White Land. In other words, according to my theory, when we know that owners of White Land are the elites (Al Bosaeedi, 2014) and the government intervention to prevent the prevalence of White Land was made met with minimal resistance from the elites, we can conclude that it is due to the diversified economic base of the traditional elites that made them allow this government intervention. To the contrary, the Saudi new elites with their economic base that is highly reliant on White Land for profits, we can conclude that the weak government intervention is due to this fact. It is will be difficult for the Saudi government to intervene in the real estate market to resolve the issue of White Land so long as the Saudi elites do not have an alternative source for profits.

### **5.3 Alternative Explanations**

Speaking of alternative explanations to the prevalence of White Land, I will use Bennett's and Checkel's (2015) two criteria on alternative explanations to complete the assessment of the process-tracing done in the previous case study chapters' casual mechanisms. Again, my dependent variable is: the prevalence of White Land is an unintended consequence of the survival strategy. It is necessary to assess the political and economic arguments that challenge my theory on the prevalence of White Land and this is what I will do in the following paragraphs.

#### **5.3.1 *Land distribution to keep elites in the country***

This is an important alternative explanation for Saudi Arabia. It is consistent with Boix (2003) argument on immobile assets that prevents the regime from democratizing. Boix (2003)

makes this argument in explaining why some countries have democratized while others have not. The central factor in starting the process of democratization in any country, according to Boix (2003), is in the mobility of assets in the hands of elites, which makes it easier for elites to transfer their mobile capital to another country should there be any threat to them (e.g. high taxes) and, in turn, the process of democratizing starts and the regime transitions from authoritarian rule. On the other hand, in authoritarian regimes with immobile assets/capital owned by elites, the continuation of the authoritarian rule will be in the best interest for elites to secure their immobile assets from any demands from the masses.

In Saudi Arabia's case, White Land is an immobile asset owned by the elites and the alternative explanation here is that the Saudi government intentionally granted a lot of land to the new elites to prevent them from fleeing the country at any time. Hence, according to the alternative explanation here, the Saudi government intentionally distributed an immobile asset (land) to the new elites in order to prevent them from fleeing the country. To the contrary, if the government had given the new elites mobile assets or capital, they would have easily fled the country, like Boix's (2003) study mentions about other countries.

Based on the previous premise, I argue that this cannot be the case for Saudi Arabia because its undiversified economy is a rentier one that highly depends on one major source of revenue, which is oil. The only option other than high ranking jobs is to distribute land. The value of land in an oil economy rises only because of the influx from oil revenues. Hence, there is no major economic activity in this undiversified economy that can make land value increase significantly like what oil revenue does in the forms of government projects and infrastructure. Therefore, the value of land is highly dependent on oil revenues and, thus, the distribution of land to elites is not intentionally done because of the immobile nature of this asset; land is

granted to the new elites simply because of its rising value that benefits elites and assures their loyalty.

Another argument against this explanation is that the land distribution scheme was done in the 1970s during the oil-boom. Before this golden decade, the government did not distribute much land to the old Saudi elites, because land did not have much value at that time. In other words, land distribution was not a viable strategy for survival given the low value of it. Moreover, we cannot claim that the concentrated distribution of land to the new Saudi elites in the 1970s was solely focused on giving them an immobile asset, because during that time the government started to rapidly expand in all facets. As mentioned in Chapter Three, the extractive bureaucracy in the country changed to a distributive bureaucracy (Chaudhry K. A., 1997). This distributive bureaucracy benefited almost all the society and not only focused on the elites, although the lion's share was provided to them. In general, land and employment was enjoyed by citizens and the new elites. Those were the only two types of distribution in the country. Should the Saudi economy had been diversified and not only depend on oil, and the government granted most of the land to elites, then we can claim that this land distribution to elites might be an intentional government strategy to assure that elites cannot move to another country because of their immobile assets. If this was the case, this diversified economy would have given the government many distribution options and its decision to only give a lot of land to elites would be considered an intentional decision to keep them in the country and prevent them from fleeing to another country.

Overall, in some way the discussed explanation supports my argument, because it shows that the need of the Saudi government to have the new elites in the country to maintain its stability. In other words, giving land to elites to prevent them from fleeing contributes to the

survivability of the regime. Therefore, for the Saudi government to have possibly taken this action of purposely granting immobile assets to elites to keep them in the country can be actually a sign of survival strategy.

### ***5.3.2 White Land not the main cause for the rising prices of land in Saudi Arabia***

In Chapter One, I have mentioned the alternative explanations against White Land being the main factor in the rising prices of land that caused the housing crisis in Saudi Arabia. I have argued against why low supply, high demand, the ‘thought crisis’ (this refers to the Saudi Minister of Housing’s claim that Saudis have a thought crisis in their thinking of owning a large home in their beginning of their careers). and increase in population are not the main factors in the Saudi housing crisis. In this section I will delve deeper into why I argue that White Land is the main factor basing my analysis on the empirical evidence presented in Chapter Three.

Prominent Saudi economists like Al Amri (2015) Al Zamel (2008) and AlSalem (2010) have all argued that White Land is the main reason for the unjustified rising prices of land that caused the housing crisis in Saudi Arabia. All of those economists have not only written about this issue, they also have appeared on numerous television programs to express the problems caused by leaving White Land unregulated. Their efforts to spread awareness in this issue not only shows us that the housing crisis in Saudi Arabia is a serious issue, it also reflects their frustration about the inability of the government to forcefully intervene in this poorly regulated real estate market. Their frustration is justified, because White Land creates an artificial rise in demand (Al Amri, Aham 10 Hulool Limowajahat Azmat Al Eskin [The 10 Important Solutions to the Housing Crisis], 2015) and any average Saudi citizen knows that the government has intervened strongly in other issues but is surprised by its weakness in intervening to resolve the issue of White Land. This is because, I assert, land is the main source of profit in the new elites’

economic base and government intervention to resolve the issue of White Land is a threat to the elites' main source of profit.

For those who claim that White Land has nothing to do with the rising prices of land in the country like Khaled Al Mobid (2014), who is a realtor, the government has acknowledged that it is the main reason for the rise in the prices of land and this is represented by the new tax on White Land introduced by the Ministry of Housing. The Ministry of Housing's published goal of the new tax on White Land that accompanies the new law states the following:

“The White Land fee scheme aims to:

- 1- Increasing the supply of developed land in order to achieve balance between supply and demand.
- 2- Providing affordable housing.
- 3- Protecting fair competition and combating monopolistic practices” (Ministry of Housing, 2017)

“Where the program imposes an annual fee on White Land, owned by one or more persons of natural character or legal status, by 2.5% of the land value. The ministry will also use fee revenues to spend on housing and infrastructure projects, which will support supply in the housing sector to provide solutions and products” (Ministry of Housing, 2017). This was quoted from the official website of the Saudi Ministry of Housing.

Based on the Ministry of Housing statement that explains the reasons for the new White Land tax, we can conclude that this is a clear government acknowledgment that White Land is causing a problem in the real estate market that prevents citizens to purchase homes. The first reason clearly attributes the shortage in the supply of developed land to White Land. It also describes the negative impact of the prevalence of White Land on the natural balance between

supply and demand for land in the real estate market. The second reason for the new tax on White Land is to provide affordable housing, which reflects the Ministry of Housing's understanding that White Land makes housing unaffordable in the country. The third reason for the new tax on White Land is very important, because it defines the presence of White Land as a monopolistic practice done by the owners and the new tax is imposed to combat this practice and to assure fair competition is being practiced in the Saudi real estate market.

Although the Ministry of Housing's statement on the new tax on White Land shows a clear government acknowledgment of the problems that White Land has caused in the real estate market and how it contributed to the housing crisis in the country, as I have argued in the first section in the chapter, empirical evidence shows that the government's implementation of this new tax policy is weak. According to my theory, this weakness in government intervention is due to the resistance from the new elites who are the owners of White Land and my theory predicts that the issue of White Land will not be resolved so long the government does not find another source for profit to provide to the new elites in order to push them away from the real estate market. Again, the only way elites can make a profit is by selling the land when prices rise or sell the land back to the government for public projects. Hence, White Land, in and of itself, is not profitable until it gets sold.

The interviews' data that I have transcribed in Chapter Three supports the argument that White Land is the main reason for the rising prices of land. Although, as I have mentioned in that chapter, the interviewees' opinions are only a perception of the phenomenon. However, when there is a near consensus on White Land's negative impact, this perception suggests that White Land is a serious issue. This perception or general sentiments on the issue of White Land from average citizens to real estate agents to specialists, exacerbated to an extent that the government

did take action. As mentioned in the previous paragraph, the new tax on White Land is a government action in response to the growing frustration in this issue, although a weak action.

Saudi Arabia's youth population is the majority and this large percentage of the population raises the demand for homes in the real estate market. With almost 70 percent of Saudi citizens who do not own homes, I can understand why the people I have interviewed have all argued that White Land is the first reason why they cannot purchase a home. With the exception of the Ministry of Housing employee that does not agree that White land is the reason, all of the other interviewees agree that it is the reason.

Al Mobid (2014), an outspoken realtor who is against the argument that White Land is the main cause for the rise in the prices of land, was challenged by a well-known realtor named Askar Al Maymooni. Al Maymooni owns a real estate company named 'Sharikat Bawabat Al Khaleej' (Gulf Gates Company) and he is famous on Twitter and has appeared on national television to discuss the issues that face the Saudi real estate market. Al Maymooni is not only an outspoken critic of White Land and their owners, he also spearheaded a campaign against real estate speculators and developers who, according to him, build poor quality housing units and sell them to victims on the market (Alweeam, 2017). He created a famous 'hashtag' on Twitter that calls to boycott real estate products and has faced a backlash by realtors because of that (Alweeam, 2017). This backlash reached to a point where the realtors took the matter to the courts and sued Al Maymooni for his campaign against them, claiming that his action violates the law on combating cybercrimes (Alweeam, 2017). The court dismissed the case against him (Alweeam, 2017).

The case against Al Maymooni shows us how the real estate market is an important source for profits in the country, for which a boycott campaign against real estate speculators was faced with a strong opposition that escalated to lawsuit against him. This is unprecedented, because, according to my knowledge, a lawsuit has never been made against someone for leading a boycott campaign against real estate housing units. Al Maymooni's issue shows us that even some realtors have gone against their colleagues to put an end to White Land and other real estate manipulations. It also gives us a good example of the presence of an opposition force in the real estate market that will attempt to prevent any intervention that will affect their interests. The case has been dismissed, which some might argue that this reflects a government intervention in the real estate market that is in favor of citizens. I argue that this is not an intervention to regulate or end White Land, it was simply a judicial act in upholding justice. If citizens file a lawsuit against owners of White Land and win the case, then we can say this is a strong government action, but not a strong government intervention. It can be considered a strong government intervention if the court ruling is enforced, which I doubt it will happen.

### ***5.3.3 Sultan Qaboos' strong hold on the government prevented White Land***

Observers and scholars of Omani politics like Valeri (2013) describe Sultan Qaboos as the supreme political figure in the Sultanate and that the Omani 'renaissance' is both initiated by him and embodies his political and social character (Limbert, 2010). We cannot argue against that, because his ascendance to the throne in 1970 revolutionized the country in both nation building and strong government control of all conflict prone regions. Sultan Qaboos holds many sovereign and developmental positions in his cabinet. His 47-year long tenure with no appointed successor reflects the strong hold he has on the government. He is the only highest political figure in the country since 1970. The question is, with his strong supreme position in the country,



why has he enabled the traditional elites politically and economically and prevented dominance of royal family members in the government?

The empirical evidence presented in Chapter Three shows that Sultan Qaboos is indeed a powerful political figure and all political power is vested in him. However, this empirical evidence also indicates that he was in need of the Omani traditional elites and they have enjoyed significant economic and political support by him. He could have taken advantage of his strong political presence and marginalize the traditional elites like what has been done in Saudi Arabia and other GCC monarchies. In addition, he could have single handedly dealt with the issue of White Land by putting pressure on the marginalized elites. Nevertheless, he did not and we can conclude from the empirical evidence that he needs the traditional elites to manage the country and took advantage of their political and economic presence to prevent any member from his royal family to compete with him. It is highly possible that elites will cooperate with Sultan Qaboos because their political and economic positions are seen as a privilege granted by him, while political and economic positions will be seen as a right by his royal family members should they dominate government positions. Therefore, elites in power is more likely less difficult to control than royal family members in power.

Even if it might be argued that the Sultan's political power is the reason why White Land in Oman has not become a phenomenon, this argument emphasizes political power in preventing White Land and neglects the fact that the Omani traditional elites have other sources to make profit from. Hence, the Sultan's political power on the issue of White Land can be misunderstood as the only factor that prevented White Land, while the main factor can be elites' willingness to cooperate with the Sultan in this issue because they do not heavily rely on White Land as the Saudi elites do. Moreover, the argument assumes political power of an absolute

monarch to be the main factor in preventing White Land. Comparing this argument with the case of Saudi Arabia shows us the weakness of the argument, because the absolute monarchical system in Saudi Arabia, with its political power vested in the monarch, could not prevent the spread of White Land in the country. Therefore, the level of political power in the hands of an absolute monarch does not explain why White Land has not spread in Oman.

#### ***5.3.4 The Saudi government knew its land distribution would lead to White Land***

This is an interesting alternative explanation for land distribution, because it claims that the government intentionally granted land to elites while knowing it would produce White Land. First of all, it would be absurd for the government to put itself into a problem that will make many of its citizens not own homes. This is like claiming that the government intentionally wants the majority of the citizens not to own homes and put itself into a dangerous political path. Even fascist governments have not done this to its citizens.

This alternative explanation is weak in many aspects. As I have argued, in the 1970s, when the government started to distribute wealth, this was done in good intentions to the society and to elites. The distribution of wealth to the society is a monarchical patriarchy in Saudi Arabia can be described as a father (the monarch) providing for his children (the citizens). The state-society culture in Saudi Arabia, especially during the oil-boom, is described as a family relationship. This does not mean that the government did not want to assure the loyalty of citizens from its distribution strategy. It would be wrong not to think so. But, as a Saudi citizen myself, I see many examples for this family relationship environment between the government and citizens. One example is the appeals that some citizens raise to the king when they need something from the government, the king is described as the father.

With respect to the new Saudi elites, the distribution of land to them is clearly a strategy for survival. Unlike the relationship with the citizens, the government pays special attention to the elites and endeavors to maintain their loyalty and cohesion. This is a survival strategy that is intentionally done. Nevertheless, this survival strategy would not have been pursued had the government known beforehand that distribution of land to elites would create White Land and lead to a housing crisis. It will be counterintuitive for the government to intentionally grant land to elites as a strategy for survival while knowing that elites will make this land to White Land and put this strategy at stake. No government would knowingly attempt to adopt a strategy that would eventually put its survivability at risk. The governments that appear to do so are relying on the military as a survival strategy.

Even the sub-Saharan African states that adopted a strategy that put agriculture produce below market value to support urbanization (Bates, 1981) would not have adopted this strategy if they knew that it would have a significant negative affect on their ability to survive. These governments have capitalized on urban elites to maintain the survival of their regimes (Bates, 1981). The similarity between Saudi Arabia and Bates' (1981) cases is that the African governments adopted a strategy that they knew would anger the peasants which might cause instability and they balanced the stability of their regimes by counting on urban elites' support. In the 1970s, the Saudi government's land distribution to elites was to assure their loyalty, because they are the ones who had the biggest impact on the survivability of the regime. In both cases, the governments have capitalized on insuring elites' interests to survive.

In Saudi Arabia, however, as the population grew, citizens' impact on the survivability of the regime grew as well. As the issue of White Land became a phenomenon that negatively affected citizens, the government is now in a paradox. The paradox is whether to only favor

elites at the expense of citizens, or favor citizens at the expense of elites. Until now, the government has not fully favored one side and neglected the other and that is why, I argue, it is in a paradox. The only possible way to overcome this paradox is that the Saudi government must find another source for profits to elites to resolve the issue of White Land and make the real estate market function in a true supply and demand environment. Or, the Saudi government can marginalize the new elites and create new ones that are not reliant on White Land. I hope that the new 2030 Saudi Vision<sup>34</sup> with its focus on diversifying the economy and to decrease the budget's dependence on oil revenues will bring new sources of profit in the hand of the government to provide to elites, or new elites.

How can the government not intentionally grant land to elites to create White Land when this practice of hoarding land was done by elites and the government knew about it? This is an important question, because indeed this land hoarding practice by elites was clear and the government knew that elites were making fortunes from selling granted land back to it. To answer this question, we have to go back to what happened in the 1970s. During that decade, the government was expanding and this entailed massive infrastructure projects. The new elites sold their granted land to the government to facilitate the infrastructure projects. This process has brought fortunes to elites, however, it was in the government's interest that the new elites enrich themselves from this scheme, because the main focus was to assure their loyalty. Again, the distribution at that time was to expand the state and benefit the society and new elites. White Land has not reached to a point where it had negative effects on the housing market as it does now. Therefore, land speculation by elites did not threaten the stability of the regime. Nowadays, White Land is a threat and land hoarding now is not in the interest of the government. Land

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<sup>34</sup> This new Saudi Vision was pioneered by the Crown Prince and strives to change the country in many ways including diversifying the economy.

hoarding was intentionally left unregulated, because its benefits outweighed its costs, but now its costs outweigh its benefits. Therefore, the government did actually know of land hoarding practices but ignored it for its benefits and it attempted to resolve it when its costs were high. This shows us that the government did not intentionally grant land to elites to harm citizens in the future.

In the end, this alternative explanation is weak, because the Saudi government does not intentionally want to harm its citizens for the sake of harming them. If this was the case, then the government would not have enacted the new tax law on White Land. In addition, the Saudi governments' weakness in forcefully intervening in the real estate is not due to its malicious behavior of fully favoring the new elites over citizens. However, as I argue, this weakness is due to the government's inability to find other sources for profit for the elites.

### ***5.3.5 Oman's small population and small royal family causes less White Land***

In 1970, Oman had a population of 723,850 and Saudi Arabia had a population of 5,836,394 (Worldometers, 2017). In 2017, Oman has a population of 4,741,305 and Saudi Arabia has a population of 32,742,664 (Worldometers, 2017). This is a big difference in population between the two countries, both currently and in 1970. Some might say, due to the small population in Oman, the spread of White Land would always be less than Saudi Arabia because of the former's larger population. I argue that this is not the case with respect to the spread of White Land, because the size of the real estate market is confined to the population and White Land is also confined to that size. In other words, the Omani real estate market cannot be larger than the population and it also cannot be smaller. Therefore, White Land gets its value in a real estate market that is proportional to the population, because it takes away a large amount of the supply of land and makes demand increase to raise prices.

In a large real estate market and small population, however, White Land will not have an impact in decreasing supply, because the market is already large, which means there will be much land available. This is not like Europe where populations are larger than the supply of land, because the supply of land is either developed or occupied. If large plots of land in Europe are not developed and not occupied, then we can say that White Land is the reason for rising prices and not the large populations. To the contrary, in both Saudi Arabia and Oman, their populations do not exceed their available land. Hence, White Land is a factor that gets its value and functions within the real estate market and can only have an impact when it takes out a large portion from the supply of land from the real estate market, irrespective of the population being small or large. This is due to the fact that White Land breaks the balance between supply and demand in a real estate market and makes supply lower to raise prices. Thus, White Land can only spread in Oman if it takes out a large portion of land supply, even with the country's small population.

Indeed, Oman's terrain, especially Muscat, make land scarce and in any country scarcity of land, due to geography or political borders, will raise prices. However, when White Land is factored in to the equation of supply and demand of land, it makes matters worse. In other words, even if prices of land in an island is already high, because of land is scarce in the first place, White Land takes out a significant amount of the scarce supply of land, and will eventually raise the already high prices of land. Thus, White Land obscures the real value of land, even if land was scarce.

With respect to the small Omani royal family, this also follows the same premise mentioned in the previous paragraphs. One member of the royal family can benefit from owning a lot of White Land by taking much of land supply already in the real estate market and this real estate market is confined to Oman's population. In other words, the size of the royal family has

nothing to do with the prevalence of White Land in Oman, because only one royal or some can create White Land from the availability of land in the real estate market. Thus, what I argue in the case of Oman is that the Omani traditional elites could have taken advantage of the real estate market and put all their efforts to engage in land speculation to create White Land in the country, but they have not done so, because of their already diversified economic base. This same behavior can also be done by Omani royals, but as empirical evidence reveals, Sultan Qaboos favored the traditional elites over royal family members.

Therefore, we can conclude that White Land can be produced in any real estate market, irrespective of the size of the population, as long as people with power can manipulate the real estate market and take away a large portion of the supply of land. In my comparative cases, I have shown that the reliance of elites on White Land in both monarchies is different not because of the difference in populations, but in the variance in their economic base. The Saudi new elites have built their economic base for profits on land, while the traditional Omani elites built their economic base for profits on more sources. Thus, it was comparatively easier for the Omani government to intervene and regulate the issue of White Land and the Saudi government was weak in its intervention.

## 6 CHAPTER SIX: CONCLUSIONS

The housing crisis in Saudi Arabia is a serious issue that affects around 70 percent of citizens. According to prominent Saudi economists, one important reason for this housing crisis is the surge in the prices of land and this increase in prices is due to the prevalence of White Land (undeveloped urban land that is temporarily withheld from the market to increase land prices). This economic explanation, while revealing the one important cause for the housing crisis, does not answer how White Land was brought about and why the government has been weak in responding to this serious issue. Thus, this dissertation has answered this question by providing the political explanation of White Land.

The presence of current day White Land in Saudi Arabia is an outcome of a historic government decision during the 1970's oil-boom to co-opt its newly created elites by distributing land to them. To explain the prevalence of White Land and the government's inability to resolve this issue, I have utilized the following main causal mechanism to account for sequential variables that, when put in order and compared to Oman's case, gives us a clear explanation of the implications of the historical co-optation decision. The causal mechanism is the following:

**Oil Revenue → Government Distribution of Cash and Land to Elites → Creation of New Elites/Continuation of Old Elites → Elites Entering the Real Estate Market → White Land → Weak/ Strong Government Intervention → Housing Crisis/ No Housing Crisis**

To test this causal mechanism, this dissertation has utilized a structured, focused comparative study (George & Bennett, 2005) between Saudi Arabia and Oman. The premise of this structured comparison is that the data collection pertains to the specific research questions “thereby making systematic comparison and cumulation of the findings of the cases possible”



(George & Bennett, 2005, p. 67) between Saudi Arabia and Oman. This structured, focused comparison focuses on certain details of history that specifically pertains to the cases in the study (George & Bennett, 2005). Hence, this study is not a historical narration; it is confined to specific historical events that specifically focuses on the following:

- How in the 1970s, both Saudi Arabia and Oman started with similar strategies for survival, but the continuation of Oman's old elites changed the outcome for White Land in the country, whereas the replacement of the old elites with new ones in Saudi Arabia exacerbated the issue of White Land in the country.
- How newly created elites in Saudi Arabia solely depend on White Land for profit and how Omani old established elites do not exclusively depend on White Land to make profits.

With respect to testing my causal mechanism and selecting my cases, the method of most similar systems (Przeworski & Teune, 1970) was utilized for this purpose. This method not only justifies my case selection, it also gathers many similar independent variables as possible to control for them (Przeworski & Teune, 1970). By doing so, this had permitted a suitable test for my causal mechanism in Saudi Arabia and reflected how variation in the independent variable led to a variation in the outcome in the causal mechanism for Oman.

Hence, the method of most similar systems (Przeworski & Teune, 1970) was utilized for case selection and a structured, focused comparison (George & Bennett, 2005) was used to compare the cases. The empirical evidence for both cases' causal mechanisms has been presented following the method of process-tracing (George & Bennett, 2005). Hence, the structured, focused comparison is the framework of the case studies and process-tracing is the tool. The method of process-tracing is defined by George and Bennett (2005) as:

ultimately unobservable physical, social, or psychological processes through which agents with causal capacities operate, but only in specific contexts or conditions, to transfer energy, information, or matter to other entities. In doing so, the causal agent changes the affected entities' characteristics, capacities, or propensities in ways that persist until subsequent causal mechanisms act upon them. If we are able to measure changes in the entity being acted upon after the intervention of the causal mechanism and in temporal or spatial isolation from other mechanisms, then the causal mechanism may be said to have generated the observed change in the entity (p. 137).

The economic explanation of White Land in Saudi Arabia asserts that the presence of these significantly large parcels of land artificially limit the supply of land and, therefore, land prices skyrocket (Al Amri, 2015, b). This makes it hard for average Saudi citizens to purchase their own homes. Similarly, Oman has faced a challenge of the effects of White Land, but to a lesser extent (Al Bosaeedi, 2014) and has led to a different outcome than Saudi Arabia's case. This variation in outcome between Saudi Arabia and Oman was further analyzed in this dissertation. The explanation of White Land is not merely an economic one; rather, the political strategies of authoritarian survival via elite co-optation, I argue, explains this phenomenon. In this dissertation, I have focused on four central premises that mostly explain how White Land serves as a political explanation for authoritarian survival in my cases. The central premises of the main argument are in the following paragraphs.

The replacement of pre-oil boom elites in Saudi Arabia with new oil-boom elites in the 1970s (Chaudhry K. , 1997) explains the prevalence of White Land. On the other hand, the continuity of pre-oil boom elites (old established elites) in Oman after the 1970s oil boom (Allen & Rigsbee, 2000), has not posed an obstacle to the Omani government to address the issue of White Land. The empirically backed and theoretically explained argument reveals how elites' economic base is crucial in the prevalence of White Land.

The creation of new Saudi elites after the 1970s oil-boom (Chaudhry K. , 1997) has brought about new groups that are in need of assets and resources for revenue. And, while, as the resource curse literature reveals, Saudi Arabia's domestic economy is not diversified because it is heavily reliant on oil, the most profitable market is real estate. Hence, these new elites need an economic base for profit, so they have dominated the real estate market (the main profitable market) and the government wants to assure their loyalty. In turn, the Saudi government cannot easily resolve the problem of White Land, because the government created them (new elites) in the first place as means for survival. Therefore, for the Saudi government to resolve the issue of White Land it will deal with the only economic base for profit of the new elites. This means any strict economic policies that are directed towards White Land will have a great impact on the new elites' source of profit and will make them resist those policies.

In Oman's case, however, the old elites have established themselves economically before the 1970s oil-boom (Allen & Rigsbee, 2000). Thus, after the oil-boom and their unshaken place in Oman, White Land does not constitute as the only economic source for them (Omani elites). In turn, once the Omani government realized the issue of White Land, the Sultan easily passed a new detailed law that deals with White Land without fear of affecting the survival of his government.

Counterfactually, if Oman created new elites like Saudi Arabia, it is suggested that Oman might have similar obstacles like Saudi Arabia in passing new land laws. Thus, when the Omani government wanted to deal with the issue of White Land, it was comparatively easier than Saudi Arabia, for which Omani elites' reliance on White Land for profits is not the only resource they have for their economic base. Hence, Omani elites were not an obstacle to the Omani government when it wanted to resolve the issue of White Land.

Based on the previous, the main argument of the dissertation is: Variation in the economic bases of elites in both monarchies leads to variation in the elite co-optation strategy adopted by the monarchical institutions, which in turn, leads to the main variation in outcome of White Land in the real estate markets.

My argument emphasizes the role of the monarchical institution not only in maintaining the coherence of the ruling family, but also how this particular institution deals with daily politics of survival in assuring the loyalty of elites. Indeed, it is imperative for the monarchy to have coherent elites that are loyal, but in the case of Saudi Arabia it comes with a price. Thus, the issue of White Land has but a burden on the Saudi monarchy's survival in a different way as it is now facing a growing number of citizens not owing their homes. Now, the Saudi government is coping with the negative impact of White Land that it did not conceive of in the first place. This issue is interesting to investigate given that Saudi Arabia unknowingly put itself in a paradox that requires a balancing or a tradeoff between responding to elites' interests in distancing itself from the real estate market, while avoiding the interests of the citizens which will eventually have an impact on the survivability of the monarchy. Or, responding to the interests of the citizens in resolving the issue of White Land, while avoiding the interests of the elites which will also put the coherence and loyalty of the elites in potential jeopardy. Explaining the underlying causes of this phenomenon, as this dissertation aims to, will contribute to the literature of authoritarian survival and elite co-optation. Thus, this will fill the gaps in the literature in contributing to our understanding of the issues the monarchical institution deals with for its survival.

## 6.1 Policy Implications and Recommendations

As I have argued throughout the dissertation, in the 1970s, the Saudi government created new elites and granted them vast amount of land as a survival strategy. However, the government did not know, nor intended, that this land distribution strategy will lead to the prevalence of White Land in the country. Eventually, White Land has become a phenomenon that has contributed to the spike in housing prices. Thus, the Saudi government is in a dilemma, either it can strongly intervene to resolve the issue of White Land at the expense of elites' interests, or ignore the rising number of citizens who do not own homes.

One balanced resolution to White Land might be achieved by the government seeking other profit generating resources for elites away from land. Oil revenues brings a significant amount of cash to the government. However, providing elites with more financial resources is not an easy process, as the prices of oil are low and are subject to fluctuations overtime. I think one possible way to provide financial resources to the elites is to have them wait until the economy diversifies. Although I hope that the elites will develop or give back their White Land to the government and wait until the economy diversifies to regain their profits, yet I cannot be certain that the elites are willing to wait.

The last resort resolution to the issue of White Land is the government can change those elites with new ones as it did in back in the 1970s. This requires strong government action and security readiness for any backlash. Surprisingly, on November 4<sup>th</sup>, 2017 the new crown prince of Saudi Arabia created a new supreme anti-corruption committee, which immediately launched a large crackdown on allegedly corrupt officials and princes (Stancati & Said, 2017). According to the Wall Street Journal, “[t]he Saudi government is aiming to confiscate cash and other assets worth as much as \$800 billion in its broadening crackdown on alleged corruption among the

kingdom's elite, according to people familiar with the matter" (Stancati & Said, 2017, p. 1). We see that the \$800 billion includes assets and it is known that among those arrested are owners of White Land. These unfolding developments are important to my theory, because we might be witnessing a replacement of the elites with new ones. With respect to White Land, it seems that this crackdown is an expression by the government that it will no longer appease the elites owning at the expense of the growing number of citizens not owning homes. It will be interesting how this new government intervention unfolds.

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