The Add and Rule Strategy: Guest workers as a barrier to democratization in oil-rich countries

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This version is an incomplete draft: 20 September 2014

Abstract

Traditionally patrimonialism is viewed as a divide and rule strategy, an attempt to eliminate alternative sources of authority in society by co-opting them. In countries where the elite controls large natural resources (like oil) guest workers can be invited to reduce the relative gains that citizens obtain from democratic rights as long as democracy means that the natural resource rents must be shared with all workers. This makes for the special variety of divide and rule that we denote *the add and rule strategy*. It consists of a non-democratic ruler who accepts a high number of migrant workers so as to lower the motivation of the local insiders for struggling for democracy. The paper makes this mechanism clear and provides a discussion based on examples from the oil-rich Gulf-states.

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1 Introduction

The optimistic view on institutional change claims that good institutions replace the bad whenever it benefits the greater majority. Democratic reforms that increase production and reduce economic inequality should accordingly be easy to implement. This is definitely not the case in the hugely unequal resource abundant countries, as for instance oil-rich Gulf countries characterized by large migrant labor populations. In such countries democratic reforms are delayed, or halted, even when they would be both efficient and fair.

Why do the oil-rich countries[1] not democratize to the same extent as others? Our answer rests on a division between citizens and migrant workers — that is between insiders and outsiders. While political support from migrant outsiders is unimportant for non-democratic rulers, an element of support from insider citizens can be decisive in any regime. While insiders more safely can express their discontent without being expelled, migrant outsiders cannot. So in essence, migrant outsiders do not pose a threat to non-democratic rulers, insider citizens might. Non-democratic rulers can therefore widen the cleavages between citizens and migrant workers, by co-opting insider citizens and raising the number of highly discriminated migrant outsiders. The migrants therefore serve a dual purpose. First, they contribute to essential production, and second, they block democracy by making democratic rule an unattractive proposition for the citizens. Put bluntly, the oil revenues increase the ruler's ability to co-opt; the use of migrant workers reduces the necessary co-optation price he has to pay.

As surveyed in Baland, Moene and Robinson (2010) patrimonialism can be viewed as a divide and rule strategy. It is an attempt to create a political order, not by eliminating alternative sources of authority in society, but by co-opting them. It weakens potential sources of opposition or alternative identities. It is built around a small group of supporters, the winning coalition, which assures the power of the ruler. The winning coalition is drawn from a larger group of potential supporters, denoted the selectorate.

Patrimonialism is particularly appealing as long as the winning coalition is substan-

[1]By the Gulf countries we mean: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (all members of the Gulf Cooperation Council.)

tially smaller than the selectorate. As stated in a influential book on the theme: "In systems characterized by small winning coalitions and large selectorates - as is common in many rigged-election autocracies – supporters of the leader are particularly loyal because the risk and cost of exclusion if the challenger comes to power are high" (de Mesquita et al. 2003, page 8). Hence, patrimonial systems are attractive because the ruler only needs to bribe a small winning coalition whose members are not much tempted to defect.

To govern such countries a patrimonial ruler uses various forms of divide and rule strategies and such strategies appears to be much more feasible in societies that have distinct allotted identities (Padro-i-Miquel, 2007). Foreign versus local workers is a case in point. In a society divided by allotted differences it is easy to lead people to be disposed to reject the application of universal rules. A high level of allotted differences can generate policies and power that induce a high level of economic and political inequality. The system is in a sort of long run equilibrium whenever initial allotted inequalities are maintained by the control and power generated by these inequalities.

Patrimonial rule can be disastrous for economic policy and performance. Public goods, undersupplied in the free market, are not politically attractive to generate support and are thus under-supplied. Spending on health care, infrastructure and education would increase the incomes and welfare of most people including the elite (Acemoglu and Robinson, 2006). Yet, such public spending can strengthen the opposition and thus undermine the ruling elite's ability to stay in power. Thus the patron client exchanges must take a different form, which may be rather inefficient. Typically, patrons find it politically desirable to use private goods and transfers that can be targeted to supporters and withheld from opponents.

Under patrimonialism people only have rights because patrons allow them to have it. Such rights are always conditional and can be withdrawn undermining all incentives for investing in productive assets. The application of uniform rules or criteria to allocate resources impedes the ability of the patrons to use discretion, and equality before the law is inconsistent with patrimonialism. In a patrimonial regime you have rights if you are among the patron's chosen. Otherwise you do not.

Patrimonial rulers also need to make people reliant on them. They therefore create insecurity and uncertainty that only they can resolve. Property rights and other rights are insecure under patrimonial rule (Knutsen, 2011). Patrimonial regimes can also create distortions in market prices to create rents, which can then be politically allocated (Bates 1981). When supply is not equal to demand, shortages emerge that can function as a great political resource to those who can allocate it.

All this ca take a peculiar form in oil-rich countries like Kuwait and Qatar. An extensive inflow of migrant workers has turned the citizens into a minority. The oil revenues give the ruling elite ample room to "bribe" this minority from forceful democratic rights by giving them special privileges compared to the migrant workers. In addition, the high number of migrant workers reduces the relative gains that citizens obtain from democratic rights as long as democracy means that the oil rents must be shared with all workers. Thus co-optation trumps the optimistic view on democratic reforms by establishing a system with huge inequalities. The royal elite, for example, lives in boundless luxury compared to the average citizen. Yet most citizens are privileged compared to the majority of migrant workers without citizenship rights. This makes for the special variety of divide and rule that we denote *the add and rule strategy.* It consists of a non-democratic ruler who accepts a high number of migrant workers so as to lower the motivation of the local insiders for struggling for democracy.

In this paper we show how oil rents create hindrances for successful democratization. Distinguishing between rent extraction (oil) and production (the rest of the economy) we show how rulers can increase their wealth and power without plundering the rest of the economy and how they don't have to rely on democratization in order to solve other basic problems. Rulers do not face the traditional trade-offs, neither between raising taxes for personal enrichment and lowering taxes in order to stimulate the productive economy, nor those inherent in the claim of no taxation without representation. After all, while the tax burden on citizens is quite low, a general representation is less appealing with a large number of unprivileged migrants.

Below, we explore in some more detail possible mechanisms that explain how democracy can become less attractive for insider citizens living in a country that is both rich in resources and has a large stock of migrant workers — like the Gulf countries.

2 Motivation: guests workers in the Gulf-states

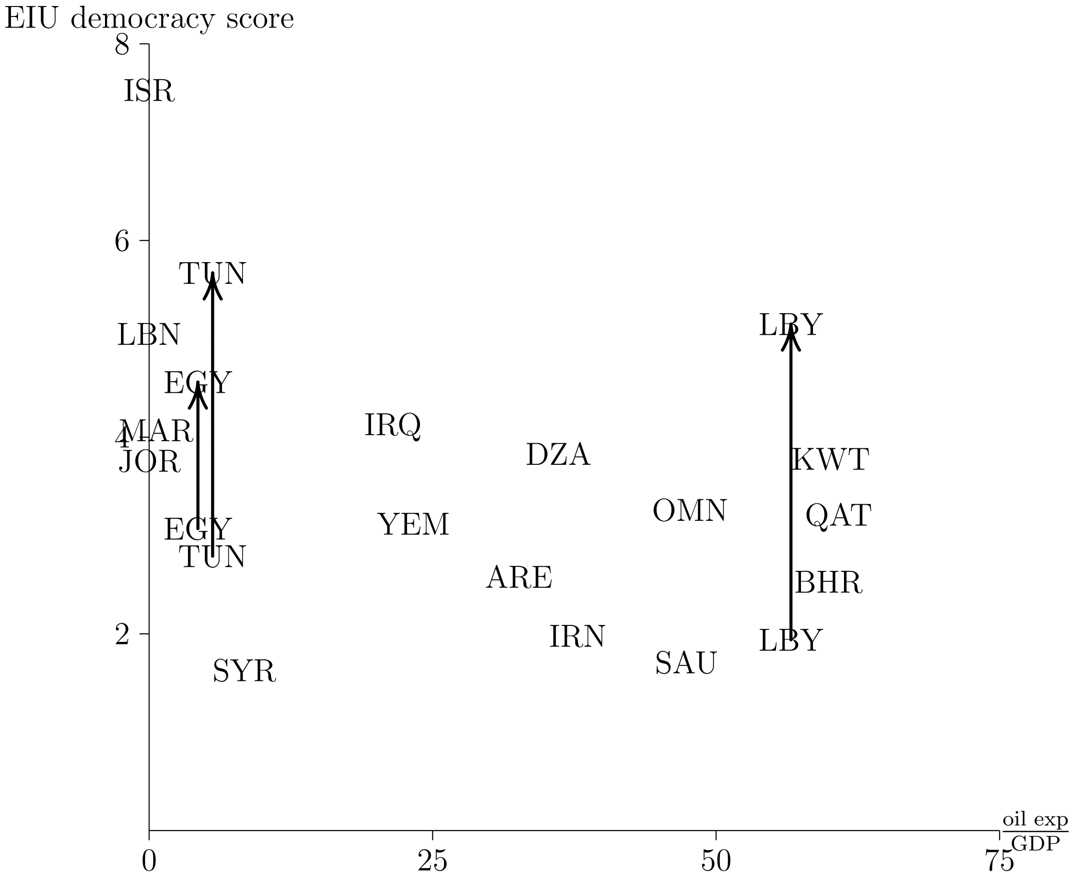
In the oil rich Gulf-countries the presence of guest workers adds another dimension to how patrimonialism can be played out. In Figures 1 and 2 we illustrate the relationships between migrants, oil rents and democratization. Figure 1 shows the most recent democracy score for the Middle Eastern and North African countries according to the Economist's Intelligence Unit. In fact, to date most of the scores are unaffected by the Arab Spring that started in late 2010. The notable cases of regime change, of course, being Tunisia, Egypt and Libya. These countries' indexes jumped substantially (shown by the arrows) during the Arab Spring. For the other countries there are only minor changes and they are shown with their 2012 values only. The sample of changers is obviously too small to show any general regularities, but it is worth noting that, among the Middle Eastern and North African countries, neither Tunisia nor Egypt are among the particularly oil rich. So why is it that it is only Libya, among the really resource rich countries, that had a change of regime?

We believe that Figure 2 contains part of the explanation. From this figure it is clear that among countries where oil exports are more than 40 percent of GDP the rule is that they have a stock of migrant workers that is at least 1/4 of the population. This regularity holds for all the Gulf countries. It does not hold for Libya. In understanding the Libyan struggle for regime change we think it is crucial to build on the fact that the country only had a small migrant population. Our claim is that the Libyans' motivation to struggle for democracy might have been undermined if also Libya had a large pool of guest workers like the oil rich Gulf countries.

Foreigners were present in the Gulf long before the oil discoveries. Still, their number was small compared to the large inflow of foreign workers following the oil boom.[2] Now, migrant workers constitute the majority of the workforces in all Gulf countries, ranging

[2]See e.g. Izady (2002) for more about early foreign presence in the Gulf population.

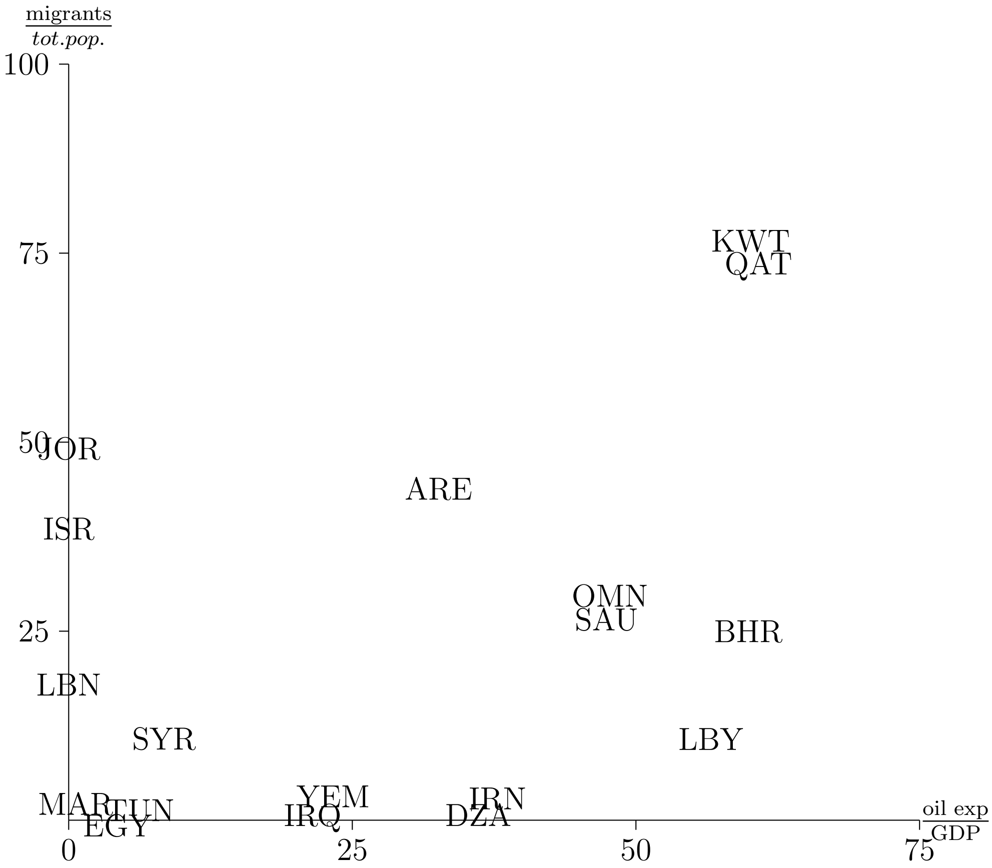
Figure 1: Oil income and EIU democracy score. (with change from 2010 to 2012.)



from 53 percent in Saudi Arabia to 94 percent in the United Arab Emirates. Although they are the majority, migrants have limited rights to participate in society and have limited rights to obtain citizenship and family unification. They are excluded from government services like health services and public education for their children, and lack basic labor rights (Fargues 2011). The Kafala system ties the migrant worker to an employer who serves as a sponsor. For long the migrant workers could not change employment without a special permission from the sponsor. The so-called *no objection certificate* was in operation in all Gulf states at least up till 2007 and it is still in full operation in some countries such as Qatar and Kuwait, while it is changing in others. Kuwait has announced an intention to abolish it; Saudi Arabia and the United Arab Emirates now allow for some exceptions; and Bahrain and Oman have fully abolished it.

Still, in all the Gulf countries migrant workers are considered temporary without full rights, even though large fractions of them have lived in the host country for long periods. Their residence permits are short-term, normally with duration of two or three years.

Figure 2: Oil income and migrants' share of total population.



The insecure renewal of the work contract leaves the migrant worker with low bargaining power and the employer with high profits. All the restrictions and privileges are inherent parts of the patrimonial rule throughout the Gulf region. Clearly, this kind of systematic discrimination of migrants is not equally easy to sustain under representative democracy. As a consequence citizens can be disposed to reject the application of universal democratic rules and accept political oppression, in order to remain among the economically privileged.

3 The add and rule strategy

Being a migrant is a form of allotted identity that can easily be used in a divide and rule strategy. Given a sufficiently large number of migrants the citizens will be a minority of clients exclusively enjoying continued handouts from the patron.

By massively adding migrant workers with fewer rights the ruler makes life easier for his citizens under non-democracy at the same time as he reduces their material benefits from introducing democracy. The benefits of democratic reforms are reduced as the citizens may have to share some of the oil rents with the newcomers under democracy, where direct discrimination is less feasible. In this way it becomes both easier and cheaper to co-opt citizens. The citizens may even feel perfectly content as long as they get a moderate share of the oil wealth, which makes patrimonialism long lived. We call this variety of divide and rule "the add and rule strategy".

This is our simple theory of how democracy is halted by the ruler's co-optation of the citizens by giving them a share of the oil revenues and by relying on the add and rule strategy: Having a large migrant worker population gives the elite a way to cement a hugely unequal distribution between the elite and the regular citizens, and at the same time avoid popular rioting for democracy. The higher the share of migrant workers, the lower is the share of oil rents that the elite has to hand out in order to prevent insider citizens from demanding democracy.

We now establish this proposition more precisely. We also discuss how it should be qualified by considering richer details of variation among citizens within a country and across countries that all are rich in oil.

The basic model

Considering a stylized version of an oil rich Gulf country, we distinguish between citizens and migrant workers in addition to the ruling elite. The size of the group of citizens is N_c, and the size of the group of migrant workers is N_m. In comparison to the size of these two groups, the size of the ruling elite is assumed to be negligible.

The shares of the oil rents that the citizens and the migrant workers obtain, depend on the rules of governance. In general we write the share accruing to the elite by $(1 - \gamma)$ while the citizens, s_c, and to the migrants, s_m, is determined in the following way:

$$s_c = \frac{\gamma}{N_c + \phi N_m} \tag{1}$$

$$s_m = \frac{\gamma\phi}{N_c + \phi N_m} \tag{2}$$

With this notation we can distinguish between the three stylized cases

1. **Patrimonial rule**: $\phi = 0$ and $\gamma < 1$. Citizens share a part of the oil rent while migrants get no rent.

2. **Inclusive democracy**: $\phi = 1$ and $\gamma = 1$. Citizens and the migrant workers share all oil rents equally.

3. **Noninclusive democracy**: $\phi = 1$ and $\gamma = 1$. Citizens share all the oil rents between them selves.

To understand the first alternative recall that a patrimonial ruler can easily discriminate between migrant workers and citizens, as these are groups with distinct allotted identities. He obviously gains from having migrant workers in the country, but he does not need their support to stay in power. Hence, he has no reason to give them any share of the oil rents. The regular citizens represent the winning coalition, and are given a share of the oil rents in exchange of political support.

Under the second alternative, inclusive democracy, two things change: First, the ruler can no longer keep parts of the rents and second, the citizens lose their status as the winning coalition. We take this assumption to the extreme and assume that the oil rents in this case have to be shared equally with the migrant workers. We can use this little set-up to derive some stylized insights. To sharpen our argument, we work from the assumption that patrimonial rule only prevails as long as the citizens tolerate it. Further, we assume that citizens choose between the alternatives of patrimonial rule and inclusive democracy as if they acted only out of own material interest as captured by their income.[3]

[3] A simple extension of the model would allow citizens to care also about other aspects of the rules of governance, e.g. freedom or political voice. We discuss this in section 5.

Citizens would prefer patrimonial rule as long as

$$\gamma/N_c > 1/(N_c + N_m)$$

The first stylized insight is this:

- Citizens would choose patrimonial rule rather than inclusive democracy as long as $(1-\gamma) < \frac{N_m}{N_c+N_m}$. This in turn implies $N_m > \frac{1-\gamma}{\gamma} N_c$.

The condition says that citizens are happy with patrimonial rule as long as the ruler does not appropriate a share of the rents $(1-\gamma)$ that is larger than what all the migrants would have gotten in the case of inclusive democracy. This condition can be translated to a condition regarding the number of migrants N_m. The condition for the viability of patrimonial rule is more likely to be fulfilled the larger the stock of migrants.

As emphasized above, patrimonial rulers co-opt alternative sources of authority by weakening potential sources of opposition. The ruling elite targets resources, benefits and favors narrowly to a minimal group of supporters and withhold resources from potential challengers. The condition above represents the minimum amount necessary to co-opt selfish citizens from rioting for democracy. What does it imply?

- A higher number of migrant workers implies that it becomes cheaper to co-opt the regular citizens away from rioting for democracy.

If for example the citizens only gets to share one half of the rents, they would actually lose by moving to a system of equal sharing of the oil rents with all workers as long as the migrant workers are more numerous. That is, if $N_m > N_c$, the citizen is better off with patrimonial rule even if the ruler appropriates 50 percent of the resource rents. The elite can take advantage of this by adjusting the fraction γ to the citizen. If $N_m/(N_c + N_m) = 4/5$, as is the composition of the population in Kuwait, a citizen would prefer patrimonial rule even if the ruler keeps 80 percent of the resource rents for himself. Therefore:

- Having a large migrant worker population gives the elite a way to cement a hugely unequal distribution between the elite and the regular citizens, and at the same time avoid popular rioting for democracy. The higher the share of migrant workers, the lower the minimum share of oil rents that prevents riots for democracy.

In sum, patrimonial rule is stable as long as citizens see themselves well served by continuing to live under a semi-feudal system where the ruler decides everything without being subject to the international pressure that regular democracies are subject to when it comes to equal treatment of humans.

4 A more elaborate mechanism

Given the exposition above one might ask: Is it really so simple? Clearly, it is not — and for several reasons:

a) Also citizens benefit from migrants

We have not considered the alternative where migrant workers are expelled prior to democratization. In that way the citizens would avoid sharing the oil wealth. If this is possible, all citizens could obtain a share $s_c = 1/N_c$, which surely is larger than the share they get under patrimonial rule (γ/N_c). Does this mean that the citizens are better off with democracy with no migrants? Not necessarily. The purchasing power of a given oil rent is much lower when there are no migrants in the workforce. Without the migrant workers citizens themselves must provide non-traded goods and services such as domestic work, care, restaurant meals and taxi driving. As the citizen workforce is small there will be scarcity of labor, which in turn drives up the price of such goods and services.In order to appropriately account for this we adopt the model from Mehlum and Østenstad (2014)

4.1 A general equilibrium model of the add and rule strategy

The model is a degenerate version of a traded/non-traded goods model were we assume that there is no domestic production of traded goods. Traded goods are imported and paid for by the oil rents. Hence, imports of traded goods, denoted by M, are financed by oil rents Z net of remittances R.

$$M = Z - R \tag{3}$$

We treat the use of income from oil exports, Z as exogenously given [4] Out of the N_c citizens a fraction τ_c are workers while out of the N_m migrants a fraction τ_m are workers. Total labor supply L is given by:

$$L = \tau_m N_m + \tau_c N_c \tag{4}$$

Aggregate income spent in the domestic economy is given by:

$$Y = Y_c + Y_m + (1 - \gamma)Z \tag{5}$$

where Y_c is total income of citizens, and Y_m is the part of total income of migrants that is spent in the domestic economy. Migrants receive a wage income and may remit a part of their income to their home country:

$$Y_m = w\tau_m N_m - R \tag{6}$$

where w is the wage. The citizen population, whom we assume spend all their income on consumption, receives income from three different sources: Oil rents s_c, profits Π and wage income wL_c. Thus, aggregate income of the citizens is given by:

$$Y_c = w\tau_c N_c + \Pi + s_c N_c \tag{7}$$

For simplicity we assume that all citizens households are equal, both with respect to the dependency ratio and with respect to sources of income.

The king and citizens and migrant workers all share the same Cobb-Douglas utility

[4]The use of oil revenue could be determined by exploration, by the oil price or by exogenous returns from a sovereign wealth fund. We assume that Z is larger than R so that imports are positive.

function with expenditure share α for non-traded goods. Total demand is then given by:

$$C_T = (1-\alpha)Y \tag{8}$$

$$C_N = \frac{\alpha Y}{p} \tag{9}$$

while we can represent the welfare of a citizen household by the indirect utility function

$$v_c = Y_c p^{-\alpha} \tag{10}$$

where p^α is the true cost of living price index.

Non-traded goods, X_N, are produced by the use of capital K and labor L. The technology can be represented by $X_N = BL^\beta K^{1-\beta}$. We abstract from capital accumulation and assume that the use of capital is fixed. Since labor is the only variable input, we can normalize B such that

$$X_N = L^\beta \tag{11}$$

Without loss of generality we also allow there to be some form of market power in the domestic market, such that the price p is set with a mark-up μ over marginal cost:[5]

$$p = (1+\mu)\frac{w}{\beta L^{\beta-1}} \tag{12}$$

where we get regular competitive pricing by setting $\mu = 0$. Profits include the margins from the mark-up plus payments to capital. In other words, profits are what is left when workers have been paid.

$$\Pi = pX_N - wL \tag{13}$$

[5]This could for example be the result of monopolistic competition where the non-traded good consists of a number of differentiated varieties with constant elasticity of substitution in demand.

In equilibrium we have that markets clear and trade is balanced, such that

$$M = Z - R \tag{1}$$

$$C_T = M \tag{14}$$

$$C_N = X_N \tag{15}$$

Note the recursiveness of the system with consumption being determined solely by supply. Consumption of traded goods is determined by access to foreign exchange $(Z - R)$, while consumption of non-traded goods is determined by total labor supply via (4) and (11). Demand then determines relative prices. By combining (8), (9), (14) and (15) it follows that

$$pX_N = \frac{\alpha}{1-\alpha}M \tag{16}$$

showing that any change in migration or remittances works via changes in the amount of goods available for domestic consumption. Solving the system (5)-(15) we can express the key variables p, w and Π in terms of the imports M and labor supply L:

$$p = \frac{\alpha}{1-\alpha}\frac{M}{L^{\beta}} \tag{17}$$

$$w = \beta\frac{1}{1+\mu}\frac{\alpha}{1-\alpha}\frac{M}{L} \tag{18}$$

$$\Pi = \left(1 - \beta\frac{1}{1+\mu}\right)\frac{\alpha}{1-\alpha}M \tag{19}$$

These equations determine how migration (via L) and remittances (via M) affect the determinants of income for the citizens.

By inserting in (10) we can express the utility of the representative citizen as a function of the parameters and exogenous variables of the model. The general expression is quite involved but for stylized parameter but we can easily derive two important trade offs for the citizen. The two reform scenarios we are concerned with is 1) going from status quo to sharing between citizens after expelling all migrants or 2) keeping the migrants and sharing the rents equally between all. The trade offs are related to three main utility levels:

V The utility in status quo

V_e The utility after expelling all migrants and sharing all the rents equally between citizens.

V_d The utility after sharing all rents equally between migrants and citizens.

The attractiveness of two reform scenarios we are concerned with boils down to the following questions

1. For what combination of γ and N_m does the citizen prefer expelling all migrants and subsequent sharing to status quo? $V_e \geq V$.

2. For what combination of γ and N_m does the citizen prefer equal sharing of rents between citizens and migrants to status quo? $V_d \geq V$.

V is found by setting $\theta = 0$ in (10) while V_e is found by setting $\gamma = 1$ and $N_m = 0$. Finally V_d is found by setting $\gamma = 1$. Using this we can derive the combination of N_m and γ that satisfies the conditions: Condition 1 is satisfied when

$$\gamma \leq L^{-\alpha\beta}(\tau_c N_c)^{\alpha\beta}\frac{1}{1-\alpha} - \beta\frac{1}{1+\mu}\frac{\alpha}{1-\alpha}\tau_c N_c/L - \left(1 - \beta\frac{1}{1+\mu}\right)\frac{\alpha}{1-\alpha} \tag{20}$$

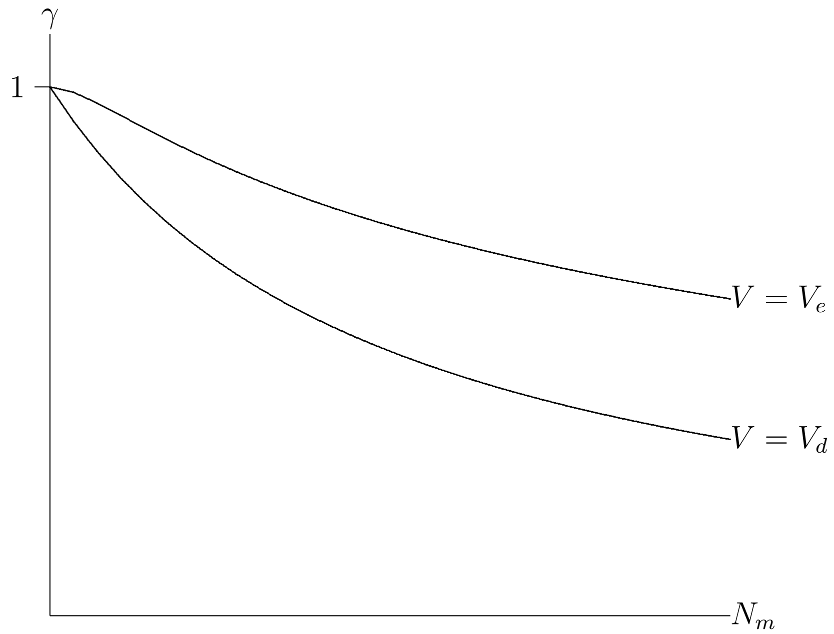
Condition 2 is satisfied when

$$\gamma \leq \frac{N_c}{N} \tag{21}$$

Figure 3 illustrates the two conditions. In the area below the $V = V_d$ curve condition 2 is satisfied and the citizen would prefer outright democratization to patrimonial rule. In the area below the $V = V_e$ curve condition 1 is satisfied and the citizen would prefer expelling migrants and subsequent democratization to patrimonial rule.

A ruler that would like to prevent democratization of one of the two forms should only make sure sure that γ is kept above the relevant constraint. For both varieties of

Figure 3: The King's trade of



democratization the fraction the King has to distribute $(1-\gamma)$ decreases with the number of migrants. For condition 1 the reason is that expelling all migrants reduces utility. For condition 2 the reason is that democratization entails sharing with a larger number of migrants.

b) Also non-material values matters

The assumption that citizens only care about the real value of the economic transfer is obviously too stark a simplification. People care also about other aspects of democracy, like freedom and political voice. We can use the label "freedom" for all valuable features of democracy apart from shares of the oil wealth. If there is some degree of substitutability between economic transfers and freedom, the absolute size of the oil rents matters. For a given size of the winning coalition and the selectorate, the prospect of gaining freedom under democracy will matter relatively more if the oil revenues are small, and transition to democracy becomes more likely. The ruler may however tempt to secure the stability of the regime by making the winning coalition a smaller group. Dividing a given amount of oil rents on a smaller number of people implies a higher transfer per head.

c) Heterogenous citizens

One country in particular has experienced massive political unrest. It is Bahrain, where the Shi'i-led opposition has been mobilizing. What distinguishes the Bahraini case from the reality in the other Gulf countries is that the majority of the Bahraini population is Shi'i. This is in contrast to the other Gulf countries where the majority of the population is Sunni. The elite in Bahrain, however, is Sunni, as in the other Gulf countries. Following a more regular "divide and rule" strategy, it is possible for the Bahraini king to discriminate against the Shi'i majority and to bribe only the Sunni minority. This may also be necessary if the Bahraini oil revenues are too small to satisfy the entire citizen population and compensate for their desire for freedom. In fact, oil revenues per citizen are much lower in Bahrain than in the other Gulf countries.

The Bahraini experience may indicate that it is more difficult to conduct patrimonialism built on distinctions between groups of citizens than it is to build on the distinction between insider citizens and guest workers. After all substantial groups of citizens cannot easily be silenced if they voice their discontent. Guest workers, however, can simply be expelled.

To retain patrimonial rule it is crucial that the winning coalition "control enough other instruments of power to keep the leader in office" (de Mesquita et al. 2003, p 8). Considering the Bahraini state, Gengler (2012) argues that it "has reasoned that many Shi'a are likely to be unhappy with Al Khalifa rule, but that their complaints will be in vain so long as most Sunnis remain loyal -especially those in uniform" (p 1). In fact, Sunnis heavily dominate the Bahraini police and armed forces. And the government ensures that it stays this way by naturalizing foreign Sunnis (p 3). In the Bandargate scandal in 2006, a report prepared by a former government adviser leaked to the public, allegedly revealing "a planned naturalization conspiracy to adjust the Sunni-Shia demographic ratio, such that the Shia majority would get considerably weakened thanks to naturalization of Sunni citizens" (Karolak 2010, page 14).

Could the migrant populations in the Gulf pose a similar threat as the Shi'a muslims in Bahrain? Probably not. While the migrant populations are large, they have little opportunity to uprise as they can easily be thrown out of the country.

d) Non-inclusive democracy may be possible

One alternative that we have not discussed so far is a non-inclusive democracy, where the discrimination of migrant workers continues while insider citizens gain political power. In the framework presented above, non-inclusive democracy implies that insider citizens gain access to a larger share of oil revenues - in addition to political rights. This form of democracy, which has many features in common with Apartheid, would be the preferred alternative for the insider citizens. The problem is whether this is a viable alternative. It could prove a challenge to convincingly demand democracy and at the same time insist that the majority of the nation's inhabitants should be kept out. The international support for such Apartheid democratization would surely be limited.

One may argue that Kuwait has gone some way in the direction of democratization with a parliament representing citizens only. Herb (2009) argues that this democratic progress can most convincingly be explained by exogenous events: "In crucial episodes - after independence in 1961 and after invasion in 1990 - the ruling family needed to demonstrate its legitimacy, and the best way to display (and maintain) that was via an elected parliament with real powers" (p. 379). The other Gulf countries have not been faced by a comparable threat from a foreign power.

Although Kuwait has a parliament and generally free elections for insiders, few would object that Kuwait is still far from a free democracy for all. The Economists Intelligence unit put Kuwait in the lowest tier labeled "Authoritarian Regimes". According to the report "Freedom of the World 2013" the Emir has broad powers. He appoints the prime minister and cabinet and he shares legislative power with the National Assembly, which he has the ability to dissolve at will. Freedoms of assembly and association are guaranteed by law, but constrained in practice, and press freedom is limited (Freedom House 2013).

Al sharah and Salameh (2011) discuss obstacles to the Kuwaiti democratic experiment. One of the main obstacles they discuss is the problem of "a lack of respect for human rights particularly in regards to citizenship for stateless persons 'Bedoon' and expatriates" (page 74). “Bedoon” are the people who reside in Kuwait since the founding of the state in 1961, but who did not obtain citizenship for various reasons. The children of bedoon fathers are also considered bedoon. These around 100 000 stateless people cannot now apply for citizenship. The question is whether this practice can proceed under democratic rule.

We argue that it may be difficult to obtain a real democratization process without giving migrant workers (and stateless persons) a fair share of the nation's oil wealth. One reason is that democracy, as it has been defined since ancient times, is characterized by freedom and equality. A democracy for citizens only, where the majority of the population continues to be discriminated politically and economically, would gain little international support and might not be consistent in the long run. Moreover, a democratization process is disruptive: The present system of favoring the citizens at the expense of the migrant workers may be hard to pursue as the citizens lose their status as the winning coalition. As the patrimonial ruler falls, the migrant workers may demand more rights.

5 Why democratization is so difficult

The good does not always replace the bad even if it benefits the great majority. Although democratization would benefit the majority, we see that patrimonialism remains the rule of governance in several oil-rich Gulf countries. A common feature of these resource rich countries is that they have large stocks of migrant workers. We argue that in such countries the insider minority prefers to be the privileged among the oppressed rather than being free and at par with the rest of the workers. This outcome may contribute to blocking a real democratization process, and may help to explain the modest effect of the Arab Spring in the Gulf countries.

Thus when oil resources are discovered before democracy is introduced, the presence of oil dampens both 1) the elite's willingness to introduce universal democratic rules, and 2) the citizens' motivation for demanding universal rights. The presence of the migrants thus relieves the tensions between the insider citizens and the elite caused by the oil and reestablishes some sort of stability that explains the political resource curse of the Gulf countries.

Not only does patrimonial rule block democratization. The particular mechanism that secures the stability of patrimonial rule is the distribution of private transfers. This is a highly inefficient way to distribute resource rents as it comes at the expense of providing much needed public goods. Our model has therefore a message that echoes the empirical findings in de Mesquita et al. 2003 (especially in chapter 7) demonstrating that, compared to other countries, small coalition systems have higher economic rents from illegal activities, higher black market premiums, and lower economic growth. The reason seems to be that leaders choose policies that enhance their survival. The basic lesson from all this can perhaps be summed up as follows: Patrimonialism creates bad policies in the form of massive economic distortions that can constitute good politics in the sense that they help the ruler to remain in power.

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