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UNDERDEVELOPED IN A CAPITAL-RICH ECONOMY

*Iowa State University*

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Underdevelopment in a capital-rich economy

by

Ahmed H. Senani

A Dissertation Submitted to the  
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## I. INTRODUCTION

### A. Brief Statement of Problem

When sociologists became interested in the field of development and economic change after the Second World War, they tried to contribute to solving the problem of why some countries are developed and some are not. The discipline, however, was not equipped to contribute substantially to an area that was totally new to it. The sociologists began to borrow themes and use concepts from the founding fathers of sociology. They drew on the evolutionism of Spencer and Durkheim in explaining process of structural change through increasing societal differentiation and complexity. When they wanted to explain change in the sphere of values, norms, and attitudes, they turned to Max Weber's thesis in "The Protestant Ethic and the Spirit of Capitalism" and his writing on religion.

The traditional theory of modernity built on the above concepts and themes had been the dominant one in sociology of development in the 1960s. These models and theories can be described as the end products of the particular historical process of the West. Applying them to underdeveloped countries faces many problems, not only on ideological grounds, but also in conceptual misplacement of many of these concepts. For that, the sociology of development has been attacked as the underdevelopment of sociology (Frank,

1969b) and many scholars demand that sociology needs to go beyond the sociology of development (Oxaal et al., 1975).

Sociologists realized the shortcomings of their approach and began to look for alternative frameworks for analyzing issues related to development. New paradigms came to be recognized with general orientation based on assumption concerning the nature of the realities different from the traditional sociology of development. The world system dependency paradigm's question is, according to the reality of underdeveloped countries and the explanations this perspective attempted to offer, based on the international relation of inequality, domination, and dependence. Many writers contributed to this paradigm: some are neo-Marxist and some structuralist-non-Marxist, but they all believe that the only world system which exists is the capitalist world system which consists of two parts, the center of which is located in the industrialized West and its periphery the underdeveloped countries. It is the last approach that has been utilized to study the socioeconomic change in Saudi Arabia.

One of the major contributors to the last perspective is Amin, who has refined this perspective and offered an elaborate categorical and theoretical model which can be utilized as an analytical framework to analyze a concrete case. With this model, it is possible to investigate



empirically the pattern of social change in developing countries. Amin specified the dynamics of capitalist expansion in the peripheral societies. That is different from that of dynamism in central capitalism. This specific dynamism produced structural features in the underdeveloped countries, characterized by syndrome of segmentation.

Saudi Arabia shares with other developing countries many characteristics of underdevelopment. However, the uniqueness of Saudi Arabia's development makes it at odds with many prevailing developmental theories. Rather than reflecting the poverty and instability of other Third World societies, Saudi Arabia is a capital-surplus society due to wealth derived from oil export. If capital shortage per se is not the origin of dependency, and hence underdevelopment, can Saudi Arabia be characterized as an underdeveloped and dependent nation? Does Saudi Arabia reflect the structural characteristics of dependency syndrome? These questions and others present a challenge to dependency perspective, especially the question of whether autonomous capitalist development is possible in a peripheral nation.

Almost all studies about Saudi Arabia are in the traditional-modernity type mentioned in the beginning of this introduction (Farsy, 1982; Shaker, 1972; El Mallakh, 1982b).

These studies analyzed change in economic, political, social, cultural or in specific processes such as role of

women, family, political system, bureaucracy education, etc. as countries are advancing from less to more in modern and complex forms with the primary explanatory variables of these changes in increase of income derived from oil. To them, underdevelopment is only a minor obstacle derived from either the traditional culture or from social institution. Other than that, development in the sense of modernity is inevitable. This approach failed to explain process of continuity and change and the social dynamics of reproduction of underdevelopment (Al-Awaji, 1971).

This study hoped to accomplish two things:

- (1) To explain process of change in Saudi Arabia through the utilization of a framework according to world system and dependency perspective.
- (2) To contribute to the theoretical development of the sociology of development in general and dependency in particular.

The study consists of two parts. Part one contains the theoretical discussion. Part two concentrates on empirical analysis of the Saudi Arabian case. Chapter I is a general introduction of the study that includes historical analysis of Saudi Arabia. Chapter II reviews and discusses the literature on development and change. Chapter III concentrates on Amin's general theory with discussion of his major ideas and concepts in addition to comprehensive review of his

critics. Chapter IV is the empirical investigation on the case study of Saudi Arabia. Chapter V discusses the implications for the theory and development policy of the case under investigation. Finally, Chapter VI presents the summary and recommendation for the development policies in Saudi Arabia.

#### B. History of Saudi Arabia

Among developing countries, Saudi Arabia is unique. Its borders were recently defined, but it was never colonized. Therefore, its traditional mode of production lasted well into the 20th century, while that of most countries of the periphery was destroyed in the 19th century (Lackner, 1978). Saudi Arabia "underwent a striking transformation in the decades after 1950. From being an area of extreme economic backwardness and of marginal importance to the world economy, it became the scene of intense development and acquired enormous strategic importance for world capitalism" (Halliday, 1974, p. 17).

"No external power intervened to impose an exogenous transformation; peninsular society was arrested by its own structures and therefore incapable of internally generating change. . . it was only in the twentieth century that Arabia's isolation was broken and that the socio-economic structure of the area underwent irreversible change" (Halliday, 1974, p. 18).

Saudi Arabia occupies about 80 percent of the Arabian Peninsula, bordered by Jordan, Iraq and Kuwait to the north, the Red Sea and the Yemen Arab Republic to the west, the People's Democratic Republic of Yemen and Oman to the south, the United Arab Emirates and the Gulf Coast to the east. The country covers about 1,400,000 square kilometers, less than two percent of which is cultivated, while the rest is mainly desert with some areas suitable for occasional grazing. There are no permanent rivers, only wadis which are filled with torrents of flood water during the occasional rains, but otherwise dry. Wells and occasional springs are the other main source of water. Larger springs sometimes develop into oases where people can settle permanently and live off agriculture.

#### 1. Mode of production and social formation

Historically, the peninsula had a subsistence economy; but a commercial sector existed that markedly influenced the general social condition, especially in the interior of the peninsula. Nomadic pastoralism and subsistence agriculture in the oases persisted from pre-Islamic times into the 20th century. They were means of survival well-adapted to the scarcity of resources, and while there were trade relations between peasant and nomad, these did not provide the basis for transforming the mode of production in the interior.

The predominant form of social organization was, however, the tribe. This was a kinship unit, formally based on real or imagined descent from a common ancestor through the male line. The tribe or its subsection was the unit that constituted economic, military and political activity among nomads, who constituted approximately 60-80 percent of the population, as well as settled community but to a lesser degree.

Inequality operated both within and between tribes. The growth of social inequalities accompanying sedentarism fostered differences among members of the tribe in power, wealth and ownership of the means of production. From the most primitive nomadic society onward, some families were more privileged than others, either by having more camels rather than sheep or by traditionally greater influence within the tribe. Tribes were traditionally graded according to the stronger and weaker, the richer and the poorer, more brave, less brave. Status inequality was more pronounced among nomads than economic inequality, because the economic surplus was small.

The Bedouin (nomads) lived off their sheep and camels, which provided food, clothing, housing materials and transport. The sheep and camels fed off the permanent vegetation of oases and off the greenery that sprang up in the desert after occasional rains. Individual property rights in land

were meaningless for the nomadic communities, for they were always traveling through the desert regions in search of short-lived grazing, following the rainfall in the winter. In summer, they camped near a permanent water hole or an oasis where they had relations with the villagers. However, tribes and sections of a tribe had identified and recognized areas including wells and water holes, that were considered to be theirs. The delimitation of these areas was somewhat flexible and changed according to grazing condition and agreement between tribes. Frequently, there was no agreement and the use of another group's land led to inter-tribal conflict. Fighting sometimes took the form of camel stealing as a means of survival or as bride wealth, or for sale to neighboring regions. Raids and counter-raids for camels were part of the basic economic and political life of the desert as an expression of the continuous struggle for existence.

In the settled southern part of the peninsula and in the oases of Najd and al Hasa, the people grew cereals and dates. Dates were the basis of life, the staple of human diet, and were the only product grown in sufficient quantities to be traded outside the oasis community. Few vegetables and grain were grown, especially in the Tihama Plain in the west and in the hills of Asir (see Figure 1). Since this region received monsoon rainfall, crops could be

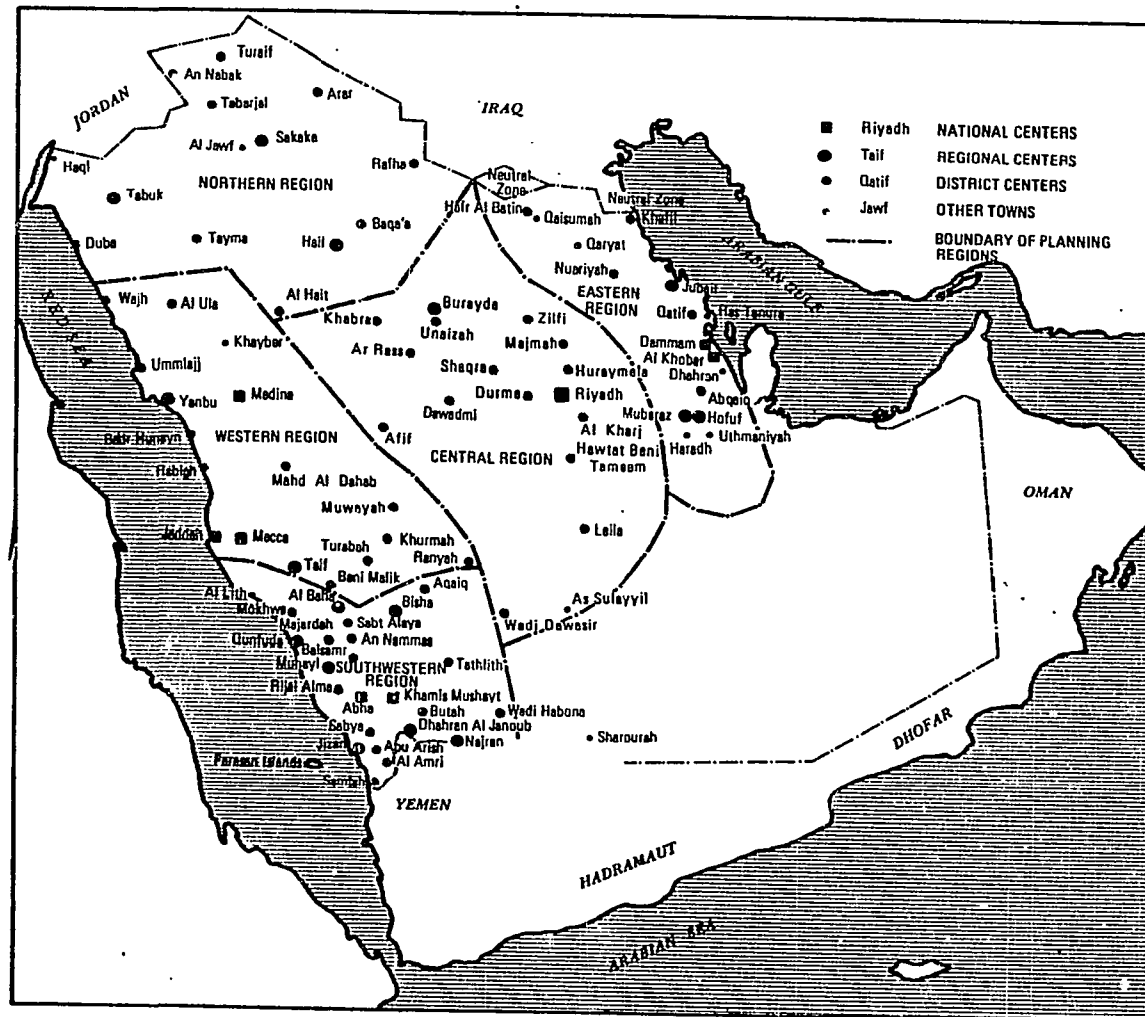


Figure 1. Map of the Kingdom of Saudi Arabia

cultivated without irrigation.

Land was mainly owned by families who worked on it themselves or other peasants who worked on the land in return for a percentage of the crop (sharecropping). Large landowners who employed farm laborers on a permanent basis were rare. Small family plots tended to be divided to a point below economic viability by the inheritance system. Inequalities in the ownership of the land and date palms, as well as of access to water, created inequalities between the families in the peasant communities. The economically dominant family tended to dominate the council of elders<sup>1</sup> who decided the common affairs of the community, but the low level of economic resources limited the degree of inequality, leaving rich and poor on familiar terms.

Both nomadic and settled people practiced trade, of which there were three distinct varieties. The first was intra-peninsular exchange among different economic sectors; nomads traded animal products, e.g. milk products, skins, etc. for peasant crops and for products of the small artisan community in the towns. The second kind of trade involved the exchange of peninsular products for imported goods such as gold and the manufactured products and clothes from the countries in the north. The exported products were camels,

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<sup>1</sup>The Council of Notables consists mostly of the elders of merchant families to decide the affairs of the towns and cities.



horses, and dates. Lorimer (1976) describes the thriving export of dates from Bahrain at the turn of the century as based almost exclusively on dates brought from eastern Arabia (al-Hasa), and points to Najd (central part of the Peninsula) as being the only area in the world where the Arabian horse was bred for export in substantial numbers:

Najd or Central Arabia is the principal horse-breeding country in the Persian Gulf and the only one in the world . . . where the genuine Arab is produced on any considerable scale. Horses are most numerous in north central Arabia . . . but the export trade depends largely on the more central district of Qasin where the towns of 'Anaizah and Buraidah are the principal markets. 'Anaizah, supplied principally by the Qahtan, furnishes as a rule animals of higher caste, while at Buraidah, provided chiefly by the Mutair, the number of animals is usually larger. (Lorimer, 1976, p. 2247)

Trade activities associated with camels were also significant. Their breeding for export constituted a fairly widespread economic pursuit (Lorimer, 1976).

The third form of exchange, which is the camel-borne trade crossing the Peninsula from the Gulf ports and Yemen to Syria and back, was of considerable importance to the economy of central Arabia. Although some of this trade did not originate in the Peninsula but between India, China and Africa on the southeast and southwest, it benefitted the merchants of Jihaz in Mecca and later to Jiddah. The well-known caravan route between Yemen and Mecca in the winter

and between Mecca and Syria in the summer had their origin in antiquity. The rise of Islam increased the importance of the towns. These towns (Mecca and Medina) were not merely market towns, but religious centers, and the old trade routes became pilgrim trails. The revenue obtained from pilgrims was of major importance to these towns.

The commercial networks in Hejaz (western part of Saudi Arabia) were well-known for hundreds of years. Similarly, the well-established trade in the Najd area (central part of Saudi Arabia) is to be found in the works of Charles Doughty (1920), who estimated that in the late 1870s, one-third of the population of the al-Qasim province was involved in the caravan trade. John Philby (1955), writing in the 1920s, described the thriving commercial sector in Shagra north of Riyadh, and referred to the commercial contracts which Shagra merchants maintained with their agents in the Gulf ports of Iraq and India. In the early years of the century, the town of Zubeir in southern Iraq was inhabited predominantly by Najdi merchants engaged in handling trade between Central Arabia and the outside world (Almana, 1980). Trade had become a necessity for the settled population of Central Arabia. The wheat crop was insufficient for the needs of the population and cereal imports were required, including rice which was increasingly becoming the staple diet of the well-to-do, and clothing which the settled population

depended almost entirely on from overseas sources (Philby, 1955; Armstrong, 1934; Rihani, 1928).

The surplus which was accrued to the town merchants through trade and from the pilgrims, with the spread of Islam, was not used to develop the productive forces of the Peninsula. There were few urban populations. Nomads and the oases people were affected by changes in the forms and amount of trade and the revenue coming in with pilgrims, but it was only in the towns that the degree of dependency on trade relations and pilgrim taxation was crucial. The Peninsula under these conditions was not a unified society; the tribal structure and divided oasis, desert and urban communities, the degree of isolation from each other, and the mode of production made the presence of a unified social and political structure impossible. Unification could arise only by the destruction of the old forms and the integration of the desert and oasis people into a single economy transcending simple trade relations. This process occurred in the 20th century under political pressures from the outside world. The creation of a common political structure for the whole region followed the discovery of oil. The economic effects of these resources throughout the Peninsula made the centralization of state power both a possibility and a necessity.

Tim Niblock (1982) pointed out that the substantial

and growing importance of commerce in central Arabia at the time of the creation of the Saudi state indicated the role commercial interests played in the creation and expansion of the state. The commercial centers required settled conditions, where communications were free of disputes between local rurals and bedouin tribes, and where the safety and security of the trade routes could be guaranteed (Niblock, 1982). He asserted that the commercial sector constituted the principal instrument through which Saudi Arabia was increasingly drawn into the economy of the capitalist world, until the oil sector assumed these roles (Niblock, 1982, p. 95).

## 2. Political superstructure

The process of unification of Saudi Arabia took place in conditions new to the Peninsula. In the struggle between the tribes to dominate the region, alliances were a major factor, particularly those with the British or the Ottomans. In the first 30 years of the 20th century, the area was finally united into a single political unit, culminating in the proclamation in 1934 of Abdel-Aziz al Saud as King of Saudi Arabia, thus introducing the concept of monarchy into a formerly tribal structure (Lackner, 1978).

The modern Saudi state has its origins in the 18th century, when Mohammad Abdel Wahhab (1703-1792) started preaching for the return to the basic principles of Islam

and excluded all the pre-Islamic ritual and beliefs Islam had absorbed. He stressed the "oneness" of God, opposing the worship of holy places and excessive veneration of Mohammad. He called for the firm practice of Islamic legal punishments, based on the Koran, the Sunni law school, and the six books of tradition which were adopted during the first three centuries of Islam.

Mohammad found support from the ruler, Mohammad ben Saud, of a small town in Najd called Dar'iya. This was to be a long-lasting and successful alliance in which Al Saud committed himself to be the temporal defender of the Wahhabi doctrine. Under the banner of this movement, the Saudi-led tribes conquered a large part of the Peninsula in the 18th and early 19th centuries.

A series of campaigns launched against the Saudi forces in 1811 by the powers to the north and northeast, armies from Egypt (under Mohammad Ali) and from the Ottoman Empire, drove the Saudi forces out of western Arabia. By 1814, the Egyptians were finally in control of the Hajaz and, in 1818, Al Saud's capital Dar'iya was totally destroyed. When the Egyptians left, local rivalries between petty rulers developed throughout the region to dominate Najd. By 1840, Turki Al Saud regained the power in Najd. His son Faisal succeeded him after Turki's assassination. Faisal's expansion brought back the Egyptians, who reasserted control in the late 1840s.

Mohammad Ali's death in 1847 ended all direct Ottoman and Egyptian interference in the heart of the Peninsula. After Faisal's death in 1865, the Saudi family lost control, due to internal fights over succession. A rival family, the Al Rashid from Shammar tribe, took advantage to win the control of Najd while sending the remaining Al Saud into exile in Kuwait. By the turn of the century, Najd was under the control of the Al Rashid; al Hasa and the Hijaz were under Ottoman control, and the surrounding Gulf states were under British control.

In 1902, the beginning of the building of the Saudi Kingdom, Abdel Aziz, with the backing of the ruler of Kuwait, led forty of his family and followers on an attack on Riyadh, the capital of Najd, and recaptured it from Ibn Rashid. By 1906, the whole of Najd were under the control of Abdel Aziz. In 1913, Al Haza, the eastern region, then under Turkish control, also came under Al Saud control. By January of 1926, Abdel Aziz was proclaimed king of Hejaz. In 1932, he announced that the whole of his territory had been united under a new name, Saudi Arabia.

The source of income to Abdel Aziz to keep the military operation of unification going, and to win the loyalty of nomads, came mainly from the merchants of the towns, either as taxes or short term lendings. The surplus was little because of the relatively underdeveloped economic system in

Najd. After the conquest of Hejaz, the income was mainly "beside the Pilgrimage, the King's most lucrative source of income has been the Jeddah group of merchants" (Rashid, 1980, p. 30).

Table 1. Government revenue, 1902-47 (Philby, 1955)

Year	Approximate annual government revenue (in £)
1902-12	50
1913-25	100,000
1926-37	4-5 million
1938-46	5-6 million
1947-48	21.5 million

Until 1947, this pattern of political and economic organization was conducive to a certain equilibrium; although some merchants, together with some of those wielding political power or influence, no doubt grew richer, the country's social structure underwent no radical transformation. (Philby, 1955, p. 338)

In 1933, Ibn Saud had to face a severe financial crisis because his main source of income, taxation of Hujaj (Muslim pilgrims) had been undermined by the world slump; for 50,000 in gold, he gave an oil concession to Standard Oil of California (SOCAL). SOCAL later merged with three other U.S. firms (ESSO, Texaco, Mobil) to form the Arabian American Oil Company (ARAMCO). Tanzel noted that

For this amount, Standard of California got a sixty-year concession for all of Saudi Arabia's oil--a far better bargain than even the fabled deal giving the American Indians \$24 for Manhattan Island. By 1936, Saudi Arabia looked so promising that (SOCAL), which had no outlets for vast quantities of crude oil, sold a halfshare of its Bahrein and Saudi properties to Texaco for \$3 million down and \$18 million out of future earnings. (Tanzer, 1974, p. 45)

The area of the concession exceeded 350,000 square miles.

The company was given the exclusive right to

Explore, prospect, drill for, extract, manufacture, transport and export all oil produced. . . . The company agreed to build a refinery; supply the government with 200,000 gallons of gasoline and 100,000 gallons of kerosene yearly; and advance loans deductible from future royalties, which were fixed at 4 gold shillings per ton of crude oil. (Walpole et al., 1971, pp. 244-5)

Oil was discovered in commercial quantities in 1938 and production began on a small scale the same year. In May 1939, the first tanker was loaded to export oil. The substantial influx of oil revenues into the structure described earlier brought about significant changes in the relative prosperity and well-being of different sections of Saudi Arabia's population. The effect of oil revenues on the country's social structure was to substantially widen existing inequalities. While the commercial sector benefitted greatly from the boom in consumer demands, and from the increased resources available to finance imports, the rising imports virtually destroyed the handicraft sector of the economy and seriously affected the agricultural and pastoral



sectors (see Chapter IV). The development of bourgeoisie is closely linked to its integration into the capitalist system. They developed in the sectors that are linked to integration into the world system such as commerce, finance, transport, and construction. The role of the bourgeoisie is merely intermediary rather than actively contributing to industry.

## II. THEORIES OF DEVELOPMENT

From the 16th to the 19th century, a complex set of changes occurred in Western Europe. At some point in this period, a chain of events began which was to produce contemporary capitalistic industrialization. The shape of the world was to be radically transformed. The attempt to understand the nature of the transition, and to come to grips with it, gave rise to that distinctive corpus of social thought which has evolved into modern sociology. The different strands of that body of thought produced fundamentally different accounts of what had happened. And when sociologists did turn their attention to the underdeveloped world, many of them drew back on that experience of the West to explain what was going on in the underdeveloped nations. The major viewpoints of the sociology of development can be organized into three perspectives.

### A. Evolution to Social Differentiation

Borrowing from the biological sciences, the concept of development was applied to the continuous transformations experienced by human society as a growing organism which passed through a series of ordered and inevitable stages, for example, from savagery through barbarism to civilization. Such stages culminated in the highest level of social complexity, represented by advanced European nations.

Theories of Morgan, Comte, Hobhouse, Spencer, Kidd and Word represented this viewpoint in the 19th and early 20th centuries. Bogardus (1940), White (1959), and Steward (1955) are the modern anthropological proponents of the evolutionary perspective of culture.

All these theories of social evolution were an attempt to discover the general trends in the development of all human societies, which led to the formulation of a series of stages of development with the assumption of its universality and unilinearity and the notion of a simple sequence of stages through which all societies pass. The problem concerns the mechanism which shifts a society from one evolutionary stage to another. What is this mechanism, and how does it operate? As Eisenstadt has noted, "The first crucial problem concerns the extent to which change from one type of society to another is not accidental or random but, rather, evinces over-all evolutionary or developmental trends" (Eisenstadt, 1968, p. 228). With these problems, theories of social evolution have lost their popularity in recent years.

However, despite the obvious problems with evolutionary theory, watered-down versions exist in the form of theories of "stages of growth" and developmental or modernization theory in general, and the notion of social differentiation and "evolutionary universals."

The most widespread notion was the dichotomy "traditional" versus "modern." The assumption was that all societies were alike at one stage, in that they were "traditional," and that eventually they would also pass through the same set of changes as had happened in the West, and become "modern."

Their theories necessarily adopted a "before and after" model, in which beginning and end stages were described in different terms and with different value tonalities (Bendix, 1967).

But it is inaccurate to assume that pre-industrial societies are alike. There is a wide range of social structure among them, and there is no reason to assume that the dynamics of change are the same in feudal societies as they are in tribal societies or bureaucratic empires. In addition, the use of the word "traditional" conveys a false image of static equilibrium.

Several sociologists have taken this bipolar approach to social change, such as Ferdinand Toennies (1957). He described the trend from what he calls *Gemeinschaft* to *Gesellschaft* as one in which small, primitive, traditional, homogeneous, closely-knit communities are eradicated and replaced by large, urbanized, industrial societies where human relations are impersonal, formal, contractual, utilitarian, realistic, and specialized. Durkheim (1947)

argued that when division of labor increases as a result of population expansion, then the qualitative character of social life changes from one reflecting a "mechanical" form of social cohesion to one reflecting an "organic" form of social cohesion. Howard P. Becker (1950) saw the transition as being from a "sacred," traditionally oriented society to a "secular" society that evaluates customs and practices in terms of their pragmatic outcomes. Henry Main (1870) contrasted the societies based on status and those based on contract. In anthropology, Robert Redfield (1941) put the transition as being from "folk" to "urban" (folk-urban continuum). Change happened as the consequence of an "increase of contracts bringing about heterogeneity and disorganization of culture" (Redfield, 1941, p. 369). Cooley (1962) distinguished between "primary" and "secondary" social attachments. D. Lerner (1965), Levy (1966), Inkles and Smith (1974), and W. Moore (1974) from the contemporary theorized on differences between "tradition" and "modernity." Some theorists elaborated the dichotomy in a more sophisticated way. Talcott Parsons had developed his five pairs of pattern-variables. Bert Hoselitz (1960) attempted to use pattern-variables to describe the places of development and locate society along these dichotomies. He argues that developed countries are characterized by universalism, achievement orientation

functional specificity, and underdeveloped countries by the opposite variables of particularism, ascription, and functional diffuseness. Hoselitz conceptualizes the change from a traditional to modern society as entailing the eventual modification or elimination of "traditional" pattern variables. The validity of the assumption of a traditional-modern dichotomy has been criticized by many writers. A. G. Frank has shown in detail that even if one accepts Parson's pattern-variables as a useful analytic tool, whether one could apply them in a straightforward way to contrast underdeveloped and developed societies is quite dubious (Frank, 1969b). He argues that even within the terms of their own theoretical framework, the Parsonians are confronted with negative evidence. It is by no means clear that developed societies are, in fact, predominantly organized in terms of "modern" pattern-variables nor that underdeveloped societies are organized in terms of "traditional" pattern-variables. But even if one accepts the Parsonian contention that these sets of pattern-variables do accurately describe a bipolar situation, the validity of such dichotomy is itself open to question (Frank, 1969b).

Social differentiation is another concept emerging from evolutionary theory and its counterpart the structural functionalism. Despite Spencer's adoption of the word "function," the first systematic formulation of the logic of a

structural-functional approach in sociology can be found in the works of Emile Durkheim. In the division of labor in society, he makes a clear distinction between the function of the division of labor and its efficient cause. Its basic function is the integration of society; its cause was the increase in "moral density" induced by population pressure. Function, for Durkheim, is a contribution to the maintenance of social life and society, as can be seen further in his discussions of the social significance of religion, punishment, and ceremony. Increased differentiation and specialization are seen as a response to pressure from population increase that creates problems of integration which can be solved by emerging networks of interdependence.

Based on the idea of structural differentiation, Neil Smelser (1966) stated that a developed economy and society is characterized as a highly differentiated structure and an underdeveloped one as relatively lacking in differentiation; hence, change centers on the process of differentiation itself. By "differentiation," Smelser means the process by which more specialized and more autonomous social units are established. This he sees occurring in several different spheres: in the economy, the family, the political system, and religious institutions.

The process of integration takes place whereby these

differentiated structures are united on a new basis. This denotes, for example, the move from a "pre-modern" political structure, where political integration is closely bound up with kinship status, tribal membership, and control of basic economic resources and of mystical sanctions, to a "modern" type political structure characterized by the existence of specialized political parties, pressure groups, and a state bureaucracy.

Change is conceived by Smelser (1966) as transformation by means of the differentiation process. "Development proceeds through various stages of specialization and differentiation" (Eisenstadt, 1964).

To sum up the major themes of these theories, these theorists see development as gradual qualitative passage from less to more differentiated social forms through more complex specialization and functional interdependence. And social roles are transformed to approach modern standard of universalism, specificity, and achievement. With development, certain adoptive features are incorporated to insure the survival of the system.

In common, these theories rest on the idea of unilinear development along the lines of what appears to have happened in Western European capitalist countries. They are rather an idealization of the main direction of certain social and cultural trends that proved so successful in the West (Smith,



1973, p. 87). To extrapolate from an understanding of a particular historical sequence of Western Europe and posit the existence of similar structural processes arising under conditions of economic growth in the developing world can be seen as ethnocentric.

Theories or models based on the experience of Western economic development are probably largely irrelevant to comprehending the kinds of processes occurring in present-day developing countries whose socio-historical and contemporary circumstances are so different.

The assumption of this paradigm is that the process of social change is essentially endogenous is clearly inadmissible for the countries of the Third World. To conceive societies as autonomous units that change according to internal forces is misleading. In the Third World, the process of rapid social change occurred, in fact, as a direct result of the expansion of the West, and most of the processes of change which have occurred in these societies have been in direct response to the impact of the Western system. Contemporary development is not a matter of autonomous change but one composed largely of exchange and confrontation in an integrated world-system in order to alter the position of individual nations (Wallerstein, 1974b).

## B. Social-Psychological Theories of Development

The underlying assumption of this school of thought is that societies develop as a result of the workings of certain psychological factors. Where such factors are present, development will take place; where they are absent, stagnation will prevail. The existence of certain "modern" attitudes is a precondition to development (Hoselitz, 1960; McClelland et al., 1961; Hagen, 1962; Inkles and Smith, 1974; Lerner, 1965). They believe that attitudinal and value changes are essential prerequisites to creating a modern society and economy, and a political system (Weiner, 1966).

Instead of concentrating on technological and environmental factors, structural constraints, or external conditions, this attitude approach focuses on individuals and their personality attributes. It deals with psychological determinants that derive people to act, to invent, to discover, and to create.

The intellectual origin of this paradigm can be traced to Max Weber in his writing on "The Protestant Ethic and the Spirit of Capitalism" (1958). Weber saw the development of modern industrial capitalism as a product of rationalization resulted from the spread of the Protestant ethic. "Development of the spirit of capitalism is best understood as part of the development of rationalism on the basic problem of life" (Weber, 1958, p. 76). He drew the distinction between

traditional and rational social values when characterizing the contrast between feudalism and capitalism. Traditionalism in economic behavior for Weber meant "fixation on an immutable standard of concrete preference" with established ways of attaining them, whereas rationality entailed a continual weighing of preferences, in terms of relative cost of attaining each and according to the criteria of technical efficiency. To Calvinist believers, rationality and calculation were means to salvation in the next world as well as in this one. "The God of Calvinism demanded of his believers not single good works, but a life of good works combined into a unified system" (Weber, 1958, p. 117). Weber argued this theological doctrine produced intense anxiety among the Calvinists and that, to reduce this anxiety and reassure themselves that they were, in fact, to be numbered among the elect, they attempted to behave as though they had indeed been called. This meant a systematic ordering of their daily life, including their economic pursuits, in a rational manner, which led to rapid economic advance, and capital accumulation that produced the development of modern industrial society of Western Europe.

For McClelland, "The psychological forces that determined ultimately the rate of economic and social development is what he called n-Ach (need for achievement)." He asserts that the greater the development of n achievement, the more

likely that economic development will be intense. Need achievement, argues McClelland, means "a strong desire for achievement, for doing a good job" (McClelland, 1973, p. 162).

Achievement motivation can be learned through education and child-rearing practices that emphasize such values as self-reliance, high praise for hard work, persistence in goal attainment, and interest in excellence for its own sake. These can be an instrument in creating a foundation for a strong n achievement.

Like McClelland, E. Hagen (1962) is concerned with factors of personality that transform a traditional society into one that undergoes technological progress and economic growth. Technological progress is considered to be a powerful force that disturbs equilibrium of traditional society.

Hagen argues that traditional societies lack creative and innovative personalities because the relationship between social groups is "authoritarian." Interpersonal relations are solved on the basis of "ascriptive authority," and people avoid anxiety by resorting to authority. Such types of society have a great deal of stability in their institution, and there may be no social change for centuries. Since "the interrelationships between personality and social structure are such as to make it clear that social change will not occur without change in personality" (Hagen, 1962, p. 86).

How is traditional society transformed into one in which creative personalities are produced and developed to carry on economic progress?

Hagen argues that change came about when members of one social group perceived that their purposes and values were not respected by groups in the society whom they respected and whose esteem they valued. He calls it "withdrawal of status respect." Several situations of status withdrawal, for example, when a traditional elite group is replaced by another group, or the nonacceptance of a migrant group in a new place of residence, etc. Withdrawal of status respect at first produces apathy, social retreat, and other forms of disorganization. But these developments may give rise to innovative and creative entrepreneurs. These stages of change are determined by varying patterns of child treatment and the ways that children react to this treatment by their parents through successive generations.

Theories of "modernity" look at the psychological complex of values (Lerner, 1965; Inkles and Smith, 1974; Kahl, 1968; Schnaiberg, 1970). "Modern man" is characterized internally by a certain mental flexibility in dealing with new situations and externally by similarity to the value orientations dominant in industrial Western society (Lerner, 1965). These writers regard modernity as a precondition for social modernization and as a major consequence of it. Development

means the change in attitude and behavior, a transformation in the very nature of man. This transformation is the shift from traditionalism to individual modernity. Men become modern through the particular life experience they undergo, such as school, factory urban environment, and mass media.

Lerner defines "modernity" as the state of mind-expectation of progress, propensity to growth, readiness to adapt oneself to change. Modernity of individuals is in sum the psychological transformation through empathic capacity. To Lerner, "empathy," mobile personality, is the predominant personal style only in modern society that is distinctively industrial, urban, literate, and participant (Lerner, 1965).

Inkles and Smith (1974) think that more modern social conditions lead to more of the following characteristics in individuals: openness to new experiences and to new ways of doing things, readiness for change (acceptance of changed opportunities, greater willingness to allow others to do things in new ways), being disposed to form and hold opinionism on a large number of issues that arise within and outside one's immediate environment, being aware of the diversity of attitudes and opinions around one and valuing these variations in opinion, being informed about the wider world, being oriented to the present or the future rather than the past, believing that people can learn to exert considerable control over the environment, that they can better arrange human

affairs and that they can participate personally in this redesign of conditions affecting their own lives (Inkles and Smith, 1974). No single quality could adequately define the modern man, so they believe that individual modernity manifests itself in a variety of forms and contexts, as a syndrome or complex of qualities rather than as a single trait. Theorists of this persuasion vie with each other in developing ever more elaborate description of what modern man is like, so they tend to contradict one another.

This school of thought has been criticized as historically incorrect, theoretically oversimplified, and methodologically flawed. "In fact, motivational theories have recently fallen into relative disfavor and investigators have turned to other questions concerning the supply of entrepreneurship" (Smelser, 1976, p. 128).

Some of the criticism deals with the fact that this approach neglects the international economic and political linkages as well as paying little attention to structural constraints.

G. Frank states that "those engaging in this mode of analysis resolutely avoid the study of the international structure of development and underdevelopment of which the domestic structure of underdevelopment is only a part" (Frank, 1969b, p. 47).

Societies are not the simple sum of individual members.

Motivated individuals and highly modernized personalities must cope with existing economic, social and political arrangements. Highly motivated modern individuals can be extremely functional for maintenance of existing power structure. The motivation for achievement of individuals can be absorbed and fulfilled without changing a basic situation of economic subordination and maldistribution. "Bourgeoisie of the underdeveloped countries sought nothing but accommodation to the prevailing order. Living in societies based in privilege, they strove for a share in the existing sinecures" (Paul Baran, 1970, p. 287).

The assumption in this paradigm that traditional or religious values are obstacles to development has been disputed by a growing body of evidence that shows that so-called traditional values are congruent with development and often furnish value legitimation necessary in periods of rapid national change (Bellah, 1965; Nash, 1958; Walton and Portes, 1976; Geertz, 1963).

The basic methodological problem with neo-Weberian approach to understanding factors facilitating modernity is that it tends to assume a common end-state such as a capitalist, liberal-democratic system or another. One should recognize that there are many varied outcomes to economic growth and different modes of organizing the pattern of development.



### C. Theories of Dependency School

This perspective is the newest on sociology of development and originated outside Western Europe and the U.S. The central premise of the dependency theories is that it is impossible to comprehend the processes and problems of development in the "Third World" without treating this within the wider socio-historical context of the expansion of Western European industrial capitalism. It is argued that rapid industrial growth in the West could not have occurred without the conditioning of a "periphery" from which an economic surplus is extracted and necessary raw materials secured (Wallerstein, 1974b). From the point of view of dependency theories, it is necessary to treat the world as one single system. With this as the starting point, the problem is to discover the manner in which the "underdeveloped" countries are inserted into this world system, and how this differentiated them from the historical pattern of development of the advanced nations. To assume that the processes of social change are endogenous to the societies of the "Third World" is completely ahistorical. Theories of dependency as the counterpart of earlier theories of imperialism (Lenin, 1939; Hobson, 1965) or as the observe side of them (Bodenheimer, 1970). In this sense, dependency theories seek to explain the social and economic process occurring in the dependent countries, while theories of imperialism

focused on the process occurring in the developed countries.

For example, Hobson argued that there was insufficient effective demand in the metropolis, owing to low wages and that consequently, capitalists needed to find markets for their commodities overseas. He believed that income redistribution would remedy this problem of underconsumption. Lenin's argument was that the declining rate of profit in the metropolis meant that, with the opening up of the colonies, there were more profitable investment opportunities abroad. He claimed that imperialism was the highest stage of capitalism which is characterized by five features: (1) The dominance of monopolies; (2) the dominance of finance capital; (3) the export of capital--rather than export of commodities; (4) the formation of international monopolies; and (5) the partition of the world between the various imperialist powers (Lenin, 1939).

Earlier writings of dependency such as Baran (1956) attributed the economic backwardness of the "Third World" to its dependent status in an international market system that favors the industrialized countries who control the capital, technology and markets essential for economic growth. Baran argued that advanced industrial nations of the West are opposed to the industrialization of the underdeveloped countries since the latter provides them with raw materials and investment outlets (Baran, 1957).

However, dependency theories can be divided into two approaches, one conceptualizing dependency as the dependence of one system on another which can be labelled external dependency or dependency as a relationship. Dependency is seen as purely economic relation between two national economies, in which economic development of the dependent nations was conditioned by the economic development of the metropolitan nations. Dependency here means lack of autonomy.

The other approach views dependency as a conditioning factor which alters the internal functioning and articulation of the elements of the dependent social formation. The internal dynamics of the dependent social formation are seen by this approach as fundamentally different from the internal dynamics of the social formation of advanced capitalism (see Amin, 1976b).

Quijano (1974) criticized this approach as to

have no other function than to replace, for certain purposes, the concept of "imperialism" without providing the necessary understanding of how the articulation of elements produced by imperialist domination, giving rise to a determinate socio-economic formation subordinated to it, is carried out. (Quijano, 1974, pp. 398-399)

To the second approach, Frank (1969b), Amin (1976b), and Dos Santos (1970) belong. Dos Santos defines dependency as

a situation in which a certain group of countries have their economies conditioned by the development

and expansion of another economy, to which their own is subjected (where) dependency conditions, a certain internal structure which redefines it as a function of the structural possibilities of the distinct national economies. (Dos Santos, 1970, p. 48)

Andre Gunder Frank (1969a) utilized a whole chain of exploitative relations and an extraction and transmission of surplus through a series of metropolis-satellite links

which runs from the world metropolis down to the hacienda or rural merchant who are satellites of the local commercial metropolitan center but who in their turn have peasants as their satellites. (Frank, 1969a, pp. 146-147)

The close economic, political, social, and cultural ties bind the satellite to each metropolis, which expropriates their economic surplus to use for its own economic development, while the satellites tend to become progressively more dependent. Ties of economic dependence are matched by a concentration of political power and social resources in metropolitan centers. The small urban-based elite who control the economic and political life of the masses is the manifestation of this notion of concentration which is an essential element of the capitalist system. This economic and socio-political connection, between satellite and metropolis, generates increasing interdependence of their bourgeoisie who develop mutual interest in maintaining the system.

This approach does not assume a uniformity among non-capitalists, so-called "traditional" societies, and allows

for the incorporation of dissimilar social structures, e.g. tribal, feudal, or peasant type. Rather, it maintains that the penetration of capitalism tends to produce change in the existing system such that features that are incompatible with the newly evolving structure are eventually eliminated. However, there are continuing arguments among dependency theorists about the definition of capitalism and whether there can be a coexistence of more than one mode of production in peripheral societies.

Frank's analysis assumes that the intrusion of capitalism leads to the elimination of noncapitalist forms of organization. He indicated that the sectors of an underdeveloped economy are in fact well-integrated in terms of a structured metropolitan-satellite relationship which results from the penetration of capitalism into even the remotest corners of the "Third World." Frank's social theory has been formulated as a conflation of spatial entities and social classes (Booth, 1975, p. 78). This conflation and the use of a concept of surplus to replace the Marxist concept of surplus-value that enables Frank to encompass relations of exploitation among social classes and relations of transfer of value between economic regions. Frank, however, rejects social and economic dualism, and at the same time refuses to allow for the persistence of certain feudal-type relations or other noncapitalist modes as Frank's claim that Latin

America has been a capitalist society since the beginning of the 16th century.

Ernest Laclau (1971) argues that Frank's definition of capitalism differs radically from the Marxist one since it emphasizes exchange and commercial relationships rather than the processes of production. Frank confuses participation in the world capitalist economic system with the dominance of the capitalist mode of production in Latin America. Drawing on Marx, Laclau stresses the necessity of distinguishing between capital and capitalism. He said,

Did the structural conditions of capitalist exist in 16th century Europe when, according to Frank, the process of capital domination started in Latin America? Could we consider free labor to be the rule then? By no means. Feudal dependence and urban handicrafts remained the basic forms of productive activity. The existence of a powerful commercial class which greatly enlarged its stock of capital through overseas trade did not in the least modify the decisive fact that this capital was accumulated by the absorption of an economic surplus produced through labor relationships very different from those of free labor. (Laclau, 1971, p. 27)

The debate among theorists over the transition from feudalism to capitalism in Western Europe and what defines the characteristics of feudalism carried on for many years. Some of them characterize feudalism as the absence of large-scale commerce, the self-sufficiency of manor and production for use rather than for exchange (Hilton, 1976). If the dominant role of production is for the market, then it is

capitalism. This is the position of Frank as well as Wallerstein. However, for Marxists, it is not the production of commodities as such which defines the capitalist mode of production, but rather the existence of labor-power as a commodity, and it is not the absence of markets but the existence of servile labor that defines feudalism as a mode of production.

The discussion of modes of production in the developing countries is concerned with the ways in which the capitalist mode articulates with, and eventually comes to have controlling influence over, noncapitalist modes. The criticism of Frank's thesis by Laclau (1971) and the work by the French Marxist anthropologists such as Terray (1972) and Dupre and Rey (1973) represent an attempt to come to grips with multistructural character of economic systems in the developing countries through an analysis of production system. Through this analysis, sociologists and anthropologists hope to gain insight into the mechanisms by which particular types of production relations are maintained and how they are connected with other modes existing within the same macro socio-economic framework. This approach aims to explain how and why certain noncapitalist forms of production persist despite their involvement in modern marketing systems based on commodity exchange. While Frank is right in emphasizing the importance of exchange processes, it is

equally important to attempt to relate patterns of circulation and distribution to production.

The argument of this perspective stated that the mode of articulation of the underdeveloped economies with the world economic system may result in a transfer of resources from the periphery to the center and/or this articulation may give rise to various blocking mechanisms which hold back or distort the economies of the periphery, thereby preventing an allocation of resources which will produce economic growth. Value may be transferred through unequal exchange, through the exchange of productive goods for non-productive goods or through control over prices, etc.

In the dependent countries, there are different aspects of articulation. Within the social formation of the dependent country, there is the articulation of the modes of production in the interior where capitalism is the dominant mode of production. At the level of its interconnection with the world economy, there is the articulation between dependent social formation in the periphery and pure capitalism in the center (Amin, 1976b). The two aspects are interrelated. The manner in which the economy is inserted into the world economy conditions the processes of articulation of modes of production within the social formation of the dependent countries.

Marx's discussion of the primitive accumulation (Marx,



1909; Marx, 1962) within a given social formation which may take the form of a transfer of value from the feudal agriculture sectors to the capitalist sector. This notion of exchange between two modes of production is central to some of the theories of dependency, in particular those that claim a central mechanism of imperialism consisting of unequal exchange. This is to treat dependent countries as having become a part of the social formation due to the historical articulation process by which capitalism was incorporated. The result is that to some theorists, the different modes of production are articulated in such a way as either to discourage growth, or to transfer the benefits of growth abroad. Industry is owned by foreigners who remit potential investment surplus; domestic entrepreneurs are disinclined to invest and prefer to spend money on luxury consumption.

Amin (1976b) and Kay (1975) emphasize the role played by merchant capital in underdeveloped countries. They argued that the expanding world capitalist economy first articulated with the peripheral economies by creating a class of merchant capitalists. This class did not engage in or organize the production process. The consolidation of merchants and the dominance of this class proved to be an obstacle to the emergence of real industrial bourgeoisie which would organize production along capitalist lines.

Another position emphasizes the way in which the dependent economy was disarticulated by the impact of imperialism, and then its various parts reintegrated with the metropolitan economy. This position can be found in the case of mineral-exporting enclave economies but can be argued for all underdeveloped countries. Finally, the dependency theorist argued that reform rests on the restructuring of the mode of articulation of the economy with the world economy. But this restructuring will be opposed by the ruling class in the dependent countries and by imperialism. The end result will be a revolution or continued dependency, said dependency paradigm writers.

### III. DESCRIPTION AND EXPLANATION OF AMIN'S THEORY

The work of Samir Amin is "particularly important for current underdevelopment theory because of its scope, its awareness of problems ignored by others employing this approach" (Bernstein, 1979, p. 98). Chase-Dunn stated that

The paradigm revolution put forth in Amin's book[s] recasts earlier theories of imperialism by integrating the accumulation process, class struggle, and exploitation at the level of whole systems. His framework for analyzing capitalist development resolves many of the anomalies confronted by Marxist theory and suggests a new perspective on the transition to socialism. (Chase-Dunn, 1978, pp. 78-79)

Amin has written some 20 books or book-length studies, has coauthored, edited, or contributed to at least a dozen more, and is the author of articles and papers whose numbers must run into three figures (Aidan Foster-Carter, 1982). However, it is the two books Accumulation on a World Scale (1974a) and Unequal Development (1976b) which brought Amin international fame. Accumulation on a World Scale consists of two volumes which are very much a book for the economist. As indicated from its subtitle, "A critique of the theory of underdevelopment," Amin structured most of this book around a critique of the theories of bourgeoisie economics. He considers a criticism of university economics has been very useful, for it is through such criticism that these elements (of analysis of accumulation on a world scale) have emerged,

as in the matter of unequal exchange. This encourages us to preserve in the same direction, to appreciate everything that the criticism of present-day economics can contribute to enriching our thought. After all, Marx's own Capital assumed just this form. Marx worked out his concepts by way of critique of Ricardo (Amin, 1974b). Nigel Disney pointed out that

Professional economists familiar with the works Amin discussed will doubtless find his criticism fascinating; those not so familiar will be dismayed at page after page of criticism of this or that economist, which end up concluding that the economist has nothing of value to contribute. (Disney, 1977, p. 127)

Amin's book Unequal Development has relatively less economic and more sociological material; however, the same ideas approached in Accumulation on a World Scale are repeated in Unequal Development, which made some critics note that

These two works cover virtually identical ground, and Unequal Development is perhaps better regarded as a second edition of Accumulation on a World Scale . . . substantial passages are taken virtually unchanged from the latter and incorporated into the former. (Brewer, 1980, p. 233)

As Aidan Foster-Carter (1982) indicates, Unequal Development

Remains the most accessible account of the mature Amin's general position. It also, like Accumulation on a World Scale, is avowedly a work of synthesis; in other words, at some level these books can be taken to "represent" not only Amin but the "rise to maturity" of an entire school, variously characterized as "theories of underdevelopment" or "dependency." (Brewer, 1980, p. 26)

Amin's fundamental theses have been summarized by Aidan Foster-Carter (1982):

- (1) The world capitalist system, consisting of social formations in the center and the periphery, is integrated into a single world system primarily through relations of exchange and unequal specialization of production;
- (2) There exists in this global system hierarchical structure of modes of production sectors, with uneven productivity and heterogeneous relations of production;
- (3) Modes of production, sectors of the periphery, are:
  - (a) articulated with capitalist social formations at the center, but
  - (b) disarticulated with respect to social formations at the periphery;
- (4) This structure of articulation, disarticulation is the result of the centuries-old evolution of forms of international specialization, dictated by the internal dynamics of capitalist social formations and imposed on the periphery by the center--initially through political domination, and subsequently through the mechanism of unequal exchange;
- (5) Transfer of economic surplus value takes place

from peripheral capitalist to central social formations as a result of primitive accumulation. This process survives the pre-history of capitalism; its persistence to the present constitutes the essence of the problem of accumulation on a world scale.

Amin defines underdevelopment as the blocking of the transition to capitalism of the peripheral social formations by the advanced capitalist social formation. The peripheral social formation integrated into the capitalist world market is prevented from accumulating capital indigenously; capital accumulated at the periphery is transmitted to the center (rather than being used for development in the periphery) either through the direct repatriation of profits, or through unequal exchange based on unequal specialization (Disney, 1977).

The development has

Failed to take off, and cannot take off, in the periphery as the conditions of such a process, an autonomous accumulation of capital effected through the agency of genuine national bourgeoisie, are pre-empted by dependence on and subordination by the capitalist center. (Bernstein, 1979, p. 84)

The above was a general summary of Amin's main ideas. The following is a look at some of his concepts in more detail.

#### A. Social Formation and Mode of Production

Amin introduces the concepts "mode of production" and "formation" in an attempt to specify the world system, the center and periphery in terms that move beyond market categories, and so in terms that can grasp historical movement (Gerstein, 1977). He argues consistently that real history can only be understood by the analysis of concrete social formations and can't be reduced to a preordained succession of modes of production. He distinguishes between these two concepts. Mode of production "is an abstract or implying no historical order of sequence with respect to the entire period of the history of civilization" (Gerstein, 1977, p. 13).

There are six modes of production according to Amin: (1) "primitive-communal" mode; (2) the "tribute-paying"<sup>1</sup> mode which is the most widespread form of precapitalist classes. This mode has two stages, an earlier form and its developed forms, the "feudal" mode of production; (3) the "slaveowning"; (4) the simple petty-commodity; (5) the "capitalist"; and (6) the socialist mode of production.

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<sup>1</sup>Amin points out that the "tribute-paying" mode of production, in which surplus product was gathered from traditional communities by an overarching political apparatus, cannot be understood in terms of juridical ownership of means of production alone. This is important to the discussion of state capitalism and what he calls the "Soviet mode of production."

# 1. Social formation

Modes of production have always existed in a pure state: The societies known to history are "formation" that on the one hand combine modes of production and on the other organize relation between the local society and other societies expressed in the existence of long-distance trade relation.

Social formations are thus concrete, organized structures that are marked by a dominant mode of production and the articulation around this of a complex group of modes of production that are subordinate to it. (Amin, 1976b, p. 16)

Analysis of a concrete social formation must be organized around an analysis of the way in which the surplus is generated in this formation. The transfer of surplus that may be effected from or to other formations, and the internal distribution of this surplus among the various recipients--classes or social groups. This concept of "surplus" assumes different forms in different modes of production, e.g., in tribute it takes the form of rent in kind; under capitalism, "profit" is the specific form assumed by surplus value when it is distributed in proportion to capital invested.

The concept of the social formation is a historical concept. Technological progress--the level of development of the productive forces--is cumulative. However, this historical sequence of formation is not unique. The historical sequence of social formation, in contrast to the lack



of sequence in the mode of production they combine, shows that it is absurd to draw any sort of analogy between identical modes of production integrated in formation, belonging to different epochs, e.g., between African or Roman slavery and that in 19th century America (Amin, 1976b, p. 22).

## 2. Social classes

The generation and circulation of the surplus within a particular formation can identify classes and social groups. Each mode of production determines a pair of classes such as bourgeois and proletariat in the capitalist mode. Each class is defined by the function it fulfills in production (see footnote 1 in this chapter), rather than reduced to "ownership" of the means of production. Every society has a complex group of more than two classes because of the combination of mode of production which constitutes a social formation.

## 3. Center and periphery

The capitalist mode of production constitutes a world system in which all the formations, central and peripheral alike, are arranged in a single system, organized and hierarchical. The capitalist world market is the only world system.

Amin defines the capitalist mode of production as being characterized by the exclusive appropriation by one class of means of production that

are themselves the product of social labor. This exclusive appropriation by a certain class, although it has historically taken the form of individual ownership of the means of production, may also take collective form. Capitalism exists wherever means of production that have been produced by social labor are not managed by society as a whole but by a section of it, which then becomes a "bourgeoisie." Capitalism makes its appearance when the level of development of the productive forces is sufficiently advanced for these means of production, which are themselves products, to be no longer simple enough to be managed by the individual producer. The traditional peasant and craftsman make their own tools. Industrial workers cannot make their own factories. The means of controlling society shifts from domination of the natural means of production to domination of those means of production that are themselves products, e.g. equipment, machinery, plants. (Amin, 1976b, p. 59)

Three features characterizing the capitalist mode of production according to Amin are: (1) the whole social production takes the form of commodities; (2) labor power itself becomes a commodity, which means that the producer, having been separated from the means of production, becomes a proletarian; (3) the means of production themselves become commodities, in which is materially embodied a social relationship that of their exclusive appropriation by a particular class. They become capital.

Capitalist formations are all marked by the dominance of the capitalist mode of production. All products in these formations are commodities. In all the precapitalist modes, the means of subsistence were not object of exchange and the

surplus was often transferred in other than commodity form (as tribute or rent in kind).

In the precapitalist formations, different modes co-exist and linked together and arranged hierarchically, but capitalist mode tends to become exclusive, destroying all the others. In the central capitalist formation, the capitalist mode of production tends to approximate the pure form of capitalism, based on the widening and deepening of internal market, while in the peripheral capitalist formation, the capitalist mode which is dominant, subjects the others and transforms them, depriving them of their distinctive functioning in order to subordinate them to its own, without destroying them radically (Amin, 1974b).

In other words, the center is characterized by self-expanding or "autocentric" accumulation, relatively differentiated and integrated production. So that in the center, Amin asserts,

The tendency of the capitalist mode of production to become exclusive, when based on expansion and deepening of the homemarket is accompanied by a tendency for the social structure at the center to come close to the pure model of capital, characterized by the polarization of social classes into two basic classes: bourgeoisie and proletariat, with new strata "all situated within the framework of the essential division between bourgeoisie and proletariat." (Amin, 1976b, p. 293)

In the periphery, because the capitalist mode of production is introduced from outside and is based on the external

market, it does not tend to become exclusive, only dominant; thus peripheral capitalism is a formation dominated by the capitalist mode of production, but is combined with various pre-capitalist modes of production, now distorted showing no tendency to vanish. It follows that the formations of the periphery will not tend toward polarization. Also, unlike the growing homogeneity of the social formations of the center, the periphery is characterized by the persisting heterogeneity. The form assumed by peripheral formations will ultimately depend on the nature of the precapitalist formations subjected to attack by the dominant capitalist mode of production, on the one hand, and on the other, on the form taken by this external attack (historical process). However, all of these varied peripheral formations are moving toward a common pattern of peripheral capitalism.

The determining link in an autocentric capitalist system is that which connects the production of consumer goods with the production of the goods that are destined to make it possible to produce these consumer goods.<sup>2</sup> This link has been a feature of the historical development of capitalism at the center of the system. This relation between the two main branches entails another which is the link between the level of development of the productive

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<sup>2</sup>This model is based on the schemes of expanded reproduction in Marx's Capital, vol. II.

forces, the productivity of social labor, with the rate of the surplus value (and so the level of real wages.<sup>3</sup> The external relation of the developed regions (the center) with the periphery of the world system is quantitatively marginal compared to the internal exchange within the center. In short, Amin argues, the economics of the center are integrated so that an initial impulse of some sort stimulates the whole economy, while in the periphery, the stimulus leaks away abroad.

The pattern<sup>4</sup> of transition to peripheral capitalism is fundamentally different from that of transition to central capitalism. The onslaught from without, by the capitalist mode of production upon the precapitalist formation, causes certain crucial retrogression to take place. Peripheral

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<sup>3</sup>An important part of Amin's account of the relation between center and periphery rests on the fact that wages in the center have increased in line with productivity since 1900, and so Amin argues that rising wages in the center and constant wages in the periphery brought into existence the mechanisms of unequal exchange. Increased wages as a result of increased productivity (rise in the organic composition of capital) made the tendency of the rate of profit to fall and that must be offset by increased exploitation in the periphery.

<sup>4</sup>Capitalist development in the periphery was blocked. Since the periphery could compete only in resource-based export (minerals, tropical agriculture), and there could only be limited development oriented to the narrow domestic market luxury goods demanded by small minority of the population, the larger part of the population became marginalized. This contrast between center and periphery is the final disproof of evolutionary theories of economic development and nation building.

capitalism is manifested in three kinds of distortion:

- (1) The distortion towards export activities "extra-version".
- (2) The abnormal enlargement hypertrophy of the tertiary sector which reflects (a) the difficulties in realizing surplus value at the center, (b) limitations of peripheral development: inadequate industrialization and increasing unemployment. This hypertrophy of unproductive activity expressed especially in the excessive growth of administrative expenditure and a quasi-permanent crisis of government finance.
- (3) The distortion toward light branches of activity, together with employment of modern production techniques in these branches. This distortion is the source of special problems that dictate development policies in the periphery that are different from those on which the development of the West was based (Amin, 1976b, p. 201).

Underdevelopment is manifested not in level of production per head, but in certain characteristic structural features that "oblige us not to confuse the underdeveloped countries with now-advanced countries as they were at an earlier stage of their development" (Amin, 1976b, p. 201). These features are: (1) extreme unevenness in the distribution of

productivities and in the system of prices transmitted from the center, (2) disarticulation due to the adjustment of the economy to the needs of the center, which prevents the transmission of the benefits of economic progress from the poles of development to the economy as a whole, and (3) economic domination by the center, which is expressed in the forms of international specialization (the structures of world trade in which the center shapes the periphery in accordance with its needs). As economic growth proceeds, features of underdevelopment are accentuated, autocentric growth is impossible, whatever output per capita is achieved.

#### B. The Extraversion of the Periphery

Amin indicates that

Extraversion must not be reduced to the quantitative importance of exporting activities in the underdeveloped economies with import substitution industrialization, extraversion assumes new forms, nevertheless. This quantitative predominance of the exporting activities has remained typical of the underdeveloped world. (Amin, 1976b, p. 203)

Higher proportion of income of underdeveloped countries comes from export activities. But Amin pointed out that

This empirical approach is inadequate. The distortion toward exporting activities in the allocation of both financial resources (direct investment, the infrastructure created to serve the exporting areas and sectors, etc.) and human one (orientation of training and education in accordance with the needs of integration into the world capitalist market) gives extraversion a qualitative dimension and asserts

the dominance of the exporting sector over the economic structure as a whole, which is subject to and shaped by the requirements of the external market. (Amin, 1976b, p. 203)

Growth of imports to underdeveloped countries increased out of proportion due to: (1) Urban development, without adequate increase in agricultural production of food stuff. This leads to increasing import of basic food products. (2) Increase in administration expenditure beyond the possibilities of the local economy. (3) Change in the structures of income distribution, with "Westernization" of the way of life and consumer habits of the privileged strata, leads to import of luxurious goods and services unnecessary for the society. (4) Lack of or inadequate industrial development and disequilibrium in the industrial structures is necessary to import production goods and intermediate goods. These processes enhance the dependent status of underdeveloped countries.

#### 1. Disarticulation

The advanced economy is an "integrated whole, a feature of which is a very dense flow of internal exchange, the flow of external exchanges of the atoms that make up this whole being, by and large, marginal as compared with that of internal exchange" (Amin, 1976b, p. 237). In contrast,

The underdeveloped economy is made up of atoms that are relatively juxtaposed and not integrated, the density of the flow of external exchange of



these atoms being much greater, and that of the flow of internal exchanges very much less. (Amin, 1976b, p. 237)

In a structured autocentric economy, any progress that begins at any point is spread throughout the entire organism by many convergent mechanisms. Progress is diffused from industries that can be regarded as poles of development. In contrast, the extraverted "underdeveloped economy is made up of sectors, of firms that are juxtaposed and not highly integrated among themselves, but are each of them strongly integrated into . . . the centers of capitalistic world" (Amin, 1976b, p. 238). The weakness of national cohesion in the Third World is a reflection of this disarticulation.

## 2. Marginalization

The distortion of economic activity of the underdeveloped countries toward the tertiary sector (commerce, services, administration, transport) which provide more than 50 percent of the product, even more in the case of higher degree of integration in the world market, whereas the share of secondary sector (industry, building) is much smaller. The distribution of labor force is distorted. The proportion of labor force engaged in tertiary activities is very much greater than that engaged in secondary sector occupation. Unlike the central model, the traditional peasants who are released from agriculture and the ruined craftsmen

went to the tertiary rather than secondary sector, and this happened from the beginning of the process of modern urban growth in connection with integration into the world capitalism.

The transition to peripheral capitalism from without by means of trade carried out by the capitalist mode of production upon the precapitalist formations causes retrogression, such as the ruin of the crafts through competition from imported manufacture, without their being replaced by local industrial production.

The distortion of precapitalism agrarian relations evicts a large part of the population from land, proletarianizing the people, which altered the original society and deprived it of its traditional character. This change brought about urbanization without industrialization and concentration of capital.

### 3. Dependency

Domination by the center is not a consequence of the fact that the periphery's exports are made up of basic products, but of the fact that the peripheral economies are only producers of basic products, which means that this production is not integrated into an autocentric industrial structure. The manifestation of this dependence is that the periphery does most of its trade with the center. Domination of periphery by foreign capital leads to an

outflow of profits. The transfer of surplus through technological dependence will gradually tend to replace combination through direct appropriation. Monopoly of the technology by the center reflects the new form of dependence. It means, in economic terms,

The transfer from the periphery to the center of the multiplier mechanisms, which cause accumulation at the center to be a cumulative process. From this transfer results the conspicuous disarticulation of the underdeveloped economy, the dualism of this economy, and in the end, the blocking of the economy's growth. (Amin, 1976b, p. 288)

The center's need for primary products (agricultural and mineral) from the periphery which leads to narrowing its range of productive activity is based on the rate of growth of the center. This dictates the growth of the periphery.

### C. Sectoral Unevenness in Productivity

The tendency of the capitalist mode of production at the periphery center is toward (1) uniforming the labor time and reducing it to its simplest, least skilled category, and rewarding it at a uniform rate; (2) equalization of the rate of the profit among sectors; and (3) intensive use of capital in all branches of the economy which constitutes an increase in productivity. It is because "the capitalist mode of production has not taken hold of all the branches of production as it has in the center" that we find such a "big divergence for the organic compositions of capital"

and so in turn in productivity. It is this "circumstance that accounts for the sectoral differences in rewards, and constitutes the principal aspect of the problem of unevenness in the distribution of income in the Third World."

Unevenness of productivity between branches in the periphery expresses the uneven degree of modernization resulting from uneven penetration by the capitalist mode of production. Unevenness of productivity is often reflected in unequal rates of profit, but also in unequal rewards of labor, especially where sectors that do not belong to the capitalist mode are concerned as is often the case with rural production. The juxtaposition of the two economic systems that belong to different epochs whose levels of productivity are so divergent were part of the inequality of income distribution.

#### 1. Unequal exchange

The relation between the center and the periphery is described as primitive accumulation, a form of relationship that characterizes economic instance of contact between a pure capitalist mode with some other formation.

The mechanism of primitive accumulation is unequal exchange. "The exchange of products of unequal value (whose prices of production are unequal) . . . this means the reward will become unequal" (Amin, 1974b, p. 88). Thus, primitive accumulation is not only characterized by the prehistory of

capitalist mode of production, it "continues to operate and to be characteristic of relations between the center and periphery" (Amin, 1974b, p. 38). It continues because the "prehistory is not over and done with; it goes on, through the extension of capitalism on the world scale" (Amin, 1974b, p. 38).

Relations between the center and periphery took different forms depending on the different stages of the periodization of the system which is determined by the rhythm of an expanded reproduction at the center internally.

(1) Precapitalist (16th century): Trade relations between the center in process of formation (western Europe) and the new periphery that it formed in the mercantile period were vital for the genesis of capitalism. The commercial relations of this period were quantitatively and qualitatively a fundamental element in the period when capitalist systems were formed. The greater part of the internal exchange, taking place at the center redistributed products, originated in the periphery. The center imported luxury consumer goods and products of agriculture and crafts. The center obtains these products through simple exchange, through plunder, and through organizing production that was established for this purpose. The accumulation of money capital in the ports of Europe as a result of selling products of the periphery to the ruling classes. This process speeds up the

disintegration of the feudal mode of production (Amin, 1974b, p. 40; 1976b, p. 155).

(2) Between the Industrial Revolution and the complete conquest of the world (1780-1900), a period marked by pause in primitive accumulation. The old forms, e.g. plundering, etc., gradually faded away and new forms took shape only slowly. However, it is the first time in history that international specialization became possible. The center (first Britain) exported to the periphery manufactured goods. It imported mainly agricultural products. Gradually world trade became split into two groups of exchange with differing functions: exchange between the center and the periphery, and internal exchange within the center. The proportion of world trade contributed by trade between center and periphery declined, while exchange within the center increased. This means that the development of capitalism in the center has increased the relative intensity of the internal flows, but in the periphery it has increased only that of the external flows. Underdeveloped countries increasingly are becoming specialized in the export of a few basic products.

In this period, capitalism was competitive extension of the market that took place in the market of the outside world in a context of competition between the enterprises of the metropolitan countries.

(3) Imperialism: The mechanism of primitive

accumulation for the benefit of the center reappeared in a new form. Imperialism is characterized by unequal exchange (the exchange of products whose prices of production are unequal) which, in turn, means that the rewarding of labor became unequal. The export of commodities was accompanied by that of capital. "The export of capital did not replace the export of goods; on the contrary, it gave the latter a fillip." Imperialism was to make possible changes in the way the periphery specialized. The periphery ceased to export agricultural products, and became an exporter of goods produced by modern capitalist enterprises with a very high productivity such as the oil industry. The bulk of the center's capital investments in the periphery is in the exporting activities (mining, oil, primary processing of mineral industry) with the second place being tertiary activities connected with exports, and industry producing for the local market playing only a minor role.

In every stage of the world capitalist development, the commercial and final relation between the center and periphery serve two functions: (1) To facilitate by extending the capitalist market at the expense of the precapitalist system and to absorb the surplus, and (2) to increase the average rate of profit. However, in the age of competitive capitalism, it has an objective need, for the expansion of the market: (1) the inadequacy of the market in the

center and (2) for maximizing the rate of profit-seeking abroad for cheaper goods for popular consumption so the cost of labor can be reduced, as well as the cost of raw materials to make possible the reduction of the value of the constant capital.

In the age of monopoly, competition between firms no longer proceeds by way of price cut. Wages at the center rise with the rise of productivity (as required for auto-centric accumulation). Export of capital was necessary to counter the falling rate of profit at the center. Therefore, the periphery role reduced as a mechanism of absorption to that of raising the level of the rate of profit. It is through export of capital that forms of production to be established in the periphery although modern, but nevertheless enjoyed the advantage of low wages-cost. It was then the unequal exchange appeared.

#### D. A New Form of Monopoly (Postimperialism)

After 1945, the forms of international specialization were changed. Three structural changes marked the present period: (1) multinational corporations operating on the world scale; (2) technological revolution toward ultramodern branches requiring highly skilled labor such as electronics, space research, etc., which renders obsolete the classical mode of accumulation; and (3) concentration of technological



knowledge in the giant transnational firms (Amin, 1974b; 1976b, pp. 189-190).

The technological domination is the new form of monopoly as a means of obtaining extra surplus value of the rate of profit. "The return flow of profits from the periphery to the center is going to increase, and the underdeveloped countries are going to become sources of capital for the center. . . technological revolution is going to make it possible for a new type of unequal international specialization to take shape" (Amin, 1976b, pp. 189-190).

The new form of unequal specialization and consequently uneven development of the world system would be in the form where the Third World specialized in industrial production of classical type, while the center keeps the ultra modern branches of activity.

The relationship between developed and underdeveloped countries is a historical process that resulted from the expansion of capitalism to pre-capitalist nation as a means to check the tendency of the rate of profit to fall. Samir Amin has identified the dynamics of the deepening expansion process as the means by which capitalism checks the tendency of the rate of profit to fall: (1) Increasing the rate of surplus value (which means aggravating the conditions of capitalist exploitation at the center, which implies relative impoverishment); (2) spreading the capitalist mode of

production to new regions where the rate of surplus value is higher and it is possible to obtain a superprofit through unequal exchange; (3) developing various forms of waste (military expenditure, luxury consumption, etc.).

The stage of imperialism reflected in the dominance of the second mechanism when the main thrust of capitalist development is the deepening expansion of the capitalist mode of production to new areas.

This extension is the work of central capitalism, which strives in this way to find a solution to its own problems. It is because central capitalism holds the initiative in this extension that relations between center and periphery continue to be asymmetrical. Indeed, this is why a periphery exists and is continually being renewed. (Amin, 1976b, p. 287)

#### E. Critique of Samir Amin

Anthony Brewer pointed out that

His [Amin's] is the only serious attempt to tackle what is surely the central problem, that of analyzing accumulation on a world scale, a dynamic process involving social formations of very divergent structures linked into a single world capitalist economy. In the process, he has tried to link together a range of subjects that had previously been studied in virtual isolation from each other: mode of production, class structures in the periphery, the pattern of international trade and specialization, the formation of international prices, the [economic] problems of national development in the periphery, the periodization of capitalist development, and so on. To base the problem is the important step. (Brewer, 1980, p. 257)

It is obvious that this broad range of work would attract a lot of criticism at different levels. Therefore, criticism

of Amin can be arranged around five areas: ideology, method, logic, theory, and empirical findings.

### 1. Ideology

Some writers describe Amin as a nationalistic (Smith, 1980) committed to the national bourgeoisie of the peripheral countries (Gerstein, 1977), concerned with technical prescriptions that would be useful to them (national bourgeoisie) in its struggle for independent development (Gerstein, 1977). I believe it is not the case, and Amin himself denied that strongly.

### 2. Methodology

Ira Gerstein and Mohammad Ja'far accused Amin's analysis of being ahistorical. Primitive accumulation is, according to Gerstein, a "historically specific term, descriptive of the transition from feudalism to capitalism." But Amin "transforms and misuses [it]" to "simply refer to contact between a dominant capitalist mode and a dominated formation" (Gerstein, 1977, p. 3).

Mohammad Ja'far (1978) criticized Amin for his historical notion of a mode of production, and consequently his ahistorical conception of the nation. Ja'far said, "To deny a historical order among modes of production is just as to deny order and direction in biological evolution" (Ja'far, 1978, p. 76).

Amin (1976b, p. 13) affirms that "the concept of a 'mode of production' is an abstract one, implying no historical order of sequence with respect to the entire period of history (civilizations that stretch from the first differentiated formations right down to capitalism)." Amin (1976b, p. 16) indicates that "mode of production has never existed in a pure state: the societies known to history are 'formations' . . . combine mode of production."

It is the concept of the social formation, according to Amin, that indeed is a historical concept, which means that the level of development of the productive forces is cumulative.

However, this historical sequence of formations is not unique. The principal, most common line of development shows us first a series of communal formations, then a series of tribute-paying ones. But this main line becomes relatively "blocked" in that technological progress may take place with the tribute-paying formation. . . . A secondary marginal line of development shows a succession of communal formations, and then of feudal formations (which are a borderline variety of the tribute-paying family) with a strong commodity element in them (slave owning-commodity and/or non-slaveowning simple commodity). (Amin, 1976b, p. 21)

Amin justified the historical sequence of social formations and lack of sequence in the mode of production that are combined make it "absurd to draw any sort of analogy between identical modes of production integrated in formation, belonging to different epochs" (Amin, 1976b, p. 22).

Related to the issues of mode of production is the

concept of the nation. Amin (1976b, p. 27) pointed out that

Nation is a social phenomenon that can appeal at any stage of history and is not necessarily associated with the capitalist mode of production. It arises when any dominant social class--bourgeois, feudal, merchant--controlling the central state machinery ensures economic unity of any ethnic group.

Nation, according to Amin, can appear when a shared geography and community of language and culture and when over and above

A social class, controlling the central state machinery, ensures economic unity of the community's life. That is, when the organization by this dominant class of the generation, the circulation, and distribution of the surplus, welds together into one the fates of the various provinces. (Amin, 1976b, p. 27)

Amin found the classical Marxist formulation that national formation begins with the very earliest stages of capitalism is "unacceptable, for it is clear that imperial China or ancient Egypt were not mere conglomerations of people" (Amin, 1976b, p. 27). The nation as a national phenomenon "is reversible; it can flourish or it can disappear, depending on whether the unifying class strengthens its power or loses it. In the latter case, the given society regresses to become a conglomeration of ethnic groups that may become increasingly differentiated" (Amin, 1976b, p. 28). Amin maintains that the

Arab unity was the historical product of the mercantile integration of the Arab world, as carried out by a class of merchant-warriors.

It was only with the decline of trade relations that national disintegration set in, a disintegration which was accentuated by integration of the Arab world into the imperialist system.  
(Amin, 1978a, p. 7)

Ja'far rejected Amin's conception of nation formation as ahistorical which resulted from Amin's ahistorical notion of mode of production. Ja'far claimed that only in the 19th century does the Arab nation emerge "parallel with the growth of capitalist economic penetration and trade with the advanced and capitalist countries" (Ja'far, 1978, p. 79).

### 3. Logic

Bernstein describes Amin's major texts to contain "an encyclopaedic tangle of categories and methods which is self-reinforcing and results in a series of mutually contradictory proposition" (Bernstein, 1979, p. 98). Bernstein pointed out two contradicting conceptualizations of the peripheral social formations. "One coincides exactly with dualism<sup>5</sup> . . . the coexistence of separate sectors, often expressed as an export enclave, and a subsistence sector." "Two sectors coexist without interpenetrating and the economy does not form an integral unity" (Amin). The second conforms to the idea of articulation of modes of

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<sup>5</sup>Nigel Disney (1977) talks about Amin's fault "despite lengthy critiques . . . of the marginalist and the 'dualism' theories, here he produces this concept, in his analysis: the 'modern' and 'traditional' sectors so beloved by the marginalist" (p. 125).

production. In the peripheral formations, "the capitalist mode, which is dominant, subjects the others and transforms them, depriving them of this distinctive functioning in order to subordinate them to its own, without, however, radically destroying them" (Amin). Finally, "despite their different origins, the peripheral formations tend to converge toward a pattern that is essentially the same. This phenomenon reflects, on the world scale, the increasing power of capitalism to unify" (Bernstein, 1979, p. 88).

Brewer (1980) also criticized Amin's treatment of feudalism as inconsistent. He describes it as the most developed form of the tribute-paying mode which "when well-developed, nearly always tends to become feudal--as in China, India, Egypt" (Amin, 1974b, p. 140), which means that the center tribute-paying formations were moving towards feudalism. But in another place, he describes feudalism as peripheral to the center tribute-paying mode. Because it is developed in areas where centralizing tendencies were weaker and where natural conditions were less favorable (Amin, 1976b, p. 55).

Brewer (1980) also indicated that Amin's argument about central accumulation is a confused argument. But he admits that surgical excision might be both necessary and possible.

Much of the criticism even thus overstated came from the fact that "Amin tries to reconcile ideas that are in

fact irreconcilable, and is led into inconsistencies" (Brewer, 1980, p. 233).

#### 4. Theory

Henry Bernstein uses Hirts's definition of theory as a "logical structure of concepts which designates an object to be explained and which provides a mechanism of explanation for that object." He thinks that the general characteristics of peripheral formation "are not theoretically specified, but are empirical generalization (and of low order). Most of the examples are drawn from Africa, and the generalizations themselves are subject to subclassifications that are crudely inductivist in form" (Bernstein, 1979, p. 95).

Sheila Smith characterizes Amin's work as "a fully elaborated theoretical scheme in the Marxist tradition" (Smith, 1980, p. 5). She also praises Amin's "wealth of illustrative material which is scholarly and useful" (Smith, 1980, p. 9), while Bernstein disregards it as being "crudely inductivist in form" and as not theoretically specified. However, Smith found the analysis based on the information was uninformative because

The basis of selection of the information is given by the Theory. . . . The information provided may indeed serve the function for which it was selected, i.e. to demonstrate the correctness of the theory. (Smith, 1980, p. 13)

I don't think that Bernstein's theoretical rigor or



Smith's empiricism can offer a better job than Amin. Besides, critics are hard to satisfy. Social scientists, and Amin among them, always have to face some methodological problem.

##### 5. Empirical findings

Jonathan Schiffer claimed that the available evidence does not support Amin's contention of "blocked capitalistic development." The statistical evidence about post-war development trends which he presents "suggests that Amin is wrong in just every aspect of his approach to the development of capitalism in LDCs" (Schiffer, 1981, p. 32).

Schiffer indicates:

- (1) The post-war performance of the LDCs (less developed countries) has been extremely impressive in their GDP and saving and investments. Amin never denied such rapid quantitative growth. Different indices draw a different picture. Schiffer's choice of indicators may present positive rather than negative results. Selection of the countries also influences the results by choosing relatively better-off countries. Amin was interested in transforming the economy, not growth.
- (2) That internal markets are expanding in LDCs and manufacturing activities increased and their output mainly of nondurable products are for

consumption in the internal domestic market.

- (3) That LDCs moving toward heavy industry's production. While he admits the growth is still small, the trend is impressive.

Schiffer proves to be right about the expanding of the internal market. After all, people have some money to spend. But he missed the point. Amin is concerned about distortion in structure of production and consumption.

In the opposite direction, Gerhard Tschannerl's (1976) case study of Tanzania supports the framework of Amin's thesis. Distortion toward export sector and luxury consumer goods in terms of output and employment.

## 6. Other criticisms

- (1) Lack of clarity about the role of the state (Disney, 1977; Chase-Dunn, 1978).

His lack of attention to the state, the process of state formation, and the state system (or "international system"). Amin reflects on the rising importance of the contemporary state in both the center and the periphery, but fails to see that the system of multiple, unequal and competing nation-state, and the structure of colonial empires organized by the great powers, has been essential to the functioning of world capitalism from the beginning. (Chase-Dunn, 1978, p. 80)

- (2) Some argued that in "Amin's work, a Marxist vocabulary serves as the medium through which a structuralist-non-Marxist conception of capitalism operates" (Bernstein, 1979,

p. 79). And Nigel Disney (1977) stated that "Amin's lack of theoretical clarity is in large part due to his failure to break completely with the concepts of non-Marxist economics" (Disney, 1977, p. 127).

(3) G. Rubinstein, G. Smirnov and Solodovnikove (Russian scholars) call Amin's theoretical model "artificial and far-fetched. We certainly cannot draw general regularities of the 'third world' development on its basis" (Rubinstein et al., 1976, p. 104).

#### F. Short Biography of Samir Amin

Samir Amin was born in Cairo in 1931. He pursued his university education in Paris where he took three degrees: Institute of Political Studies, 1954; Institute of Statistics, 1955; and a Ph.D. in economics in 1957.

Amin's first employment after completing his studies was with the Economic Development Organization in Cairo, 1960-62. From 1960-63, he worked as a technical advisor for planning in Mali.

For three years since 1953 he returned to the University of Paris and Dakar as professor of economics.

In 1970, Amin became the Director of the United Nations African Institute for Economic Development Planning in Dakar-Sinegal.

IV. TESTING CORRESPONDENCE OF PROPOSITIONS  
AND AVAILABLE EMPIRICAL/HISTORICAL DATA  
TO SAUDI ARABIA

Samir Amin indicates that development processes in the periphery of the world system follow a specific pattern which is different from that of the center. The penetration of capitalism from abroad, through trade and export sectors, will produce different processes. Development of underdevelopment, as he puts it, stems from the distortions working against an autocentric, self-centered development which characterized the developed nations (the center). Instead, the development in the periphery is hampered by certain features such as: (1) Externally oriented, hence dependent development based on extension integration on the world system marked by specialization and unequal exchange in the division of labor which would restrict the growth of LDS's economies to the production of mineral and other primary products. This productive structure will lead them to consume what they do not produce, and to produce what they do not consume.

(2) Distortion in the structure of the model of development and organization of the productive processes which leads to (a) uneven development among sectors, (b) distortion toward unproductive activities, (c) disarticulation within the national economy. The result is an increase in inequality between regions and groups of people

in income and wealth and increase of concentration of social resources to the few while marginalization of large masses of the population. The distortion of pre-capitalist relation of production proletarianize great masses of people in rural and nomadic regions and alienate them from the means of production, and they become marginalized.

This chapter is devoted to the examination of these propositions on Saudi Arabian case as a concrete situation of a transformed peripheral capitalist development country. Hopefully, the empirical evidences from Saudi Arabia would show to us whether the specific situation of Saudi Arabia follows the same pattern predicted by Amin's theory of peripheral capitalist development.

The analysis is arranged in three sections, according to the three general propositions:

- A. Extraversions and dependency economic structure  
(externally oriented)
- B. Structure of the model of development and organization of the productive process
  - 1. Uneven development
  - 2. Distortion toward unproductive activity
  - 3. Disarticulation within the national economy
- C. Social inequality

### A. Extraverted Economic Structure

Externally oriented, hence dependent development: the foreign trade plays a decisive role in the model of periphery capitalist development. The periphery countries carry out a vigorous trade with the center countries mainly in the export of primary goods and the import of consumer and production goods. This trade constitutes the largest part of the periphery economic activities, and they trade largely with the center. They trade very little among themselves (LDCs). The countries at the center, on the other hand, trade primarily with one another and less with the periphery. Thus, 80 percent of the trade of developed countries takes place between them and 20 percent with the underdeveloped world. On the contrary, only 20 percent of the latter's trade takes place among themselves, and the rest with the developed countries (Amin, 1976b, p. 160).

The list of the dependent and extraverted economy is characterized by a higher degree in export, import, specialization in one commodity, concentration of trade partners, export of raw materials, import of finished goods, and dependence of country's income on export of one commodity. To test the above statement, we can transform it to a testable proposition: The higher the ratio of export and import to the gross domestic product (GDP),  $(\text{Import} + \text{Export})/\text{GDP}$  = the more externally oriented and integrated

in the world system is the country, and hence, dependent and vulnerable to the world market.

An indicator of the degree of extraversion for Saudi Arabia (see Table 2).

Table 2. Export and import/GDP, 1960-81; ratio of export and import to GDP<sup>a</sup>

(Export + Import)/GDP (%)								
1960	1965	1970	1973	1974	1975	1979	1980	1981
.73	.79	.88	.94	1.0	1.0	1.0	1.0	1.0

<sup>a</sup>Saudi Arabian Monetary Agency (1972-1981); IMF (1982, 1983).

Table 2 shows the importance of export and import to the economy, increasing from 73 percent in 1960 to 100 percent, since 1974 an increase of 27 percent. Whenever the indicator is high, it points out the explosion of the local economy to the external world market. This trend seems to hold true to other oil-producing countries. For example, Kuwait export and import proportion to its GDP can be seen in Table 3.

The same is also true in another oil-producing country such as United Arab Emirat (see Table 4).

Even though the oil-exporting countries show similar trends, the nonoil-producing "Third World" countries follow

Table 3. Export and import proportion of GDP in Kuwait<sup>a</sup>

1960	1965	1970	1973	1974
85	91	92	93	101

<sup>a</sup>International Monetary Fund (1982).Table 4. Ratio of export and import to GDP in UAE<sup>a</sup>

1972	1974	1978	1980
1.21	1.20	1.0	1.12

<sup>a</sup>International Monetary Fund (1982, 1983).

the same pattern as well, but to a lesser degree, as Table 5 shows.

Table 5. Ratio of export and import to GDP in Egypt and Colombia<sup>a</sup>

1970	1974	1978	1980
Egypt	.99	1.0	.95
Colombia	.30	.30	.88

<sup>a</sup>International Monetary Fund (1982, 1983).

Expenditure on exports represented 82.0 and 79.8 of the total GDP in 1975 and 1979, respectively, while total private and government consumption and capital formation



represented 42 percent and 20 percent, respectively. The high ratio of imports to GDP (43.2 percent) for 1979 and the ratio of import expenditure to consumption and capital formation expenditures (70 percent) reflect how greatly Saudi Arabia economy depends on the outside world to satisfy its needs for goods and services (see Table 6).

Table 6. Gross domestic product uses, 1975, 1979<sup>a</sup>, 1980<sup>b</sup> 1981<sup>b</sup>

	1975	1979	1980	1981
Government final consumption	11.4	20.5	23.0	16.0
Private final consumption	12.8	21.5	19.0	19.6
Gross fixed capital formation	12.8	20.1	24.0	22.0
Change in stock	0.5	1.3	1.0	3.0
Export	82.0	79.8	69.0	70.0
Import	-19.5	-43.2	-35.0	-30.7
Total	100.0	100.0	100.0	100.0

<sup>a</sup>Saudi Arabian Government Ministry of Planning (1980); Saudi Arabian Monetary Agency (1980); International Monetary Fund (1982, 1983).

<sup>b</sup>World Bank.

The trend indicated that the national economic structure becomes more dependent on export and important activities, which resulted from the integration of the world economic system. This is the opposite of self-reliant autocentric development strategies pursued by the developed countries in the center. The United States and Japan are

the leading countries in export and import. Their export and import contribute less to their GDP (see Table 7).

Table 7. Proportion of U.S. and Japan export and import to total GDP<sup>a</sup>

	1960	1965	1970	1973	1974	1978	1980	1981
U.S.	.09	.09	.11	.14	.17	.17	.21	.20
Japan	.22	.20	.21	.20	.29	.22	.31	.33

<sup>a</sup>International Monetary Fund (1982, 1983).

Saudi Arabia has become increasingly integrated in the international/world economic system. It is estimated that Saudi Arabia holds about \$180 billion in reserves in Western banks. Of these holdings, more than half of the money is in treasury bills in the United States (The Economist, 1982). "The amount of money being held abroad privately by Saudis is increasing fast and is subject to no such sense of responsibility" (The Economist, 1982, p. 20).

The private Saudi investors are reckoned to have some \$50 billion abroad. Saudi Arabia has "such a stake in the world banking system that it seems they must keep most of their money there" (The Economist, 1982, p. 26). Saudi Arabia became a permanent full member of International Monetary Funds and other organizations.

Hundreds of multinational corporations and foreign companies are working in Saudi Arabia in construction, petrochemicals, training, etc. of these companies. "There are 400 American companies and 45,000 American citizens in Saudi Arabia" (The Economist, 1982, p. 20).

It is estimated that there are about 1.5 million foreign workers in Saudi Arabia. About 45 percent of the labor force is made up of foreign workers from 109 nationalities (Al-Yamamah, 1982). Their share of economic activities is high indeed, as Table 8 shows.

Table 8. Share of immigrant labor by economic sectors, 1975<sup>a</sup>

Sector	Percent
Agriculture and fishing	9.4
Mining and petroleum	43.0
Manufacturing	81.4
Electricity, gas and water	64.6
Construction	85.0
Wholesale and retail trade	68.5
Transportation, storage and communication	29.8
Financial insurance	57.4
Community and personal services	45.0

<sup>a</sup>Birks and Sinclair (1980, p. 160).

Amin points to the fact that the development of capitalism at the center has increased the relative interests of internal flows, but in the periphery it has increased

only that of the external flows<sup>1</sup> (Amin, 1976b).

Another indicator of the externally oriented development is the higher the ratio of export to the GDP, the more integrated the economy into the world market and its development is based on the external demand.

The export data of Saudi Arabia reveal a constant increase of the ratio of export to GDP, Export/GDP = importance of exports to the economy (Table 9).

Table 9. Proportion of export to GDP<sup>a</sup>

1960	1965	1970	1973	1975	1978	1980
.52	.60	.59	.74	.82	.62	.68

<sup>a</sup>Saudi Arabian Monetary Agency (1980, 1981); International Monetary Fund (1982, 1983).

The Saudi Arabian data conform to the pattern of development predicted by Amin, which means the increased reliance of an export stimulated by external demand located mainly in the center of the system. The U.S. and Japan, in comparison to Saudi Arabia, confirm the pattern of the central development. They showed the small percentage of export to their GDP. This means that the major economic activities are located internally to satisfy local demands (Table 10).

<sup>1</sup>This, however, may change according to Amin so the periphery might specialize in industrial production of the classical type, while the center will keep for itself the ultra-modern technology. Thus, now a form of unequal specialization will take place in a continuing uneven development of the world system.

Table 10. Proportion of export to GDP in U.S. and Japan<sup>a</sup>

	1970	1974	1978	1980	1981
U.S.	.06	.08	.08	.10	.09
Japan	.11	.14	.11	.15	.16 <sup>b</sup>

<sup>a</sup>International Monetary Fund (1982, 1983).

<sup>b</sup>Only GNP available.

The higher the concentration of export of one commodity the higher the specialization and dependency.

$$\frac{\text{Export of the major commodity}}{\text{Total export}} = \text{degree of concentration}$$

Saudi Arabia depends heavily on the export of oil; therefore, oil export can be used as a percentage of the total export. The results is shown in Table 11.

Table 11. Oil export as a percentage of total export<sup>a</sup>

1970	1973	1974	1978	1980
99.5	99.6	99.1	99.6	99.7

<sup>a</sup>Saudi Arabian Monetary Agency (1980, 1981).

The table shows the high degree of specialization in producing and exporting just one commodity, oil. This high dependency on the production of oil increased the

vulnerability of the country to political and economic pressure from outside, and limited the development policy to uncertainty. The domination of the oil sector has become so intensive that it destroyed and distorted the traditional pre-capitalist activities in the country, such as crafts and agriculture production.

The export sector in the LDCs is a sort of "enclave-type" which is connected to the advance countries (the center) economically and technologically. The modern high-productivity of this export sector represents the capitalist development in the periphery (Amin, 1976b). This lack of integration of the export sector with local economy reduced its multiplier effect and the forward and backward linkage (Hirschman, 1969) to other sectors of the economy, which makes it incapable of contributing toward autonomous and sustained growth.

In the advanced countries, one of the major exports is transportation goods; however, it constitutes only 15 percent of the total commodities exported by the U.S. and 17.6 percent in Japan in 1970. These percentages in 1973 were 15.1 percent for the U.S. and 24.6 percent for Japan. In 1974, it was 14.8 percent for the U.S. and 24.1 percent for Japan.

# 1. Balance of payments

Saudi Arabian balance of payments position indicates further the role of the foreign sector in its economy. The expansion of the export sector and the expansion of the mechanisms of expropriation which include both increasing rates of commodity imports from the western capitalist nations and increasing rates of capital export clearly show this trend.

The structure of the Saudi Arabian balance of payments

. . . reflects the typical characteristics of an oil economy, i.e., predominance of the oil sector in financial developments and a limited home production base. The net surplus of the oil sector accrues almost entirely to the public sector in the form of government oil revenues and is injected into the domestic income stream through the government's domestic expenditures. Given the free and open Saudi Arabian economy and the limited supply of domestically produced goods and services, a major part of private sector income is translated quickly into demand for foreign goods and services. Non-oil current account receipts are small, with the exception of the recent growth in investment income on external assets, and recorded net capital movements (excluding the oil sector) have also been relatively small in recent years. In this situation, the overall balance between the net surplus of the oil sector is against the net deficit of the non-oil private sector and government direct foreign exchange expenditures which have recently increased substantially. (International Monetary Fund, 1976, p. 48)

Oil revenues are the major source of funds for financing consumption and investment in the economy. The acquisition of public expenditure is the basis of private enterprise in Saudi Arabia. Intra-class competition to capture the public

revenue became in effect consolidating rather than fragmenting class cohesion behind the ruling family. The basis of class power had been transformed since the integration in the world structure, from ownership of the means of production to control of the means of allocation--namely the oil revenues. Since all oil revenue accrued directly to the ruler under the terms of the concession, the executive became the appropriator of the new wealth. Revenue allocation through ministries transformed the articulation of economic and political power, and transformed the basis of power from control over the means of production to control over the means of allocation. In other words, the ruler and his council of ministers represent the executive branch of the political superstructure of an economic infrastructure based upon expropriation of the nation's oil resources.

Table 12 reflects both the increases in imports and the capital transfers over the period 1963-1979.

The growth of current account traced to the greater expansion of the oil sector and the rises in oil prices. At the same time, imports and capital transfers increased overwhelmingly from 4,466 million SR (Saudi Riyal) in 1963 to over 181,103 million in 1979--almost 41 times that of 1963. The growing outflows of capital reveal the narrow basis of the production forces that stem from the narrow specialization role in the world division of labor as an oil producer,



Table 12. Balance of payments estimates,<sup>a</sup> 1963-79 (SR million)

	1963	1964	1965	1966	1967	1968	1969	1970
Current account								
1. Receipts	5,198	5,299	6,030	7,632	7,886	8,960	9,284	10,971
Exports, f.o.b.	4,923	4,864	5,576	7,132	7,263	8,276	8,546	10,107
Pilgrimage	180	239	256	266	284	324	423	459
Miscellaneous	95	126	198	234	333	360	315	405
2. Payments	4,460	4,608	5,589	7,038	7,475	9,509	9,819	10,688
Imports	1,440	1,773	2,259	2,830	2,912	3,838	4,018	4,010
Investment income	2,106	1,787	2,048	2,799	2,776	3,168	3,303	4,099
Travel	176	198	243	302	374	428	468	554
Government expenditures	243	315	342	365	621	1,215	1,251	1,206
Other services	495	535	697	742	792	860	779	819
Current account surplus (+) or deficit (-) (receipts less payments)	+738	+639	+441	+594	+405	-549	-535	+283
Capital account direct investment (- indicates inflow)	-50	-63	-243	-342	-167	-81	-22	-14
Other capital (+ indicates outflow)	-427	+272	+251	+663	+476	+5	-116	-199
SAMA foreign assets (+ increase)	+1,066	+401	+554	+341	-124	-419	-442	+392
Commercial bank net foreign assets	+149	+27	-121	-68	+220	-54	+45	+104

<sup>a</sup>Saudi Arabia Monetary Agency (SAMA) Statistical Summaries (1975, 1976, 1981) and Annual Reports (1977, 1979, 1980).

Table 12. Continued

	1971	1972	1973	1974	1975	1976	1977	1978	1979
Current account									
1. Receipts	17,610	18,149	24,621	125,207	107,145	141,803	163,496	147,781	215,931
Exports, f.o.b.	16,647	16,809	22,542	118,585	97,761	127,824	144,284	127,597	192,520
Pilgrimage	485	686	956	1,832	1,968	2,427	2,911	3,515	4,019
Miscellaneous	478	654	1,124	4,790	7,466	11,552	16,301	16,669	19,342
2. Payments	13,605	9,533	15,241	42,764	56,927	91,499	119,998	155,270	181,103
Imports	4,226	5,488	7,576	13,490	24,282	43,987	60,709	79,636	92,526
Investment income	6,488	677	1,517	17,672	7,463	11,581	14,380	15,342	21,015
Travel	649	743	1,050	1,317	2,238	3,568	4,992	10,580	12,902
Government expenditures	1,232	1,243	2,991	7,468	18,988	26,556	31,831	37,671	42,938
Other services	1,010	1,332	2,107	2,817	3,956	5,796	8,086	12,041	11,722
Current account surplus (+) or deficit (-) (receipts less payments)	+4,005	+8,616	+9,380	+82,443	+50,268	+50,315	+43,498	-7,489	+34,828
Capital account direct investment (- indicates inflow)	-490	-1,488	-226	-2,812	-4,431	-5,698	-3,755	-4,450	-4,040
Other capital (+ indicates outflow)	+850	+4,156	+4,422	+41,452	+23,547	+40,518	+40,044	+31,138	+33,850
SAMA foreign assets (+ increase)	+3,542	+5,207	+5,235	+43,486	+30,685	+13,706	+2,426	-8,322	-4,725
Commercial bank net foreign assets	+103	+741	-51	+317	+467	+1,789	+2,784	+2,145	+4,243

and an expropriator of capital from Saudi Arabia to the centers of world capitalism. Through mechanism of expansion of the consumer market, welfare state programs, foreign investment and surplus reserves, the entire economic infrastructure of Saudi Arabia has developed around activities that produce no value, but consume the surplus and sustain and enhance expropriation.

Table 12 shows the oil export as the most important or major income to the country. From 1963 to 1979, oil's share of national income increases dramatically. It is interesting to note the strong relationship between export and import. Whenever there is an increase in export, there is an increase in import. In 17 years, the pattern was broken only three times. In 1970 and 1975, the imports did not respond to the change in export while there was an increase in export. In 1970 and 1971, the import did not increase.

However, in 1975 when export decreased, the import increased. If we compare the payment on the investment income and the inflow of capital investment, we find that every dollar invested can earn an average of \$36.97 in return. This kind of profit leads not only to the outflow of capital, but it deprives the country of the expansion effect of the circulation of capital and reinvestment in other branches of the economy.

The outflow of capital, either as profit or as foreign investment, and private outflow has increased dramatically from 2,776 million in 1963 to 97,803 million in 1979.

It is reported that one oil company alone (ARAMCO) had a current profit margin of between \$1.20 and \$1.30 a barrel, adding up to more than \$4 billion per year at current rates of production (MERTP, 1980, p. 28).

As one writer describes the disadvantage of exporting the profit and the outflow of capital,

The oil companies, in the Arab oil producing countries were, until recently, completely owned by foreign capital, with the result that the profit from the export sector (the oil sector) was exported instead of being reinvested in the economy of the host country.

The exported profit increased the accumulation of capital in the industrialized Western country, creating an expansion and growth in the industrial sector. (Al-Bardeiy, 1981, p. 157)

The investment in raw materials production in Arab countries

. . . decreases in the growth impact of highly profitable returns of export sector on the other sectors of the economy. The diffusion of growth to the economic sectors is limited. The export sector (oil sector) was actually closed foreign sector representing a spearhead of advanced industrial countries in oil-producing Arab countries. This led to economic, social, and technological dualism in these countries (Al-Bardeiy, 1981, p. 157)

The higher the ratio of exported commodities as a raw material, the higher the level of specialization and unequal exchange.

In relations between the advanced countries and the rest, however, the complementary character

of the economies concerned, created by the mechanisms of specialization in the context of domination by the more highly developed economy.  
(Amin, 1976b, p. 152)

So, in a world system characterized by unequal exchange, the periphery assigned a special role which is supplying primary products in exchange for manufactured goods (see footnote 1 in this chapter).

In the case of Saudi Arabia, the only major exported commodity is oil and in its crude, not processed, form (Table 13).

The higher the income of a state depends on a single exported commodity, the higher the level of externally dependent structure.

In Saudi Arabia, the income of the state depends heavily on oil revenues. Its contribution to the state treasury ran from 86 percent in 1970 to 97 percent in 1980 (Table 14). It is surprising to note that in 1980 the share of oil revenue became not only the dominant, but almost the only income to the state (Table 15). In spite of the goals of the two developmental plans (1970-75 and 1975-80), which aim to diversify the economy, the survival of the whole country depends largely on a single commodity which is so vulnerable to the world market fluctuation. As what happens these days, the demand lags behind supply, causing the prices of oil to drop sharply and forcing Saudi

Table 13. Proportion of crude oil to total oil exported<sup>a</sup>

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980 <sup>b</sup>	1981 <sup>b</sup>
Crude (m.b.d.)	4.19	5.45	7.01	7.91	6.59	8.04	8.59	7.69	8.80		
Refined oil as percentage of crude	12.70	10.50	8.30	7.30	7.30	7.00	6.00	6.40	5.10	5.60	6.00
% of oil ex- ported as a crude	87.30	89.50	91.70	92.70	92.70	93.00	94.00	93.60	94.90	94.40	94.00

<sup>a</sup>Saudi Arabian Monetary Agency (1980, 1981); Saudi Arabian Government, Ministry of Finance and National Economy (1974, 1980).

<sup>b</sup>International Monetary Fund (1982, 1983).

Table 14. The share of oil revenue to total income of the state

1970	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
86%	92%	94%	96%	90%	90%	89%	89%	97.6%	96.7%	97.9%

Table 15. Government revenues from oil (1946-1980) in millions of U.S. dollars<sup>a</sup>

Year	Source		Total
	ARAMCO	Others	
1946	10.4	--	10.4
1950	56.7	--	56.7
1955	338.2	2.6	340.8
1960	312.8	20.9	333.7
1965	618.7	45.4	664.1
1966	745.8	44.1	789.9
1967	853.2	50.4	903.6
1968	872.0	54.4	926.4
1969	895.1	54.1	949.2
1970	1,148.4	65.6	1,214.0
1971	1,806.4	78.5	1,884.9
1972	2,643.2	101.4	2,744.6
1973	4,195.0	145.0	4,340.0
1974	22,375.0	198.5	22,573.5
1975	24,838.6	928.6	25,676.2
1976	29,937.3	817.6	30,754.9
1977	35,703.8	836.3	36,540.1
1978	31,609.0	624.8	32,233.8
1979	47,588.9	846.3	48,435.2
1980	82,716.4	1,750.0	84,466.4

<sup>a</sup>Saudi Arabian Monetary Agency (SAMA), Annual Reports (1975); and Statistical Summaries (1981).

Arabia to cut some of its budget allocations and to borrow from its reserve.

## 2. Trade partners

Amin asserted that less developed, peripheral countries assumed the satellite position to the center countries, doing most of their trade with the center countries, and supplying them with raw primary products (raw materials,

agricultural products) and importing finished goods and services.

In this section, the indicators of the concentration of import and export direction are presented.

$$\frac{\text{Export to the advanced countries}}{\text{Total export}} =$$

$$\frac{\text{Import from the advanced countries}}{\text{Total import}} =$$

The higher the concentration of export and import direction, the higher the satellite position and dependent the country concerned.

Table 16. Saudi Arabia export direction,<sup>a</sup> percent

	1976	1977	1978	1979
U.S.A.	15.7	9.5	15.7	17.2
Japan	20.2	19.0	20.2	17.3
W. Europe	37.3	39.5	37.3	40.3
Canada	<u>1.4</u>	<u>1.4</u>	<u>1.4</u>	<u>1.9</u>
Total of advanced countries	74.6	69.4	74.6	76.7
Middle East	3.5	3.7	3.5	3.6
Asia (except Japan)	13.8	11.8	13.8	12.8
Africa	.6	.6	.6	1.01
Other	<u>7.5</u>	<u>14.5</u>	<u>7.5</u>	<u>5.8</u>
	100	100	100	100

<sup>a</sup>Saudi Arabian Monetary Agency (1980, 1981); Saudi Arabian Government, Ministry of Finance and National Economy (1980, 1981).



As was expected by the model set forth by Amin, more than three-fourths of the Saudi Arabian exports were channeled towards the industrialized developed countries of the West and Japan, while the trade with the other less developed peripheral countries was negligible. From the following table (Table 17) and the preceding discussion, Saudi Arabia exports to the industrialized world only crude oil, which also conforms to the quantity and quality predicted by Samir Amin's model.

When we turn our attention to the import direction, we expect to see the same pattern: high import concentration from the advanced countries of the West and Japan.

Table 17. Geographical origin of imports<sup>a</sup> (% share of country/region)

	1973	1975	1976	1977	1978	1979	1980
U.S.A.	19.1	23.3	20.9	18.6	20.9	20.9	20.9
Japan	15.4	20.9	15.4	11.6	15.4	16.2	11.17
W. Europe	<u>28.4</u>	<u>32.2</u>	<u>43.9</u>	<u>36.9</u>	<u>43.9</u>	<u>43.4</u>	<u>42.2</u>
Total of advanced countries	62.9	76.4	79.3	67.1	80.2	79.0	80.1
Middle East	21.2	--	4.0	14.0	4.0	4.2	--
Africa	2.4	--	1.0	.9	1.0	1.2	--
Asia (except Japan)	7.5	--	10.0	8.7	10.0	10.6	--
Other	<u>6.0</u>	<u>23.6</u>	<u>5.7</u>	<u>9.3</u>	<u>4.8</u>	<u>5.0</u>	<u>19.9</u>
	100	100	100	100	100	100	100

<sup>a</sup>Saudi Arabian Government, Ministry of Finance and National Economy (1974, 1980, 1981); Saudi Arabian Monetary Agency (1980, 1981).

It is not surprising to find that 80.1 percent of imports in 1980 came from the center of gravity, the U.S., Japan, and W. Europe. Less than 20 percent of all imports came from the rest of the world. What is really surprising is the decline of Saudi Arabian trade with other Arab countries, from 21.2 percent to 4.2 percent in 1979, which supposedly complement each other economically, especially when there was an agreement on such cooperation. But it seems that the other Arab countries are also dependent peripheral countries and have the same role in this world system as that of Saudi Arabia.

The case of Saudi Arabia, therefore, did not deviate from the pattern of the peripheral development where she imports most of her needs, especially capital and consumer goods, from the advanced countries.

The composition of the Saudi Arabian imports in 1978 (see Table 18) confirms the growing proportion of capital goods and consumer manufacturers. And this, in turn, is in conformity with the general model of periphery capitalist development. It places heavy emphasis on importing capital goods and consumer luxurious goods. In fact, nearly all the capital goods were imported, as were the consumer goods, which explains the backward stage of development in this particular country.

Table 18. The composition of Saudi Arabian imports in 1978<sup>a</sup>

	Percent
Consumer manufacturers	40.9
Capital goods	41.5
Chemicals	3.5
Food products	4.8
Crude materials	2.7
Others	2.1
	<u>100.0</u>

<sup>a</sup>Saudi Arabian Government, Ministry of Planning (1980); Saudi Arabian Monetary Agency (1981); Saudi Arabian Government, Chamber of Commerce (1982).

It is a clear case of unequal exchange where Saudi Arabia exports crude oil and imports manufactured goods,<sup>2</sup> and it is a case of technological dependency.

The monopoly of technology by the advanced world and their multinational corporation has indeed put the less developed countries in a disadvantaged position. They control the direction of development and drain the wealth of the nation. Peripheral countries either comply with this situation and become more and more dependent or look for a new path of development which will grant them a self-reliance development.

<sup>2</sup>Johan Galtung (1971) compares two countries, in exchange one producing oil, and the other producing processed goods. The first one lacked advantage internally and externally. Internally, it lacks the spin-off effects to other sectors--culture, knowledge, technology, etc., and externally it suffers unequal exchange. While the second one which produced processed goods gains from the exchange externally and internally.

The role of imports in consumption and in production is much greater when the volume of imports related to agricultural and industrial production, and capital formation. Table 19 depicts the case of Saudi Arabia from 1975-1980 and gives an indication of how the economy depends on the outside world.

$$\frac{\text{Import}}{\text{Agr. production} + \text{indust. production} + \text{capital formation}} =$$

Table 19. Share of imports in production and consumption<sup>a</sup>

	1975	1976	1977	1978	1979	1980
Capital formation	12.7	20.4	25.0	29.8	31.5	24.7
Agriculture	1.0	1.0	.9	1.7	1.7	1.2
Industry	5.1	4.9	4.4	4.4	5.1	4.4
Imports	10.6	18.7	25.3	30.9	43.2	30.1
$\frac{\text{Imports}}{\text{Ag} + \text{Ind} + \text{CF}} =$	0.56	0.71	0.83	0.86	1.12	0.99

<sup>a</sup>Saudi Arabian Monetary Agency (1980, 1981).

The ratio between imports and GDP has increased from 10.6 percent in 1975 to 43.2 percent in 1979. But the exceptional importance of Saudi Arabian imports relative to the volume of agricultural and industrial production and investment, as shown in Table 19, which jumped from 56 percent in 1975 to 99 percent in 1980, expresses the high level of penetration of the economies of Saudi Arabia and the developed world in regard to structure of the

development and to the organization of the production process. In other words, the Saudi Arabian economy is more externally oriented and, therefore, dependent.

#### B. The Structure of the Model of Development and the Organization of the Productive Processes

Uneven development includes (1) uneven sectoral productivity and (2) uneven regional development.

##### 1. Uneven productivity among sectors

The capitalist mode of production in the periphery has not taken hold of all the branches of production as it has at the center. This will lead to a big divergence of the organic composition of capital (amount of capital used per worker).

That divergence expresses the uneven degree of modernization or penetration by the capitalist mode of production. Thus, uneven productivity is often reflected in unequal rates of profit and unequal rewards of labor, such as the case when sectors do not belong to the capitalist mode, as in rural areas production. Amin notes that what distinguished the capitalist mode of production is

The mobility of the factors, that is, the existence of a market for labor and for capital, the effective tendency is for labor and capital to be rewarded in all branches at the same rates. If, however, this price structure, corresponding at the center to homogeneous rewards for labor and capital, is transferred to the periphery,

the result will be that the factors cannot be rewarded at the same rate in the different branches if the technical conditions (and so the productivity) are distributed otherwise than at the center. (Amin, 1976b).

However, Amin recognizes that sectoral productivity is unevenly distributed at the center, but it is not as great as in the periphery.

a. Distribution of sectoral productivity in Saudi Arabia      The comparison of the ratios of productivity between agriculture sector and oil sectors (the export sector) should indicate the level of development or underdevelopment. The agriculture sector (including forestry and fishing) is the main economic activity of the rural areas, which does not belong to capitalist mode. The export sector (oil) is the dominant and highly modern capital intensive sector, which is the "expression of capitalist development in the periphery--the result of investment of capital by the center" (Amin, 1976b).

Data show the extreme differences in the ratios of productivity observed between agriculture and export sector 1:75 in 1975 and 1:62 in 1980 (see Table 20).

The agricultural share in GDP declined from 9 percent in 1963 to 1.2 percent in 1980. This decline may be partly due to the decrease of the rural population. However, the agriculture sector still holds the largest share in the employment of the labor force, while oil sector employment

Table 20. Percent share in GDP (current prices)<sup>a</sup>

	Agriculture	Oil
1963 <sup>b</sup>	9.0	54.0
1965	8.5	44.0
1975	1.0	75.0
1976	1.0	66.6
1977	0.9	62.6
1978	1.0	65.4
1979	1.1	53.2
1980	1.2	62.5

<sup>a</sup>Computed from SAMA Statistical Summaries (1981), SAMA Annual Report (1980).

<sup>b</sup>Issawi (1982).

is still almost the same percentage of employment (see Table 21).

Table 21. Employment in agriculture and oil sector (in thousands)<sup>a</sup>

	1963 <sup>a</sup>	1965 <sup>b</sup>	%	1970 <sup>c</sup>	%	1975 <sup>d</sup>	%	1980 <sup>d</sup>	%
Agri-									
culture	61%	464.8	46.2	445.8	40.4	645	39.8	598.8	24.2
Oil	2%	14.0	1.4	13.4	1.2	27.4	1.6	36.0	1.5

<sup>a</sup>Issawi (1982, p. 231).

<sup>b</sup>Sayigh (1978, p. 140).

<sup>c</sup>Saudi Arabian Government, Ministry of Planning (1975-1980, p. 19).

<sup>d</sup>Saudi Arabian Government, Ministry of Planning (1980-1985, p. 37, 93).

Forty percent of the labor force produced only 1.0 percent of the GDP in 1975, while only 1.6 percent of employed

persons produced 75 percent of Gross Domestic Product. This situation did not change much in 1980 where the share of agriculture to GDP remained very small--1.2 percent. However, the most striking situation is that the productivity of agriculture since 1975 remains almost the same, while the agricultural share of employment is declining from 40 to 24 percent. It is the disguised employment which characterized the subsistence agriculture in Saudi Arabia. The migration from the farm and rural areas to urban centers--in 1980, 54 percent of the total population lived in towns and cities, 42 percent in metropolitan centers with a population over 100,000, while 46 percent lived in the rural areas. This is in contrast to 1970, when approximately 36 percent of the population lived in urban areas (Saudi Arabian Government, Third Development Plan, 1980).

The migration from farms was not a result of rising productivity in agriculture through the greater use of capital and less labor per unit of output as happened in developed countries, but was a result of the distortion of the traditional mode and the collapse of pre-capitalist relations of production. The destruction through competition from imported goods brought about retrogression to rural economy crafts and farm production, and a great part of the labor force was thrown out of the productive system.

Saudi Arabian society lost its traditional character



and became dependent on an export sector, which is characterized by its highly developed and highly profitable return. Agriculture became less important and less rewarding. The result is an urbanization without industrialization and more dependence on imported agricultural products to feed the urban population.

The development that aggravated the internal conditions by increasing divergence between sectoral productivity within the economy will make it impossible for the development of integrated complementarities within an autonomous economy, which is the condition necessary for an independent development.

## 2. Uneven regional development

Independent development presupposed integrated development sectors and regions alike. Integration would ensure the national cohesion of the country and decrease social inequality.

Peripheral dependent development, characterized by the disarticulation of the society, concentration of wealth in a few towns, and prosperity in regions where the export and imports activities are greatest, aggravates existing distortion, especially between town and country (Amin, 1976b, p. 212).

a. Indicators of uneven regional development in Saudi Arabia

The predominance of traditional agriculture in the rural areas of Saudi Arabia, especially in the southwestern and northern areas, has been characterized by low productivity (see the previous section) and low profitability, and a high rate of outward migration (Saudi Arabian Government, Third Development Plan, 1980). In these rural areas, between 60 to 70 percent of the population engage in the low productivity occupation and hence they have a lower income.

The traditional economic system is mainly operative in rural areas and small towns while the modern economic system operates out of metropolitan centers. This system led to a general rural-urban imbalance in development and to the creation of regional imbalance as well. Infrastructure development has tended to have an urban bias up to the present and rural stress has been, relatively speaking, neglected. At the same time, industry tended to concentrate in the so-called "central corridor" of Saudi Arabia (Jeddah, Mecca, Taif-Riyadh, Hofuf and Dammam) with Jubail, Yanbu and Madinah as outposts. As a result, migration into the central corridor cities is very high. Meanwhile, the north and the south of the kingdom risk a probably depopulation and decline. (Cole, 1981, p. 135)

In the Eastern region where the export sector is located (oil), 90.7 percent of the GDP comes from oil, and their share of the other economic activities is only 9.3 percent. But the importance of this region to the whole economy of Saudi Arabia is indicated by the large share of the oil sector on the GDP, which is as high as 62.5 percent

in 1980. Concentration on a few towns at the expense of the rest of the country is clear from the changing distribution of population. In 1970, approximately 64 percent of the population lived in the rural areas while in 1980 only 46 percent (Saudi Arabian Government, Third Development Plan, 1980, p. 14).

Table 22. Distribution of total population (percent)<sup>a</sup>

	1970	1975	1980
Percentage of population living in metropolitan centers (pop. more than 100,000)	20	35	42
Percentage living in small towns	20	16	12
Percentage living in rural areas	60	49	46

<sup>a</sup>Saudi Arabian Government, Ministry of Planning Estimate, Third Development Plan (1980, p. 56).

In 1974, 31.75 percent of the total population lived in seven cities, and in a 1980 estimate, they reached 45 percent (see Table 23). In Riyadh, the capital, the average annual increase from 1964 to 1974 is 24.3 percent. In 1974, 9.5 percent of the total national population lived at Riyadh. The 1983 estimate of Riyadh population exceeds one million.

The cities of Damman-AlKhobar-Dharan were established mainly to serve the export sector (oil industry). Migration from other parts of the country, especially the central and the southwestern, and of foreign workers to this region

Table 23. Increased populations in principal towns (estimate)<sup>a</sup>

Town	1962	1970	1974
Riyad	170,000	350,000	666,840
Jeddah	148,000	250,000	561,104
Mecca	159,000	300,000	366,801
Taif	54,000	100,000	204,866
Medina	72,000	85,000	198,186
Dammam	35,000	40,000	127,844
Hofuf	115,000	130,000	155,596

<sup>a</sup>Ahmed Al-Shamikh (1979, p. 93).

was in response to the growth of export sector. Riyadh, the capital, the place of government bureaucrats and the power elites, and Jeddah, the port of imports and commercial class, probably now account for more than 30-35 percent of the total population.

The growth of these urban centers was the product of oil expansion---even though not functionally in a direct way, but indirectly through the revenue derived from oil. Urbanization in Saudi Arabia is not built on real urban economy, but on urbanization without industrialization. Most of the urban activities in these urban centers are in the service sector. Investment is channeled toward nonproductive activities, such as trade and consumption, building and construction, and this and other activities that produced quick profit such as land speculation rather than

investment in industrial complex (Said Rajab, 1980, p. 40).

Birks and Sinclair pointed out that:

Saudi Arabian development has proceeded along dual economy lines. The modern sectors have forged ahead in enclave industries and primate urban centers. The rural agriculture sector has remained relatively traditional and subsistence-based, but for occasional large-scale agricultural projects. These are only of small overall impact. These two facets of the economy--the modern, urban sector and the rural, traditional, largely subsistence sector--are associated with two separate labor markets. A large proportion of the Saudi Arabian national work-force has not participated in modern-sector development, but has remained in the traditional sector. (Birks and Sinclair, 1980, p. 107)

The survival of the rural, traditional way of life was because

The industrial sector in Saudi Arabia was much smaller and did not carry the same momentum of growth. . . . The drift to the towns was creating problems in urban areas, where under- and unemployment of Saudi nationals were extensive. (Birks and Sinclair, 1980, p. 109)

The modern and traditional labor markets are not completely independent.

The two do interact, but in a particular way. Members of the traditional sector do join the modern, industrial or formally employed labor force, but only in an informal and part-time manner. Rural males have become short-term periodic migrant labourers, making temporary migration, from their villages to the urban areas in search of employment, while their families stay at home. The rewards from these short-term periods of employment sustain the otherwise declining traditional economy which is ostensibly subsistence rather than cash-crop oriented. (Birks and Sinclair, 1980, p. 111)

In Saudi Arabia's case, the rapidity of modern economic development from such a small base has resulted in the majority of the country becoming, effectively, as massive periphery to the main central belt of development. Moves toward regional development and a more widespread provision of industry will serve to reduce this in the future, and will diminish the differential between the two presently existing facets of the economy. (Birks and Sinclair, 1980, p. 112)

### 3. Distortion toward unproductive activities

The relative proportions contributed to GDP by the agriculture, industry, and service sectors,<sup>3</sup> is often considered to be a measure of the degree of development or underdevelopment of an economy. Bourgeois economists argue that as a country develops, the share of the agriculture sector in the total GDP will diminish in favor of the industry sector, with yet further progress being manifested in a shift from the industry to the service sector. This has been the historical process in the now advanced capitalist countries and is wrongly used to describe what is happening now in the underdeveloped world.<sup>4</sup>

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<sup>3</sup>Their composition is as follows: agriculture (primary sector): agriculture, hunting, fishing, forestry, and mining. Industry (secondary sector): manufacturing electricity and water supply, construction. Services (tertiary sector): wholesale and retail trade, restaurant, and hotels. Transport and communication, finance and business services. Public administration.

<sup>4</sup>See, for example, the detailed structural analysis of a developed and an underdeveloped country by Simon Kuznets. Also Modernization analysis such as Wilbert Moore--Social change, etc.

The important difference between developed and underdeveloped countries is that in the developed countries, the movement of the active population away from agriculture into industry came out of the rising productivity in agriculture through the greater use of capital and less labor per unit of output. This shift was accompanied by an increase in per capita income that raised the demand for consumer goods. In the underdeveloped countries, this driving force is absent since the main emphasis is on exports and luxury consumption goods and the productivity of labor in agriculture and the profits are not improving appreciably.

In other words, "In the central model, industry, as it develops, provides work for a larger number of workers. . . . Industry recruits from declining agriculture and from the natural increase in the population" (Amin, 1976b, pp. 240-241). The historical process of growth in the now developed capitalist countries was the contribution of the agriculture sector to total GDP, and its share of employment declined while the size of the industry sector increased. The service sector increased less rapidly than the industry in the early phase of growth.

In the periphery countries, on the other hand, the process of growth is somewhat different. While the share of the agriculture sector is declining, the expansion is taking place more in the service than in the industrial sector, so

that the "occupied section of the nonagricultural population went into the tertiary rather than the secondary sector, and this happened from the beginning of the process of modern urban growth, in connection with integration into the world capitalist system" (Amin, 1976b, p. 240).

Rather than indicating a sign of rapid progress, this phenomenon shows the distorted structure of the economy insofar as the expansion of nonproductive activities does not come out of rising productivity of labor in agriculture, but out of the export orientation of the economy.

In summation, the historical process of the center and the periphery is different. So that (1) "in the advanced countries, the share of the secondary sector is close to that of the tertiary, whereas in all the underdeveloped countries the share is much smaller"; (2) in terms of distribution of occupied population among sectors, the advanced countries show that "it is distributed more or less equally between the secondary and tertiary sectors. . . . whereas in all the underdeveloped countries the proportion of the labor force engaged in tertiary activities is very much greater than that engaged in secondary sector" (Amin, 1976b, p. 234).

The reason of the hypertrophy of the tertiary sector, according to Amin,

. . . lies in the conditions governing the integration of precapitalist societies into the



international capitalist market, an integration that entails three main consequences:

First, competition by the industries of the dominant centers prevents the local capital that is accumulated from making its way into investment in industry, and diverts this capital into complementary activities connected with the export economy, especially commerce.

Second, the hypertrophy of certain tertiary activities with low productivity (small-scale retail trade, various services, etc.) is a manifestation of concealed unemployment, resulting from the process of marginalization that are specific to the development of peripheral capitalism.

Third, the strengthening of the position of ground rent, a characteristic result of the international integration of the peripheral formation, also entails a particular orientation of the spending of income<sup>5</sup>. . . such spending is a luxury expenditure that is focused . . . upon imported goods and . . . services (servants, leisure services, etc.). (Amin, 1976b, pp. 245-246)

#### 4. The sectoral distribution of output in Saudi Arabia

From Table 24, we will derive a three sector table to match the theoretical statement put forward by Amin--primary, secondary, and tertiary sectors; then we will try to find out whether the result would support Amin's claim.

Excluding oil sector<sup>6</sup>, the sectoral distribution in

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<sup>5</sup>Ground rent does not necessarily have to be saved, as profit on capital must be, in order to be invested in the modernization that competition makes necessary, for it is an income derived from monopoly, and can therefore be spent in its entirety (Amin, 1976b, p. 246).

<sup>6</sup>The exclusion of the oil sector is justified for many reasons: (1) it is run and operated by multinational corporation, (2) its role is as an enclave and it employs a small number of Saudis, and after all, this study analyzes

Table 24. Sectoral distribution (constant prices) excluding oil sector (% of GDP)

	1967 <sup>a</sup>	1970 <sup>a</sup>	1976 <sup>b</sup>	1977 <sup>b</sup>	1979 <sup>b</sup>	1979 <sup>b</sup>	1980 <sup>b</sup>	1985 <sup>c</sup>
Primary sector	14.5	13.2	9.6	7.4	7.4	7.2	6.7	3.6
Secondary sector	21.2	21.0	28.7	31.0	24.0	28.8	28.9	31.8
Tertiary sector	64.3	65.8	61.7	61.5	64.1	64.0	64.4	64.6
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup>Saudi Arabian Government, Ministry of Planning (1980).

<sup>b</sup>Saudi Arabian Government, Monetary Agency, Statistical Summaries (1981).

<sup>c</sup>Saudi Arabian Government, Ministry of Planning, Third Development Plan (1980-1985), p. 95.

Saudi Arabia is very similar to the one described above. Although output in the agriculture sector has risen in absolute terms from 1976 to 1980, its relative contribution to GDP declined rapidly from 14.5 percent in 1967 to 6.7 percent in 1980. The secondary sector, even though its contribution rose from 21.2 to 31 percent in 1977 and then fell to 28.9 percent in 1980, is still influenced by the construction sector, as a result of government's involvement in building the infrastructure. Most of the secondary sector activities, 75.1 percent, were in construction in 1977 and 68.5 percent in 1980. The composition of construction needs

the effects of extraversion on the economy and that includes the oil sector, of course.

Table 25. Saudi Arabia's Gross Domestic Product by economic activities in constant prices from 1965-1980<sup>a</sup>

Type of economic activity	Million riyals						
	1965	1975	1976	1977	1978	1979	1980
Agriculture, forestry and fishing	(8.3)	(3.7)	1221 (3.5)	1282 (3.2)	1483 (3.5)	1550 (3.5)	1639 (3.3)
Mining and quarrying:							
Crude petroleum and natural gas	(43.9)	(54.6)	17510 (50.8)	19852 (50.1)	19650 (46.7)	20112 (44.8)	21652 (44.1)
Other minerals	(0.3)	(0.3)	112 (0.3)	134 (0.3)	147 (0.4)	125 (0.3)	128 (0.3)
Manufacturing:							
Petroleum refining	(6.2)	(4.1)	1359 (3.9)	1523 (3.8)	1591 (3.8)	1689 (3.8)	1795 (3.7)
Other manufacturing	(1.8)	(2.3)	828 (2.4)	956 (2.4)	1103 (2.6)	1276 (2.8)	1477 (3.0)
Electricity, gas and water	(1.1)	(1.0)	345 (1.0)	414 (1.0)	546 (1.3)	725 (1.6)	868 (1.8)
Construction	(5.2)	(7.8)	3309 (9.6)	4146 (10.5)	4582 (10.9)	4700 (10.5)	5091 (10.4)
Commerce, restaurants, hotels	(7.1)	(6.0)	2331 (6.8)				
Transport, storage and communications	(6.9)	(4.1)	1580 (4.6)	1929 (4.9)	3367 (5.6)	2729 (6.1)	3031 (6.2)

Services:			1933	2276	2549	2804	3084
Ownership of dwellings	(4.2)	(5.2)	(5.6)	(5.7)	(6.1)	(6.2)	(6.3)
			675	744	413	1072	1222
Others	(6.6)	(1.8)	(2.0)	(2.0)	(2.2)	(2.4)	(2.4)
			363	413	470	534	611
Community services	(5.7)	(1.0)	(1.1)	(1.0)	(1.1)	(1.2)	(1.2)
Less bank charges		(-0.2)	(-0.2)	(-0.2)	(-0.3)	(-0.4)	(-0.5)
Subtotal GDP	(91.3)	(91.7)	(91.4)	(92.0)	(92.3)	(92.3)	(92.6)
			2755	2813	2953	3130	3333
Government services	(8.7)	(8.3)	(8.0)	(7.1)	(7.1)	(7.0)	(6.8)
			<u>34461</u>	<u>39668</u>	<u>42028</u>	<u>44838</u>	<u>49127</u>
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup>Saudi Arabian Monetary Agency (1981, pp. 99-100); Saudi Arabian Government, Ministry of Planning (1970), p. 19.

further scrutiny. Most of it was oriented toward final consumption and nonproductive activities. There is a larger share of luxury buildings.

Industrialization in Saudi Arabia is far from being a reality. Its contribution is still very small, estimated around 3-5 percent of the total GDP, and there is almost no capital goods manufacturing, and large share of the luxury goods or light industry.

The average annual contribution of the service sector from 1967 to 1980 is 63.7 percent, which is very high indeed. However, while the productive activity declined from 38.4 in 1977 to 35.6 in 1980, the service sector still maintained its role as the largest sector in gaining its momentum and grew from 61.7 in 1976 to 64.4 percent in 1980.

Table 26. Percent share of production and service activities in GDP

	1967 <sup>a</sup>	1970 <sup>a</sup>	1976 <sup>b</sup>	1977 <sup>b</sup>	1978 <sup>b</sup>	1979 <sup>b</sup>	1980 <sup>b</sup>	1985 <sup>c</sup>
Productive activity	35.7%	34.2%	38.3%	38.4%	36.4%	36.0%	35.6%	35.4%
Service sector	64.3%	65.8%	61.7%	61.5%	64.1%	64.0%	64.4%	64.6%

<sup>a</sup>Saudi Arabian Government, Ministry of Planning (1975-1980, p. 19).

<sup>b</sup>Saudi Arabian Monetary Agency (1981).

<sup>c</sup>Saudi Arabian Government, Ministry of Planning (1980-1985).

The productive activity in the sense of exploiting nature for man's benefit is losing ground in favor of

nonproductive ones in Saudi Arabia. This is nicely noted by the Third Development Plan which stated that "The growth of GDP as a whole did not stem mainly from new productive enterprises in agriculture and industry, but from 'throughput' sectors which by their nature could offer no long term potential alternatives to oil" (Saudi Arabian Government, Ministry of Planning, Third Development Plan, 1980-1985, p. 15).

M. Shahid Alam (1982) described the Saudi's economy as being "a prominently service-oriented economy" characterized by "expansion in oil financed government expenditure" which leads to "(i) disproportionately large service sector which is manned moreover by an immigrant labor force, (ii) a relatively small commodity sector in which petrochemicals and allied industries are likely to be an important component, and (iii) agricultural sector" (p. 210).

M. Shahid Alam (1982) put the sectoral distribution of GDP in the nonoil sector including construction in the service sector. This supports the proposition even further (see Table 27).

The data support Amin's theoretical proposition, which describes the peripheral development as distorted structure in favor of nonproductive direction.

##### 5. The sectoral distribution of employment

Employment in the three sectors shows a similar pattern in the relative proportion among the three sectors.

Table 27. Percent of sectoral distribution of GDP<sup>a</sup>

	1962 to 1963	1965 to 1966	1968 to 1969	1971 to 1972	1974 to 1975	1977 to 1978
1. Agriculture	20.20	15.10	12.90	12.16	8.90	6.66
2. Mining and quarrying (excluding petroleum and natural gas)	0.40	0.56	0.50	0.50	0.60	0.70
3. Manufacturing (excluding oil refining)	3.60	3.60	4.20	4.90	5.50	5.34
4. Services	75.80	80.70	83.10	82.50	85.00	87.30

<sup>a</sup>M. Shahid Alam (1982, p. 215).

Agricultural employment declined rapidly over the entire period, from 66 percent in 1962 to 26 percent in 1980, and it is projected to decline even further by 1985 to 22.3 percent. The secondary sector, however, witnessed a small change from 10 percent in 1962 to 18.9 percent in 1980. But again, the major influence in this gain is the construction activities which accounted for an average of 75 percent of the employment in the secondary sector. The construction sector, by its nature, is not a stable activity, but is affected a great deal by different variables. The major one is the export sector. The expansion or decline of oil export affects the whole economy through the revenue derived from it, which in turn influences the government decision to invest or not to invest.

The service sector is becoming larger and larger since 1962, the employment jumps from 24 percent to the projected 60.3 percent of the total employment. The decline of agriculture sector meant an increase in the service sector but not in the secondary sector as the historical experience of the West showed. The distortion of pre-capitalist relations in the rural areas and the ruin of crafts and local industry force great numbers of people to seek employment in the service sector in the government, or in a certain tertiary activity with low productivity (such as small-scale retail trade, taxi drivers<sup>7</sup>, and various services) (see Table 28).

Table 28. Employment structure by aggregated sectors, 1962-1985 (percentage of total employment)

	1962 <sup>a</sup>	1965 <sup>b</sup>	1970 <sup>c,d</sup>	1975 <sup>e</sup>	1978 <sup>e</sup>	1980 <sup>e</sup>	Projected 1985 <sup>a</sup>
Primary (ag- riculture and mining)	66.0	48.7	42.8	41.6	36.0	26.0	22.3
Secondary	10.0	15.2	17.0	15.0	16.0	18.9	17.4
Tertiary	24.0	36.1	40.2	43.4	48.0	55.2	60.3
	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>a</sup>Birks and Sinclair (1979); Keir and El Sayed (1982).

<sup>b</sup>Sayigh (1978, p. 140).

<sup>c</sup>Saudi Arabian Government Ministry of Planning, Second Development Plan (1975-1980); U.S. Department of Labor (1972, pp. 26-40).

<sup>d</sup>Charles Issawi (1982, p. 231) listed the employment distribution in 1970 as follows: Agriculture, 61; Industry, 10; Service, 29.

<sup>e</sup>Saudi Arabian Government, Ministry of Planning, Third Development Plan (1980-1985).

<sup>7</sup>The nomad pattern of employment is concentrated on employment in National Guard or as a taxi driver (Ibrahim, 1982; Halliday, 1978).



D. Cole (1981) noted that the construction sector and the traditional service sectors are more or less straddling the traditional and modern economic system where "the construction sector draws manpower from the traditional system and employs it in development of the modern system" while

Many of the service functions of the modern systems, especially trade and transportation, are provided by enterprises, from the traditional economic system using labor-intensive, low capital, small-scale and relatively inefficient ways, yet receiving great cash income because of the high demand from the modern system. Both the construction sector and the traditional service sectors essentially draw manpower out of the traditional productive sector of agriculture and pastoralism without transmitting it into modern productive sectors. Instead, it is kept in economically inefficient but relatively well-paid employment. (Cole, 1981, pp. 134-135)

Cole also pointed to the fact that the greater majority of the Saudi labor force engaged in "through-put rather than productive output sector. This leaves only 8 percent of the Kingdom's labor force to be engaged in productive output sectors" (Cole, 1981, p. 135). Cole emphasized the risk by which "the traditional productive system replaced with non-productive sector of the population that will have to be supported by welfare" (Cole, 1981, p. 135).

The marginalization of the Bedouin is documented by scholars such as Ibrahim and Cole (1978) and Cole (1981). The economic significance of the Bedouin in Saudi life

. . . has undergone dramatic change in recent decades. Bedouin owners of huge herds of camels,

Table 29. Percent of productive employment to total employment<sup>a</sup>

	1962	1965	1970	1975	1978	1980	1985
Productive activities	76.0	63.9	69.8	56.6	52.0	44.9	39.7
Services	24.0	36.1	40.2	43.4	48.0	55.2	60.3

<sup>a</sup>Derived from the previous table.

sheep and goats in pre-oil times, accounted for the greatest wealth of the nation. Their important economic role, however, has been eclipsed in the last quarter of a century by the wealth derived from oil, and in terms of manpower, the Bedouin are far from being incorporated into modern economic sectors.

The Bedouin economy still is based on subsistence-oriented herding and their herds are more like fixed assets than like transactional market commodities. Thus, despite their numbers and the absolute value of their animal wealth, the Bedouin are marginal to modern Saudi economy. The non-utilization of manpower, moreover, constitutes a most serious problem in a country like Saudi Arabia which is experiencing an immense labor shortage. (Ibrahim and Cole, 1978, pp. 3-4)

Understanding the Bedouin situation in contemporary Arabia can be seen within the wider socio-economic context as Cole (1981) put it: "What is perhaps most difficult today is that the wider socio-economic context within which the Bedouin operate is itself related to the wider international world of capitalization of which it is a peripheral or marginal appendage" (Cole, 1981, p. 133). The substandard socio-economic conditions of the Bedouin in comparison

with the rest of the Saudi population are documented in the Ibrahim and Cole (1978) study and in Cole (1981).

In the Arabian Shield-South, an area of 202,000 square kilometers in the interior part of southwestern Saudi Arabia, Cole (1981) found that

. . . 72 percent of the total employed population engaged in traditional agriculture (including pastoralism). Construction and transportation employ 5 percent of the labor force. The remainder are engaged, primarily, in traditional retail and service activities. Professional workers account for only 3 percent of the labor force, clerical workers for 4 percent and managerial workers only 0.2 percent. The percentage involved in the traditional labor force is well above the national average . . . but it is representative of the situation in rural areas in general. (Cole, 1981, p. 137)

In this area,

The highest degree of illiteracy is found among people living at waterpoints--96 percent of all people 10 years old or older are illiterate as opposed to the 80 percent of the villagers 10 years old or older and 54 percent of all people in the same age category in emirate capitalism. Also, only 2 percent of children age 6 through 9 at waterpoints were enrolled in schools, while 50 percent of children in the same age category from villages were in school, and 57 percent of those in emirate capitals were in school. (Cole, 1981, p. 137)

Cole observed that the situation has not changed in educational status among the Al Murian tribe after seven years since he made his first study (Cole, 1981). He concluded that "nomads have by far the lowest educational status of any sector in Saudi Arabian population and it does not seem

that any special efforts are being made to rectify this situation" (Cole, 1981, p. 138).

At present, the only significant avenue that provides a special training program and potentially leads to high-level careers in the modern sector of society is the military (Cole, 1981). Outside of the military and security forces, very few Bedouin ever receive advanced training in a modern subject (Cole, 1981).

The under-utilization that characterizes the domestic mode of production under which nomads operate does not allow them to produce surplus products, and their herding does not provide them with enough return for their basic subsistence.

The nomad's products are consumed largely by their households. "Only 6 percent raise animals for selling, while 37.7 percent raise them for domestic use only" (Ibrahim and Cole, 1978, p. 21). Even those who reported raising animals for both domestic use and for selling, sell only on an irregular basis when extra cash is needed (Cole, 1981, p. 130).

Of the Bedouin who engaged in agriculture, 67.8 percent use the products for domestic consumption, while only 3.5 percent raised them for selling only, and 28.7 percent for both domestic use and selling (Ibrahim and Cole, 1978, p. 27).

Because of the surplus of men in the traditional

household and mode of production, the Bedouin men migrate to cities to seek employment in a modern and semi-modern labor force, mostly in low-level occupations as unskilled labor or in desert transportation (Cole, 1981). Cole pointed out that "the majority of Saudi Arabians employed in unskilled labor are young Bedouin working to obtain money for such things as bridewealth or to buy a motor vehicle" (Cole, 1981, p. 139).

Most of the soldiers "in the National Guard are Bedouin and some serve in the police and the Army. Only a small handful has ever obtained high level government positions. There are also a few relatively well-off merchants who were originally Bedouin" (Cole, 1981, p. 139).

Cole (1981, p. 146) suggests that if the economy of Saudi Arabia is to become significantly more modernized, the Bedouin who

. . . represent a sizable proportion of the indigenous population--as much as 25 percent--and their participation in an active way and not just as more or less passive, parttime, unskilled laborers and drivers is essential. . . . A more diversified economy will reduce dependents on the export of crude oil, which is essential if the country is to achieve any significant degree of real economic and political independence within the context of an international economic and political system.

The Bedouin and other rural groups who are increasingly subsisting on welfare and traditional low-scale productive activities must be trained and incorporated into the modern economy and society. (Cole, 1981, p. 1460)

In addition to literacy, education and occupational status of the Bedouin which show their generally low social status in the contemporary Arabia, other criticism "includes housing and health conditions and practices. A vast majority of the Bedouin live in tents, straw huts or shacks that are overcrowded and lacking in water, kitchen and toilet facilities" (Cole, 1981, p. 140). They suffer from malnutrition and anaemia and often have eye disease (Ibrahim and Cole, 1978).

The turnover among wage workers is higher than that in the white-collar employees in government, which indicates that the marginalization is more acute among the lower income, menial work positions in the government. Since most of the low pay jobs are filled by nomads and farmers who were imported from the countryside, their high turnover rate above white collar employees in government shows clearly their dissatisfaction toward their jobs.

Table 30 shows that the turnover among wage workers is almost four times that of white collar workers in 1977, even though this trend continued to be the same, but not as great as in 1977. This change may be due to changing economic conditions where alternative opportunities are limited, or it may be due to foreign labor's increased proportion in the workforce. It is still true, however, that the low-income wage earners suffer from economic insecurity.

Table 30. Comparison between the white-collar employees and the wage laborers in the turnover<sup>a</sup>

Employment conditions	1977	1978	1979	1980	1981
<u>White-collar employees</u>					
New hiring	14,539	11,945	10,641	13,020	14,967
Resigned	3,866	3,705	3,538	1,466	1,486
Retired	521	902	1,107	435	344
Leaving service for other reasons	1,951	1,689	1,976	1,426	1,492
<u>Wage workers</u>					
New hiring	4,916	4,619	8,846	5,998	6,534
Resigned	4,159	3,892	4,125	1,357	1,018
Retired	515	1,513	1,328	1,012	532
Leaving service for other reasons	2,674	2,546	2,832	1,468	1,134

<sup>a</sup> Saudi Arabian Government, Ministry of Labor and Social Affairs (1981, p. 17).

The marginalization of rural and nomadic populations forced these people to migrate to urban centers to seek employment in low productive low wage activities.

Farmers who left their farms seeking for humble jobs in the government such as door guards, gardeners, maintenance workers, floor cleaners, and the like, in return for a very low income, the Bedouin increasingly seek government jobs, and other unproductive activities. (Ahmed Senani, 1977, p. 10)

Therefore, the productive sector's employment declined from 76 percent in 1962 to around 40 percent in the 1980s, while the service sector inflated out of proportion two and

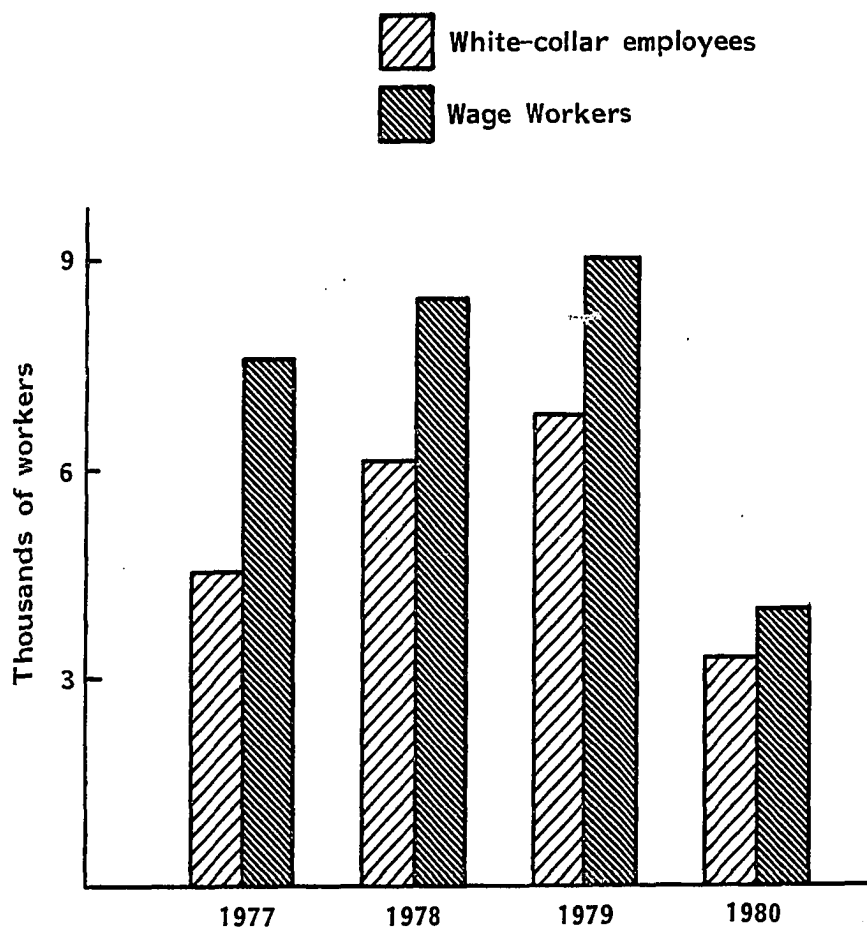


Figure 2. Wage workers and white-collar employees who left the service during the years 1977-1980



one-half times what it had been two decades earlier.

The conclusion to be drawn is that the data confirm the proposition that unlike the development in the West, the pattern of development in peripheral countries is distorted toward nonproductive activities.

#### 6. The hypertrophy of administrative activities

Part of the inflated service sector can be blamed on the hypertrophy of administrative activities, which is one of the commonplaces of "underdevelopment." In Saudi Arabia, the annual rate of growth of administrative services is averaged around 6.3 percent between 1966 and 1976, with an average share of GDP of about 17.6 percent of nonoil GDP based on 1970 prices. The government consumption increased from 11.9 to 20.6 percent of the gross domestic product between 1971 and 1979. The rate of growth of government consumption expenditures is 28.0 percent from 1970-1978.

Government employment share of the total employment increased from 11.0 percent in 1965 to the projected 16 percent in 1984/85 (see Table 31).

#### 7. Disarticulation within the national economy

The articulated economy is where the different sectors of the national economy are integrated whole,

A feature of which is a very dense flow of internal exchanges, the flow of external exchange of the atoms that make up this whole being, by

Table 31. Government share of employment (in thousands)<sup>a</sup>

1965 <sup>c</sup>	1970 <sup>d</sup>	1975 <sup>b</sup>	1980 <sup>b</sup>	Projected <sup>b</sup> 1985
110.4 (11.0) <sup>e</sup>	112.7 (10.2)	246.7 (14.1)	321.0 (13.0)	421.0 (16.0)

<sup>a</sup>Only includes civilian employees.

<sup>b</sup>Saudi Arabian Government, Third Development Plan (1980-85, p. 37, 93).

<sup>c</sup>Saigh 1978, p. 140).

<sup>d</sup>Saudi Arabian Government, Second Development Plan (1975-1978, p. 19).

<sup>e</sup>Numbers in parentheses are expressed as percentages.

and large, marginal as compared with that of internal exchange. In contrast to this, the underdeveloped economy is made up of atoms that are relatively juxtaposed and not integrated, the density of the flow of external exchanges of these atoms being much greater, and that of the flow of internal exchanges very much less. (Amin, 1977a)

Articulation and integration of an economy would produce spill-over effects, in the sense that any progress that begins at any point is spread throughout the entire organism by many convergent mechanisms so progress is diffused from industries that can be regarded as poles of development.

If the economy is extraverted, all these effects are limited, being largely transferred abroad. Any progress realized in the oil industry will, for instance, be without the slightest effect on the economy of Kuwait, since nomad stock breeding sells nothing to and buys nothing from the oil sector. This progress will be diffused in the West, in all the countries that consume oil. (Amin, 1976b, p. 238)

### The underdeveloped economy

. . . is made up of sectors, of firms that are juxtaposed and not highly integrated among themselves, but are each of them strongly integrated into entities. The centers of gravity of which lie in the centers of the capitalist world. (Amin, 1976b, p. 238)

The consequence is non-structured economic spaces of the underdeveloped world which

. . . can be broken up and divided into micro-spaces without serious danger, something that can be done without intolerable retrogression in the case of the integrated space of the advanced countries. (Amin, 1976b, p. 238)

The best way to measure disarticulation/articulation among sectors is through inter-industrial tables of input-output to determine the coefficients as positive or negative. However, these data are not available for Saudi Arabia. Other measures, even though indirect, can be utilized to get around the deficiency in data required and can be used as an indicator of the phenomenon described above.

The first indicator is the role of export and import in the economy, which measure the density of external exchange flow. This role already has been indicated in the beginning of this chapter, which pointed out that great role played by international trade in the economy. The same conclusion can also support the statement above. The external flow of exchange is so intensive that it accounts for an average of 19.2 percent of the GDP between 1960-1980. This intensive external exchange is so high that it left almost no space

for internal exchange among sectors.

The second indicator mentioned earlier is the low productivity of the agriculture sector in comparison to the high productivity of the oil sector: which is only .02 percent of that of the oil sector.

Integrated economy would diffuse development of one part of the economy to the other and productivity would not be as disintegrated as the case in point.

The third indicator is the ratio of oil exported to the oil produced:

$$\frac{\text{oil exported}}{\text{oil produced}} = \text{indication of articulation} \quad .$$

The higher the ratio, the less the economy is articulated.

Oil as a source of energy is a very important factor of industrialization and energy, and can be used as a measure of development and underdevelopment. (And oil as a productive element in an industry can point out the degree of disarticulation/articulation of that economy.) In other words, what is the share of local market of oil consumption?

Production and export of oil in Saudi Arabia show how small the local market share of oil produced is.

The average exports percentage is 97.7 percent of production, and the local consumption accounts for only 2.3

Table 32. Oil production and export (million barrels)<sup>a</sup>

Year	Production	Export	% of $\frac{\text{export}}{\text{production}} =$
1970	1,386.7	1,371.2	98.8
1971	1,740.6	1,723.4	99.0
1972	2,202.0	2,195.8	99.7
1973	2,772.6	2,769.4	99.8
1974	3,095.1	3,063.0	98.8
1975	2,582.5	2,539.7	98.3
1976	3,139.3	3,081.4	98.1
1977	3,358.0	3,324.8	97.7
1978	3,038.0	2,985.6	98.2
1979	3,479.2	3,393.0	97.5
1980	3,623.8	3,554.8	98.0

<sup>a</sup>Saudi Arabian Government, Ministry of Finance and National Economy (1980); Saudi Arabian Monetary Agency Statistical Summaries (1980, 1981), Annual Report (1980).

percent on average between 1970-1980. The greater user of this small percentage is not the productive sector, but largely the service sector.

Table 33. Estimated energy utilization by sectors, 1979<sup>a</sup>

Sector	%
Transportation	32
Utilities	29
Oil/gas production and refining	15
Construction	14
Industry	4
Residential/commercial	3
Agriculture and other	3
Total	100

<sup>a</sup>Saudi Arabian Government, Third Development Plan (1980-1985), p. 160.

The oil sector, which is the most important one in terms of its income, is mainly for export and export largely of crude oil (unprocessed), as indicated earlier in this chapter. This fact proves two things:

- (1) This high export tendency in relation to local market indicates the density of the flow of external exchange and high integration into world market rather than the internal market. The oil industry imports almost all of its needs from outside, especially the United States (Saudi Arabian Monetary Agency, 1980):

Import to oil sector	1975	1976	1977	1978
Millions of riyals	413	1,093	1,380	4,481

- (2) The high content of oil export as crude oil (unprocessed) deprived the country from the spin-off effects and so indicates the low level of interaction with the local industrial sector.

## 8. Social inequality

Social research in Saudi Arabia is almost nonexistent, and reliable data describing the existing situation are nil. However, some data can be used as an indicator of certain processes. These data, even though limited, serve the purpose of describing the nature of the phenomena under investigation.

There is no study or data available about income

distribution in Saudi Arabia, but some writers point to the high concentration of wealth and income in few hands. Some estimate that the top 5 percent of the population may control between 40-60 percent of the wealth of the nation.

#### 9. Urban, rural, and Bedouin income distribution

This and the following analyses are based on a research conducted by a private firm on behalf of the Ministry of Labor and Social Research. It is based on interviews with more than 10,000 heads of household in different locations--urban, rural, nomadic. Even though I have some reservation about the reliability and validity of this research, it is the only one of its kind available as far as I know.

The average annual income of the household of the nomadic rural and urban population is shown in Table 34.

Table 34. Annual average income of nomads, rural and urban population<sup>a</sup> in Saudi Arabian riyals<sup>b</sup>

	Head of the household	Total income of household
Nomads	11,200	14,200
Rural	16,200	20,700
Urban:		
Small cities	35,300	43,600
Large cities	33,400	44,900
Very large cities	58,000	80,400

<sup>a</sup>Saudi Arabian Government, Ministry of Labor and Social Affairs (1978).

<sup>b</sup>3.45 riyals = \$1.

The average income of very large city populations is more than five times that of nomads and almost four times that of rural residents. Even in urban setting, the very large cities average family income is almost twice that of small and large cities.

Only 26 percent of urban population receives less than 20,000 riyals per annum, while 67 percent of the rural and 80 percent of the nomad population receives less than 20,000. From the 6 percent of the total population who received more than 100,000, 10 percent of the urban were reported to receive that amount or more, while only 1 percent of both rural and nomad population received that much.

Table 35. Percent of urban, rural and nomad population receiving the higher and lower income<sup>a</sup>

	Less than 20,000	From 21- 50,000	From 51- 100,000	More than 100,000
Urban	26	47	17	10
Rural	67	27	5	1
Nomad	80	18	1	1
Total population	42	39	13	6

<sup>a</sup>Saudi Arabian Government, Ministry of Labor and Social Affairs (1978).

Among urban dwellers, income distribution also differs. From 42 percent of the total population who are considered the poor or the marginal population, we find that 80 percent



of the nomad and 67 percent of rural are in this category.

Table 36. Distribution of income according to city size

	Less than 20,000	From 21- 50,000	From 51- 100,000	More than 100,000	Total
Very large cities	18%	44%	22%	16%	100%
Large cities	28%	52%	15%	5%	100%
Small cities	42%	43%	12%	3%	100%

### C. Regional Distribution of Income

Income among regions is unevenly distributed as the case between urban, rural and nomad. In the central region, the average annual income is 82,000, almost twice the average income of northern and southwestern regions (see Table 37.

The poorest population is in the eastern and southwestern parts of the country. In these regions, 25 percent of their population's annual income is less than 17,000 riyal. The uneven distribution within regions is also great where in central, western and eastern region almost 80 percent of the families' income is less than the average income of their respective region. However, the most pronounced discrepancy is within the central region--25 percent reported an annual income of less than 22,000 riyals and 25 percent reported their income of higher than 70,000 riyals.

Table 37. Regional income distribution<sup>a</sup> (in Saudi Arabian riyals)

Regions	Annual average income	Distribution of total income			% of total income less than average
		25% less than	50% less than	75% less than	
Central	82,000	22,000	36,000	70,000	80
Northern	45,200	18,000	32,000	47,000	73
Western	56,400	20,000	31,000	50,000	81
Eastern	55,150	17,000	30,500	49,000	79
Southwestern	44,000	17,000	29,000	46,000	72
Total	60,000	19,500	32,000	52,500	79

<sup>a</sup>Saudi Arabia Government, Ministry of Labor and Social Affairs (1978).

If we compare regions in the lower and higher income, we find the lower income brackets are in eastern and south-eastern regions. While the higher income brackets are found in the central region (Table 38). The concentration of

Table 38. Regional income distribution as a percentage of lower and higher groups within each region

	Less than 20,000	More than 100,000
Central	23	15
Northern	29	6
Western	26	8
Eastern	32	9
Southwestern	32	5

higher income brackets in central region is in Riyadh, the capital.

1. Income distribution within urban population

If we look at nomad, rural, urban as a continuum, and assume that nomads first settle in rural areas or small town then move to larger cities, we could then detect the pattern of migration and the origin of population. In other words, we can divide urban settlers into old settlers, old rural origin, and old nomad origin in very large, large, and small cities. We expect to find rural migrants to receive less income than older urban settlers, and nomad migrants to receive less than rural migrants. The most obvious marginalization of people would be in these groups.

Table 39. Kinds of cities and migrant origins<sup>a</sup>

Kinds of cities and origin of the migrants	Less than 20,000	From 21-50,000	From 51-100,000	More than 100,000	Total
Old urban settlers in very large cities	19	43	21	17	100
Old rural settlers in very large cities	28	48	17	17	100
Old nomadic settlers in very large cities	24	52	17	7	100
Old nomadic settlers in large cities	33	52	11	4	100
Small cities	42	43	12	3	100

<sup>a</sup>Saudi Arabian Government, Ministry of Labor and Social Affairs (1978).

Nomads and rural migrants are reported to be in the highest percentage of lower income, 33 and 28 compared to 19, of the old urban settlers. In the higher income level, the old urban and old rural settlers receive each an equal share of their prospective group 17, while among nomads only small numbers are reported to receive a high income (more than 100,000) 7 percent in very large cities and 4 percent of them in large cities.

## 2. Conclusion

From the above discussion, we noted that an uneven distribution of income existed between nomads and urban, and rural and urban, between regions, and also within urban population. We noted also that the poorest of the poor can be found in nomadic and rural areas, also in eastern and southwestern regions. In urban centers, the poorest are in the small cities which are mainly populated by rural and Bedouin settlers. In the large cities, nomadic origin and to a lesser extent rural origin comprise much of the poor in the cities.

### D. Distribution of Income in Largest City

In Riyadh, the capital of Saudi Arabia and the largest city in the country (see above section), the study<sup>8</sup> pointed

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<sup>8</sup>This analysis is based on a study done in 1978 by C. T. International in contract with Ministry of Urban and Rural Affairs, Department of Urban Planning.

out that a strong correlation was found between income and place of residence. Income influenced by type of occupation, status of settlers; urban, rural or nomadic origin. Rural and Bedouin who migrated to the cities lack the skill for urban life and jobs, so they end up working in low-paying, low-productive jobs. The shanty towns on the outskirts of the city are populated mostly by these people.

It is also interesting to note that the pre-capitalist relation such as tribal bond and extended family was broken down in the cities. As the study indicated that class relation became more pronounced than before. Class stratification can be seen in location and type of residency, pattern of consumption, occupational status and power. Class division is becoming rigid. Social mobility range is limited in the top, is exclusive, while in the middle it is more flexible. Commenting on the way wealth is distributed, one report points out that

There are important precapitalist features to the way wealth is distributed in Saudi Arabia. The most impoverished in Saudi society are the Bedouins (settled or nomadic). The non-Saudis (especially Yemanis), and the Saudis who have no access to the ruling clan--no family ties, no community of faith, no ancient nobility capable of selling it support. Although the present phase of development encourages an increasing amount of mobility, individual success stories still tend to be exaggerations. Oil reserves remain in the hands of the state or to be more precise, in the hands of influential members of the royal family.

It is only important when families have infiltrated the state structure and established intimate relations at the highest level. Thanks

to a system of sponsorship and partnership, this comprador bourgeoisie profitability concentrates on mixed industrial projects with the state, on franchises for the most powerful Western firms, and more recently, on large public works and consulting projects. This symbiosis of the traditional power and the urban bourgeoisie flourishes and persists and is reciprocal.

It has led to a bourgeoisification of the royal family through an increasingly open involvement of the princes in business. . . . This sort of transformation is limited to a small circle, difficult to enter for persons outside the royal family, its close allies or the traditional merchant families. The population as a whole . . . increasingly feels the effects of concentration of wealth as an extension of the concentration of power. Neither underdevelopment nor tribalism, nor hegemonic religious superstructure can slow down or even camouflage the rapid emergence of increasingly distinct social changes. (MERIP, 1980, p. 18)

The concentration of income can be seen from Table 40 where the bottom 5 percent of the residents or the poorest of the poor received only 0.5 percent of the total income resource from 0 to 10,000 riyals a year, while the top 2.7 percent of the residents received approximately 25 percent of the income. The lower half of the total residents, the lowest 50 percent, are reported to have received only 18 percent of the total income, while 62 percent of the total income went to only 25 percent of the total residents.

Time and time again, I have pointed out the lack of accurate and reliable data which cover the whole population of Saudi Arabia as far as income distribution is concerned. However, the limited data which I have access to did not include the top of the pyramid but can give some idea of the

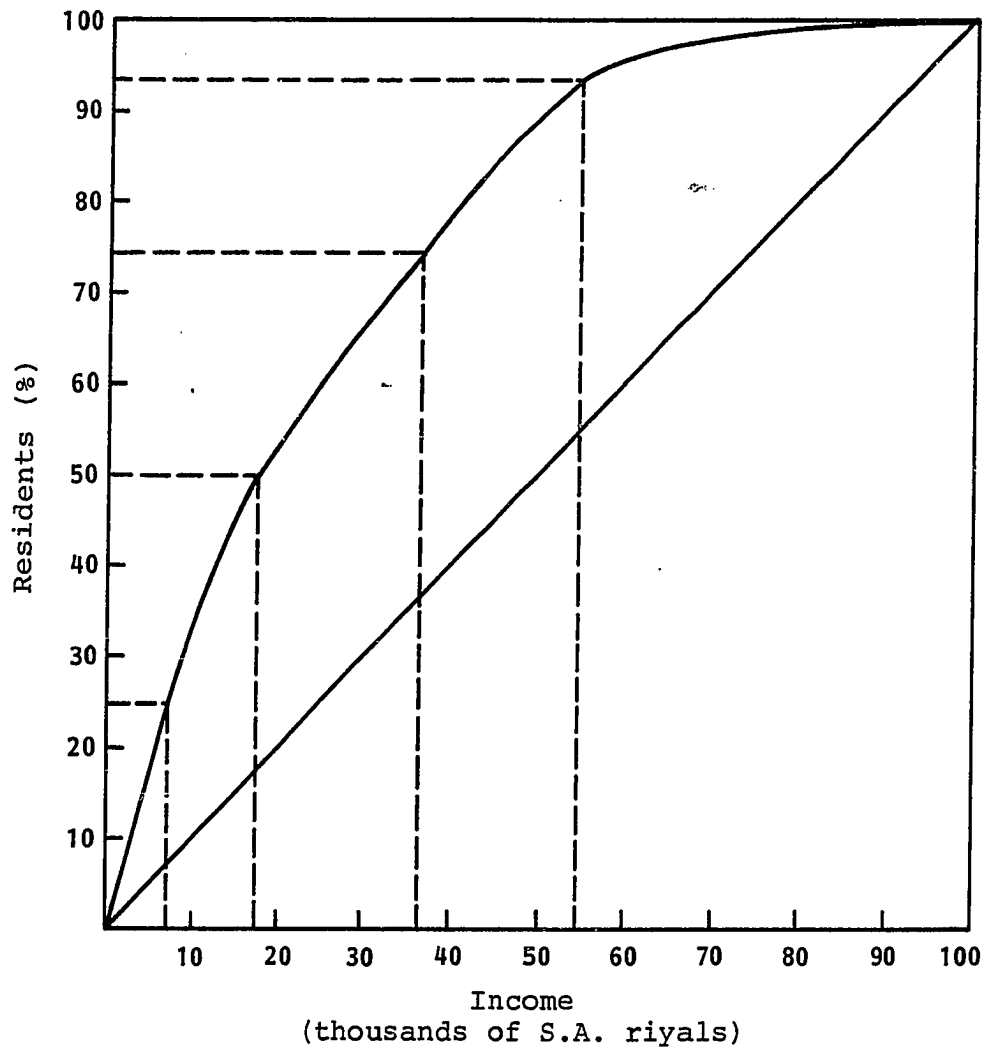


Figure 3. Income distribution according to number of residents (percent)

Table 40. Income and residents distribution

Income (riyals) <sup>a</sup>	Residents			Income resources		
	No. of resi- dents	Per- cent	Percent accumu- lation	Amount	%	Percent accumu- lation
0-5,000	1,314	1.4	1.4	2,061	.04	.04
6-10,000	3,462	3.6	5.0	28,177	.52	.52
11-20,000	16,633	17.5	22.5	256,092	4.73	5.29
21-30,000	20,831	21.9	44.4	532,842	9.83	15.12
31-40,000	12,305	12.9	57.3	437,124	8.07	23.19
41-50,000	10,357	10.9	68.2	464,194	8.57	31.76
51-75,000	14,741	15.5	83.7	906,003	16.72	48.48
76-100,000	6,115	6.4	90.1	527,233	9.73	58.21
101-150,000	5,121	5.4	95.5	613,136	11.31	69.52
151-200,000	1,768	1.8	97.3	306,259	5.64	75.16
More than 200,000	<u>2,645</u>	<u>2.7</u>	<u>100.0</u>	<u>1,346,437</u>	<u>24.84</u>	<u>100.00</u>
Total	95,292	100.0	--	5,419,559	100.00	--

<sup>a</sup>U.S. \$ = 3.48 in the current exchange rate.

pattern of distribution in what I call the less rigid range. In almost all industrialized countries, the lowest 20 percent of the population received between 4 to 7 percent of the income, while the top 5 percent of the population received between 15 to 20 percent (see Table 41).

According to Table 41, the lowest 20 percent of the residents receive approximately 4 percent of the income, while the top 5 percent may receive between 33 to 35 percent of the income. However, if the study included the top of the population's pyramid, the distribution would be very



Table 41. Income distribution by the lowest 20 and highest 5 percent in some industrialized countries, 1960, 1976<sup>a</sup>

	1960		1976	
	Lowest 20	Highest 4	Lowest 20	Highest 5
United States	4	16	7	13
United Kingdom	6	16	6	15
Germany	5	36	6	18
Japan	5	20	4	20
Sweden	4	18	5	17

	1977	
	Lowest 20	Highest 5
Saudi Arabia	4	45-60

<sup>a</sup>Issawi (1982, p. 232); Kriesberg (1979, p. 65).

central between 45 to as much as 60 percent of the total income.

### 1. Contemporary social formation

Class development in pure capitalist mode of production has been characterized by polarization of social classes into two basic classes: the bourgeoisie and the proletariat. But this model cannot be applied to peripheral societies. That process happened only in the center where capitalist mode became exclusive, because it is based on expansion and deepening of the home market, which leads to

growing homogeneity.<sup>9</sup>

Capitalism in the periphery operates with a different dynamic, since capitalist mode of production penetrated pre-capitalist society from outside and was based on the external market. It tends not to become exclusive, only dominant. Therefore, social formation in the periphery is a mixture of both capitalist and noncapitalist elements and that made their formation heterogeneous. The existence of pre-capitalist mode, along with the dominant capitalist mode of production, does not mean mere juxtaposition, but these modes integrated into the system occupying the lower level of the hierarchy. The subsistence farmers and the subsistence nomadic pastoralists are forced to produce within his pre-capitalist setting commodities for the market in order to earn cash money to get their needs from the market. Before the integration into the world system, the dominant mode was tribute-paying mode which existed with primitive and simple commodity mode. The relation among these modes and between them and outside was through trade formation which, as pointed out earlier, played an important role in

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<sup>9</sup>The dialectic of social class in the capitalist mode is the objective social opposition between the expropriation of surplus value produced by labor, and the laborer himself. The development of the capitalist mode is thus dependent on the rate of exploitation of labor. The relation between surplus value and the level of development of productive forces is positive.

shaping the history of this region. The means of production was commonly owned by the whole tribe: the water wells, the pastoral range, and sometimes the herds also, but often every section or extended families within the tribe owned theirs. In settled areas, farm lands usually were owned by the extended families, and sometimes the whole area was settled by one tribe or its sections. Relationships between one tribe and another, or between tribes and settled areas, or between some settled areas allied with some tribes against other alienment based on strength. The most powerful side would force the weaker one to pay tribute. After integration into the world economy, the traditional power structure base was transformed and new comprador and petty bourgeoisie came to the scene.

From a pre-capitalist society half a century ago, Saudi Arabia is now rapidly developing into a class society within the limits imposed by its economy based on the export of oil. Its ruling class is primarily of the royal family, and is slowly being penetrated by the local bourgeoisie involved in trade and to a minimal extent in industry. The indigenous population is increasingly composed of a substantial group of technocrats and office employees, while it includes almost no working class. The vast majority of people engaged in manual labor in construction and minimally in industry are migrant workers. The only really poor section of the native community are the peasants and nomads who have been unable to capitalize their activities and whose economic base is in decline. (Lackner, 1978, p. 211)

The articulation of social forces within the nation in terms of the capitalist dialectic is still fragmented. In other

words, the ideological instance rather than economic instance which articulate and reproduce the conditions for the functioning of society.

## V. IMPLICATION FOR THE THEORY AND DEVELOPMENT POLICY

In the sociology of development and social change, the perspective of modernization and its model incorporate and adopt issues and concepts elaborated by the founding fathers of sociology concerning the themes of social change, evolution and progress. This perspective can be witnessed in the structural-functionalist school which include Bellah, Parsons, Eisenstadt, Smelser, Moore and others. In this sense, the definition of modernization is the process of change toward a condition of modernity with the "candid use of Western modernization as a model of global applicability" (Bendix, 1967, p. 309). The social entity undergoing modernization may be society, economy, politics or culture. On a different level of analysis, the unit of analysis may be individual as in the theories of "modern man." Categories of modernization can also be applied to the study of a particular social and institutional unit such as the family, the city, the village, education, bureaucracy, military, and so on.

The social content of modernity is formulated according to the categories through which Western Europe and North America experienced their history; this is reflected upon and appropriated in sociological theory. Eisenstadt claims

that

Historically, modernization is the process of change toward those types of social, economic, and political systems that have developed in Western Europe and North America from the seventeenth century to the nineteenth and have then spread to other European countries and in the nineteenth and twentieth centuries to the South American, Asian and African continents. (Eisenstadt, 1966, p. 1)

Weiner asserts that social scientists use the term "modernization"

. . . not only because it is a part of popular speech, but also because they recognize that these many changes (individual attitudes, in social behavior, in economics, and in politics) are related to one another--that many countries in the developing world today are experiencing a comprehensive process of change which Europe and America once experienced and which are more than the sum of many small changes. (Preface to Weiner, 1966)

Theories of modernization see the social change in developing nation as a departure from nonmodern (traditional) societies to a distinctiveness of modernity. A process through which cumulative development of elements of modernity displaces nonmodern elements. This in essence implies the use of certain abstracts from a historical process that have already been realized in the West, to be used as a model or a frame of reference for underdeveloped countries to follow suit, and to arrive at the prescribed destination. However, if the underdeveloped countries fail to achieve that, the answer is assumed to be a deviation from the norm.

This deviation is described as an obstacle to development. These abstracts might be in the traditional culture (e.g., the moral basis of backward society as seen by Banfield, 1958), the culture of poverty (Oscar Lewis, 1965), peasant society and the image of limited good (G. Foster, 1965) or because underdeveloped countries lack entrepreneurs who can carry on the course of development as such that of Western individuals influenced by "protestant ethic" (e.g., Everett Hagen, on the theory of social change, 1962; McClelland et al. motivating economic achievement, 1969; Inkles and Smith, becoming modern, 1974). The assumption these writers and others reflect is that the underdeveloped countries short-fall from the Western experience is merely as a deviant one.

The modernization approach to development also neglects the interrelationships among nations and their impact on the internal structure. It fails to provide a framework for understanding the insertion of individual countries in an evolving international system. When they talk about inter-societal exchange and the consequence of this exchange, they have room for only the adoption and diffusion process from advanced to less developed countries, and it is generally assumed that what is diffused is good for underdeveloped countries.

The development and social change based on modernization theory and models pose a lot of problems in applying

them to underdeveloped countries: First, there is the limitations of the passage from a European-centered theory of change into a theory of contemporary development. This is reflected in identifying the wrong dimensions as indicators of or strategies for development. Second, the scholars have overlooked their own ideological commitments and ethnocentric attitudes. Third, they neglected the supranational dynamism of an organized world-economy and its distinctive core and peripheral economic region. Finally,

The dualism established by the conceptual couple, modernity-tradition, embodies a circularity which can't produce any theoretical advanced, any explanation other than that already given by definition of the terms. Concrete analysis consists of the accretion of facts around these terms and their derivations. (Bernstein, 1979, p. 93)

The world system perspective includes dependency as an alternative to the previous one, seeking to explain the international relations of inequality and external mechanisms that induced and perpetuated a situation of domination and dependence. It identifies the historical process of underdevelopment and the capital expropriation, asymmetrical exchange, interpretation of division of labor--unequal development of productive forces. The objective of this perspective is more appropriate to the realities of underdeveloped countries, and unlike modernization theories, this perspective sees underdevelopment as an active process rather



than a passive or residual condition.

Amin, as well as other world system theorists, pointed to the fact that there is only one world system which is the capitalist world system, which consists of two parts: center and periphery. The peripheral capitalism operates by a different dynamics than capitalism in the developed industrial nations, and the link between them defines the structural dynamics of dependency. Relations between center and periphery is characterized by unequal exchange. The structural features of a peripheral capitalist development depicted in Amin's model as being: (a) progressively subordinating all sectors of the socioeconomic infrastructure to the demands of a limited primary commodity export economy; (b) dependence of the productive sector upon the importation of Western technologies; (c) dependence of internal market on the importation of essential consumer goods; (d) marginalization of labor; (e) low levels of employment in the productive economic sector; (f) rapid growth of the tertiary sector; (g) increasing concentration of wealth and power; and (h) unequal regional and sectoral development.

By applying the Amin model of peripheral development to Saudi Arabia, we first try to substantiate Amin's claims that all underdeveloped countries consist of a homogeneous entity characterized by similar features of peripheral capitalist process. Second, also related to the first, is

whether his model is relevant to the study of the capital surplus country. Saudi Arabia is a single-resource dependent, capital-surplus nation--unlike that of other underdeveloped countries which suffer from the shortage of capital. It is in this sense that Saudi Arabia occupies an anomalous position in terms of theories of development, underdevelopment and dependency.

The case study of Saudi Arabia suggests that it exhibits the same syndromes of underdevelopment as seen in other peripheral countries, which have been put forward by Amin's theories. In other words, the data of this study support Amin's model of peripheral capitalist development in spite of its capital surplus generated from oil export. Saudi Arabia shares the same structural features of dependence as those countries suffering capital shortage. This study indicates that capital shortage is not the main cause of underdevelopment, but rather the class structure that prohibited autonomous capitalist development.

As far as the theory is concerned, the Saudi Arabian case study gives further testimony to the credibility of Amin's theory to provide understanding, explanation and prediction to underdevelopment. The theory identifies the causes and consequences of certain processes, and in a fashion, conforms to the scientific inquiry. As far as the form of development that has occurred in Saudi Arabia, it

is specified by its narrow specialized role in the world division of labor, as an oil exporter, and its reciprocal role as an expropriator of capital to the industrialized world.

In conclusion, theories of social change and development based on the traditional modernization model cannot offer a good explanation to the historical process of underdeveloped countries. Even though the world system and dependency approach may have certain shortcomings, it nevertheless offers better explanation to this special case. This is so because the theorists see development/underdevelopment as two sides of the same historical process. The imperialist relation of power imposed a limiting role to those who become underdeveloped.

## VI. CONCLUSION AND RECOMMENDATIONS

Two central issues in the sociology of economic development and change: one is why and how some countries have developed and others have not. The other is whether contemporary underdeveloped countries are in a backward stage of the same process already passed by now developed industrialized countries of the West. In other words, do the underdeveloped countries represent the image of the now developed countries some two centuries ago, or do they represent special dynamics of their own that is far different from historical process of the West.

Literature dealing with these issues is divided into two approaches: one is the traditional, which was once the main stream in the sociology of development. That is, the modernization theories. The other one which recently gained a respected position in sociology is the world-system dependency theory.

The first approach sees underdeveloped countries as in a stage in the traditional-modernity continuum, similar to the same process Western industrialized countries went through. A great deal of criticism had been launched at this perspective. As noted by Portes (1974, p. 55), one major reason for this criticism is the gap between theoretical perspectives and the concrete historical experiences of countries in the underdeveloped world. Also criticized is

the neglect of external causes and its consequences. Scholars in this camp tended to concentrate instead on internal forces of the society, assuming that each society is basically independent of all others. These problems and others render this perspective unusable for explaining change or continuity in the underdeveloped countries.

The other perspective was born as a response to the shortcoming of the traditional approach, and came mostly out of underdeveloped countries themselves. Even though criticized for its concentration on external linkage at the expenses of the internal process of change, and for its ideological overtone, it is, however, close to the reality of underdeveloped countries and is providing a promising explanation of the phenomenon of underdevelopment. The world system/dependency theorists give more global view of the problem of underdevelopment. They see causal relationships between the pattern of evolution for developed, industrialized society and the underdevelopment of third world nations. To them, development and underdevelopment are not two stages in the history of mankind but as two facets of the capitalist world system. Underdevelopment is to a large extent the result of the subordinate position in international network characterized by relations of inequality. The developed countries never were underdeveloped. They were undeveloped. Underdevelopment in the

underdeveloped countries was caused by their integration into this world system to be only in the periphery to the center of gravity in the industrialized world. Contemporary world capitalism constitutes a historically developed international mode of production, not a national mode, and the capitalist class has evolved through historical development into a world class, not a national class. The integration into the world capitalist system of the dominant class of the periphery transformed the basis of class power. In other words, the underdeveloped countries lack the independent, genuine national bourgeoisie, or industrialist who brought about the industrial revolution in the West. Traditional merchants and agrarian feudalists were transformed to become dependent agrarian capitalists or a comprador type of bourgeoisie through the integration process. It is interesting to note that the two approaches agree on one aspect of underdevelopment, they disagree on the source of that aspect. While some traditional modernization theory sees underdevelopment in the lack of entrepreneurs who were motivated, rational, risk taking, and were committed to accumulate and invest and so on, the other approach sees the problem of national development in the Third World coming from the dependent subordination of the capitalist class in these countries.

Given the argument made by the two perspectives, I have

selected Amin's theory as a representative of the world system/dependency school of thought for three reasons:

- (1) Amin integrated and incorporated much of the arguments of this school in his theory which made his theory, as some writers indicated, represent the maturity of the entire school (Aidan Foster-Carter, 1982).
- (2) Amin, unlike other theorists of this perspective, offers an elaborate model of the structural features of peripheral developments which examine and explain the production structures and resultant class relations.
- (3) Amin's critics mostly concentrate on his method of using Marxian categories or his political strategy etc., but few examined empirically his model to see whether it is in accordance with reality in the underdeveloped countries.

The evidence presented in the case study of Saudi Arabia suggests that Amin is correct in almost all aspects of his approach.

The penetration of modern capitalism into pre-capitalist society induced its integration into the world division of labor. This integration took the form of narrow specialization of productive force and unequal development. Specialization limits increasing productivity across economic sectors and diversification of productive labor. The unique case of Saudi Arabia as a capital-rich country does not

prevent it from exhibiting the same syndrome of underdevelopment present in other dependent nations which are generally suffering from capital shortage. The structure of development in Saudi Arabia insures the recirculation of capital accumulated through oil exploitation back into the central capitalist system. Expansion of the structure of expropriation, rather than the expansion of production, is the form of exploitation taking place. As a result, the development of productive forces is limited, and the productive labor is being marginalized.

#### A. Recommendations

Most of dependency writers, including Amin, doubt the possibility of an autonomous capitalist development in the periphery within the existing world system. The choice is "either dependent development or autocentric development, necessarily original in form as opposed to that of present-day developed countries" (Amin, 1976a). In other words, they see two choices: either to continue the dependent development under the conditions of inequality between nations, or to break up with the world capitalist system and establish a development policy not based on capitalist model of resources allocation, and reject the rules of profitability and consumption pattern.

Why is autonomous capitalist development like that of the developed countries not accessible in the periphery? In



the dependency literature, the answer mostly given is on the historic incapacity of the comprador or dependent bourgeoisies to carry through the national development like that initiated by the industrial bourgeoisies in the industrialized West. Another reason given is the relationship of dependency continuing to be reproduced in many aspects, such as the flow of capital out of the nation, and other features of social structures resulting from the objective class relations within a dependent society, which is in turn the product of the integration in the international division of labor. The role of the peripheral bourgeoisie class is merely accumulation and expropriation to the center of the world system, rather than the production of value.

One writer described the local bourgeoisies as guided by

. . . immediate profitability, which is greater in trade. This group is not concerned with primitive capital accumulation, a process which is considered by many economists to be an essential beginning to the development of balanced economy. Immediate profitability suggests investments abroad, or in speculation and trade, none of which contribute to productive capacity of the national economy. . . . The trend towards commercial capitalism is a result of the particular circumstances of Saudi Arabia's economic transformation: The country is not transforming its mode of production through its own process of industrialization and the internal development of its own natural resources. On the contrary, its natural resources, primarily oil, are being extracted and exported in an unprocessed condition, and the "development" of the country is taking place as a side-effect of the income derived by

the Saudi Arabian state from the export of oil, therefore, the main source of capital derives from the state's conscious policy of setting up a private sector and its diversion of substantial amounts of its income to private business. This takes place mainly in the import business and in the payment of "commissions" to middlemen, and in the long run may be aimed at creating a class of wealthy business people dependent on the reign for their continued prosperity. (Lackner, 1978, p. 146)

The same writer also noted that "the importance of trade in the economy has meant that many people restrict their activities to receiving agent's fees and commissions on imported goods without actively participating in the business" (Lackner, 1978, p. 171). The reason why Saudi bourgeoisies have not been very keen on productive industrialization can then root on the facts that

They can make far higher profits much faster by investing in trade, specifically in the import business, or in real estate and housing, where cost and profits have been soaring, . . . foreign competition has meant that most local products are unlikely to be competitive especially since there is no tradition of industry. (Lackner, 1978, p. 161)

The traditional merchants, as was noted in the introduction, benefitted from the post-oil era, and many of them expanded and diversified their trade activities in imports of commodities. However, the growth of a new class of compradors has an international status. Saad Eddin Ibrahim described this class as "the cultural broker, who represents the multinational and has connections within the bureaucracy and has connections within the bureaucracy and access to information

about government projects, etc."<sup>1</sup> (Ibrahim, 1982, p. 30).

Real-estate business and land speculation was the business of fast and easy profit, especially from 1974 to 1979 as a result of government's development expenditure. On construction programs, the land prices soared very quickly, and huge sums of money poured into the pockets of few.

As many pointed out, billions of dollars were circulated in nonproductive activities where the prices inflated every time the land was sold, as well as the concentration of capital in the hands of people who did not have the tradition of entrepreneurship, of creativity, of risk-taking, of industry, etc. Instead, they were the kind of people who spent on conspicuous consumption, including luxury goods and services to enhance their social status.

In short, the arguments put forward by dependency perspective of why autonomous development is blocked in underdeveloped countries can be summarized in three points:

- (1) The outflow of capital from underdeveloped countries as profits of multinational corporation, price paid for technology and imported goods and services through unequal exchange etc. would deprive the country of the multiplier mechanism.

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<sup>1</sup>In a recent case study of Iran using the two approaches, Mahmoud Nofallah (1982) found that almost in all aspects the modernization models of development failed to explain what has happened in Iran since 1940, while the world system/dependency model offers an accurate picture of the events in Iran.

- (2) The narrow range of productive activity, which is the consequence of international specialization, would limit development process.
- (3) The economic growth which is based on external demand rather than expanding the domestic market, even though it may reflect increase in GNP in the short run. But it does not mean development.

Given the above argument, it does suggest that development can be achieved without limiting the alternatives to those pointed out by Amin.

Among the recommendations that would be suggested to help in bringing about a more balanced and more self-oriented development are:

- (1) Expansion and diversification of the productive base of the economy by large-scale organized investment in industry and agriculture.

(a) In agriculture, the family farms should be maintained and preserved, for the farming is a way of life and it is the only work they could do well. But recently, many of them left their farms due to the competition from imported agricultural products, or inability to invest in their farm because of low return. They leave the farm to go to urban areas where they seek jobs in non-productive activities; as pointed out, they are

not equipped to do the urban kind of jobs. The over-urbanization and the increase in imported foodstuffs are in some way the cause of outward migration from the rural areas. The government should extend loans and invest in transportation facilities, storage, irrigation, research, and seeds. The price structure should be in the benefit of farmers, not the middle man or the urban dwellers. The government should establish an agricultural bank and a program for land distribution. In the past, these practices had benefitted not the farmers, but mostly people who are not interested in farming, but in profit and the land itself. These absentee new land owners import labor and use imported capital intensive technology which may not be appropriate to the local conditions. The high cost of production exceeds the cost of imported agricultural products.

The implication of the new policy will intensify the concentration of land ownership and the elimination of traditional small peasantry. As one writer noted,

Development is interpreted as the introduction of agribusiness and the opportunity for some to make large profits, rather than in terms of developing the country's ability to be self-sufficient and rely on

its own resources. The government's model for agriculture development is based on the experience of a number of model farms which were set up in the country, and are mainly operated under the supervision and with the advice of Western experts. (Lackner, 1978, p. 185)

(b) Industry: The small share of industrial production in the GDP explains the primitive stage of industrialization in Saudi Arabia. The two kinds of industries in existence or being planned for Saudi Arabia are heavy industry and light industry; heavy industry involves mainly the government in joint ventures with multinational corporations. It is in the oil-related industry such as petrochemical projects or gas-gathering schemes. These industries are geared mostly toward external markets based on cheap natural resources.

Light industry is mostly in the food processing or building related industry and luxury goods production. Capital goods and consumer goods are all imported. Technological dependence is another form of dependence which not only drains the local capital, but also makes it necessary to import foreign skilled labor to operate and maintain local industries.

Any genuine industrial development must be geared toward local mass consumption, and to create the kind of industries

based on local resources to minimize imports. The integration of industries that would use the inputs of local resources and a local industry would stimulate a chain effect toward more economic development. This must be accompanied by restrictions against competitive imports.

#### 1. Balanced development

Underdeveloped countries often are characterized by the existence of primate cities where the bulk of public and private funds are spent, and the specialization in one or two export activities which are usually highly advanced, while the rest of the economy is backward.

To achieve balanced development, development programs must extend across all the regions and all sectors of the economy, regardless of profitability. The inequality of income among regions and between sectors resulted from concentration of investment in some regions and some sectors. One of the goals of development is to strengthen socio-political and economic integration. This can be effectively achieved through equal distribution of funds, projects, and economic programs as well as social development. The quality and quantity of education, health and other social services should not be limited to urban areas, but must be expanded to rural areas as well. There are no studies about the social mobility difference between rural and urban

individuals, but observations indicated that upward mobility in education, occupations, etc. is more restricted for individuals who have a rural background.

High death rate, illiteracy, low income, low productivity, and unemployment are all higher in rural and nomadic communities. The government's efforts to create social and human services facilities (in education, health, etc.) in rural areas have been often undercut by the less than qualified personnel who are unwilling to work in rural areas. The better qualified and better paid prefer urban centers.

Many rural communities have lost their agricultural role and become consumers of imported goods and increasingly dependent on the government to sustain their livelihood in an unproductive way. Creation of industries based on local materials and resuscitation of agricultural activities would help the country to become self-sufficient, or at least less dependent on imported goods.

## 2. Basic needs

Saudi Arabia has increasingly become the dumping market for the industrialized countries, as the capital surplus situation expands over-consumption of imported goods rather than production of value. Under this trend, social and human development is conceived in terms of consumerism and measured by gross consumption indices. Over-consumption not only produces waste but also destroys the cultural values



of the society. The imported western consumption behavior and taste destroyed many local products and a style of living. The idea of basic needs means a balance of living without waste, and instead of spending the surplus income on luxury goods (building of luxury villas, fancy cars, etc.), spend on useful ends that are more productive and more meaningful.

### 3. Appropriate technology

The technology that would increase labor productivity and demand a lower rate of human as well as environmental cost is certainly a desirable technology. But it is true that Western technology cannot always be appropriate to underdeveloped countries. Many studies pointed to the disastrous results produced from the application of imported technology. Technology is not value-free. When a country imports technology, it imports its value as well. Some capital-rich countries can buy whole-sum industries and factories, implant them in their countries, and import foreign labor to operate them without realizing the socio-economic consequences. The choice of and transfer of technology should be in the interest of the community as a whole.

Local research programs would be the best way to develop the kind of technology that is based on local resources and is appropriate for the needs of a community.

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