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The Politics of Profit in Tunisia: Utility of the Rentier Paradigm?

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Summary. — The analysis of rent-seeking in developing countries has shed light on the nonproductive character of business classes and the parasitic nature of state elites in many settings. The "rentier paradigm" however, is problematic in assuming that all manifestations of state intervention and private cronyism are inherently subversive of efficient growth. Evidence from Tunisia suggests that government mediation of profits, and even extensive cronyism, can be compatible with productive investment and growth if appropriate political conditions prevail. The nature of state structure and the logic of the regime's sustaining political coalition will determine the developmental impact of state economic management.

1. INTRODUCTION

For more than a decade much of the development community has retreated from its faith in state-led development, advocating a central role for the private sector in the development process. Disenchanted with the sluggishness and inefficiency associated with public sector growth and inspired by Schumpeter's vision of the ideal-typical entrepreneur, development experts became persuaded that channeling resources to the private sector would release productive energy, heighten economic efficiency, and fuel rapid growth in the Third World. In stark contrast to the bloated, bureaucratized, and politically hamstrung enterprises of the public sector, the private sector came to be seen as the crucible of efficiency and productivity and so its expansion was widely championed.

But given such idealization of the private sector, reality was bound to fall short. More often than not empirical investigation into the character of private sector actors in the Third World failed to turn up a class of productive, autonomous entrepreneurs cut in the image of Schumpeter's ideal-type. More common were hosts of "crony capitalists," businessmen in league with (if not doubling as) state bureaucrats, focused primarily on harvesting government-mediated rents rather than engaging in truly productive enterprise.[1] This "rentier syndrome," pervasive in much of the developing world, had troubling implications for economy, polity, and society. Slowed growth, emasculated social forces, and incoherent states were just three of the evils typically associated with its uncurbed growth.[2]

The delineation of the rentier syndrome should be hailed for spotlighting a serious problem that plagues many Third World countries — the prevalence of parasitic cronyism in business-state relations that subverts both economic development and state capacity. Still, as an analytic category the term "rentier" is problematic in two ways. First, it assumes a clear distinction between productive and unproductive engagement of resources that is actually difficult to define objectively (that is, without getting mired in endless normative debate).[3] Attempts to borrow a narrow, non-normative definition of rents from economics only expand the boundaries of the rentier class to the point of analytic disutility (at least for the political scientist). Second, the pejorative connotation of the term rentier smuggles in from neoclassical economics an inherent distrust of government mediation of profits, leading one to assume that such mediation, by definition, subverts efficient economic growth, societal autonomy, and state coherence. In fact, whether government mediation of profits produces these untoward consequences is actually determined by two intervening variables: the nature of state structure and the character of the regime's sustaining political coalition. The truth is that government mediation of profits, even extensive cronyism, can be wholly compatible with the goals of efficient growth, autonomy, and

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capacity so long as appropriate political conditions prevail.

This argument will be developed by drawing upon the Tunisian case. The article will trace the development of private sector industrialists in Tunisia, testing the applicability and utility of the rentier paradigm in describing this class and its relationship to the state. The article will show that although Tunisian industrialists technically qualify as "rentier," their close relationship to the state has not resulted in significant losses of growth, autonomy, or capacity for Tunisia thanks to the nature of state structure and the logic of the regime's sustaining political coalition.

2. THE DEVELOPMENT OF PRIVATE SECTOR INDUSTRY IN TUNISIA

The development of an indigenous class of private sector industrialists is a relatively recent phenomenon in Tunisia. The country arrived at independence equipped with a small industrial base but the lion's share of industrial ventures were owned either by European trusts and banks or foreign nationals (Bellin, 1991, p. 47). During the early years of independence, the young Tunisian state did try to encourage the development of an indigenous industrial bourgeoisie, offering easy credit, generous tax breaks, and substantial tariff protection to potential investors in industry. Tunisian entrepreneurs, however, resisted these inducements in droves, preferring to risk their capital in real estate and commercial ventures that could be bought on the cheap from departing *colons* (Romdhane, 1981, p. 200). As a result, investment funds earmarked by the state for industrial projects went begging and the industrial sector as a whole stagnated between 1956–61 (Gouia, 1976, p. 209). By the early 1960s the threat of negative growth was sufficiently strong to persuade state elites that a new strategy for the country's industrialization was necessary. Rather than rely upon initiative from the private sector, state elites decided to take responsibility for Tunisia's industrialization themselves.

The 1960s was a decade of state-led industrialization. State technocrats launched industrial ventures in nearly every sector (from heavy, "industrializing industries"[4] such as steel to lighter, consumer-oriented industries such as food processing). By 1969 the state had established more than 80 public sector industrial enterprises, producing everything from sugar, clothes, and ice cream to phosphates, ovens, and tractors (Ayadi, 1969, pp. 4–5). Thanks to the state's stimulus, value-added in manufacturing grew at an average annual rate of 6.3% (Romdhane and Signoles, 1982, p. 63) and while private sector entrepreneurs were not actually discouraged from undertaking industrial ventures (in fact they were actively encouraged to invest their capital in joint ventures with the state), the public sector dwarfed the private sector in terms of industrial investment, topping 70% of gross fixed capital formation in nearly every industrial branch throughout the course of the decade (Romdhane and Signoles, 1982, p. 73; Gouia, 1976).

But the state's enthusiasm for playing the leading role in the Tunisia's industrialization was to wane by the early 1970s. For reasons explored elsewhere (Bellin, 1992), poor harvests and fiscal crisis helped precipitate the fall of the state's most ideologically committed *etatise* elite, leading to their replacement by a new executive team committed to a more "liberal" strategy of development. The new elite declared that henceforth the private sector would take the lead in national development; the state would act only as its handmaiden and guardian. The hope of this elite was to corral the energy and resources of private sector entrepreneurs into industrial ventures and ultimately hand over the major responsibility for the country's industrialization to that class. As then minister of national economy Chedli Ayari announced: "The state seeks to create a generation of industrialists who will be the masters of the country tomorrow" (Signoles, 1984, pp. 790–794).

To entice Tunisian entrepreneurs into undertaking industrial ventures, the state resorted to a wide battery of by now familiar measures. These measures included generous tax breaks, easy credit, protection from foreign competition, licensed monopolies for production for the domestic market, guaranteed profits (through controlled, cost-plus pricing), and guaranteed government contracts where possible. In short, the state's strategy was to sweeten the prospects of profitability in industry by offering entrepreneurs a host of opportunities to harvest special rents,[5] rents available thanks to government intervention in the workings of the market. These measures, it was hoped, would lure risk-averse entrepreneurs into the *terra incognita* of industry.

The results were not disappointing. Private investors responded to these inducements with enthusiasm. Over the next decade or so the number of private sector industrial enterprises tripled, rising from a low of 865 in 1970 to a high of 2,866 in 1983.[6] Private sector enterpreneurs tended to cluster in ventures that were technologically simple, least capital intensive, and most immediately profitable[7] but their presence was felt in nearly every industrial sector. The private sector's contribution to the economy steadily grew, accounting for nearly 45% of all industrial investment by the mid 1980s and soon surpassing the public sector's contribution to value added in three sectors (textiles/leather, electro-mechanics, and diverse industries) while reaching parity in two more (chemicals and agro-alimentary). By the mid-1980s then, a sizeable, diversified, indigenous industrial bourgeoisie had indeed emerged in Tunisia.

3. TUNISIAN INDUSTRIALISTS — RENTIER?

Now given the emergence of this class of private sector industrialists, three observations should be made about the nature of its relationship to the state.

First, there is no question that this class owes a debt of origin to the state. A class of private sector industrialists emerged in Tunisian in response to generous inducements offered by the state and thanks to the general context of nurturing and sheltering provided by the state to this class.

Second, there can be no doubt that the profitability of private sector industrial ventures was enhanced thanks to government mediation (that is, government intervention in the market). Certainly some of these ventures might have been sustainable and profitable even without protection and subsidization by the state but clearly all industrial ventures saw their profitability enhanced by the state's measures.

Third, there can be no doubt that close personal relations with members of the state elite, that is, "insider contacts," were indeed important to business success in Tunisia. At least until the late 1980s, licenses, loans, and subsidies were all distributed by the state on a discretionary basis and knowing someone on the inside was certainly important for getting access to these benefits. In fact, the importance of knowing someone on the inside for the successful inauguration of an industrial venture was such common knowledge it was even institutionalized by the state. By the late 1970s, the state had created a civil servant "loan program" called "detachment formal." Under this program civil servants were lent to designated private sector ventures for a limited period of time in order to help shepherd the ventures through the bureaucracy and get them off to a healthy start. Recognizing that insider contacts and insider information were crucial to business success, state elites reasoned that "loaner" civil servants would provide private sector ventures with both.

Given these three observations — that private sector industrialists in Tunisia by and large owe their origins to the state, that the profitability of their ventures is enhanced by government mediation, and that cozy relations with state elites are essential to business success — should we then argue that Tunisia's private sector industrialists constitute a rentier bourgeoisie? Do their operations represent an example of rentier capitalism?

The term rentier is both ambiguous and loaded. Intuitively, it calls up the image of the coupon clipper so vilified by Marx, the bond holder passively collecting his dividend check, interested only in tapping into the circulation of income rather than using his skills and resources to make a "productive" contribution to the common weal. By the 20th century the rentier came to be viewed as "a parasite living off the effort of labor and entrepreneurial capitalists" for he derived his income "from neither labor nor productive capital investment" (Kregel, 1987). Thus the term rentier evokes a constellation of negative qualities — passivity, unproductiveness, even parasitism, qualities that inform the layman's usage of the term today.

Economists, on the other hand, have a much more narrow understanding of the term rentier. A rentier is simply someone who collects rent. Rent, in turn, is defined as "payment to a resource owner above the amount his resources could command in the next best alternative use" (that is, it is payment in excess of the resource's opportunity cost) (Tollison, 1982, p. 572). In itself, rent is unobjectionable and indistinguishable from profit so long as perfect market conditions prevail.[8] Under such conditions the possibility of earning exceptionally high returns (rent) simply attracts resources to their most highly valued use, thereby increasing society's overall welfare. Rents are problematic only when they are the product of market imperfection — either natural monopolies or artificial scarcities created by government intervention in the workings of the market.[9] Under these conditions the link between exceptionally high return and increased production of society's most highly valued goods is broken — hence the pejorative connotation of the term rents as "illegitimate" or "excess" profits. Briefly put then, for economists a rentier is someone who earns "excess profits" thanks to imperfections in the market, imperfections that are often the product of government intervention in the market's operation.

Finally, political economists' use of the term rentier borrows from both the laymen's and the economist's understanding of the word. As explained by Boone, an entrepreneur is considered a rentier if he meets two criteria, that is, if he engages in generally unproductive economic activity and if his profits are politically mediated (i.e. mediated by government intervention in the market).[10] Examples of such pure rentiers abound. Perhaps best known are what an earlier generation of political sociologists used to call the "parasitic bourgeoisie." By definition this class of entrepreneurs contributes nothing of value to the national economy. Rather, they enrich themselves by preying upon the state, trading on insider contacts within the state bureaucracy in ways that enable them to harvest profits from the mere circulation of goods and money. A well-known example of this parasitic class can be found in the "commission entrepreneurs" of Saudi Arabia (Field, 1984). These entrepreneurs use their close connections to the Saudi royal family to wangle exclusive rights to represent foreign firms in the kingdom (say the exclusive dealership of IBM products) or to act as the state's middleman in contract negotiations with foreign suppliers (say arms dealers such as Adnan Kashoggi). In either case, close personal relations with state leaders pay off in the form of hefty commissions simply for adding an additional layer of middlemen to the distribution circuit in Saudi Arabia. Similarly, Egypt's "supply mafia" provides another example of a parasitic bourgeoisie (Springborg, 1989). These entrepreneurs use personal contacts within the state bureaucracy to commandeer scarce supplies of subsidized (and often rationed) goods. These goods are then sold on the black market at very high prices, permitting their dealers to skim off hefty profits for themselves in the process. In both the Egyptian and Saudi cases, these parasitic businessmen fit the political economist's description of the rentier for in both cases the businessmen are engaged in clearly unproductive activities (they are simply adding another layer of middlemen to the distribution circuit) and in both cases the businessmen's profits are politically mediated (i.e. they are acquired through the manipulation of close personal relations within the state bureaucracy).

But aside from these parasitic entrepreneurs, the process of identifying other rentier businessmen gets murky. This murkiness derives from certain ambiguities in the political economist's definition of the term rentier. Specifically, just what constitutes "unproductive" economic activity and what distinguishes it from the more productive variety? Furthermore, just how much government mediation of profits is necessary to qualify a businessman as rentier?

Distinguishing productive from unproductive economic activity turns out to be an extremely thorny matter. Theoretically, economists consider an activity productive so long as it augments aggregate social welfare (Colander, 1984, p. 8). But without an objective measure of social welfare (a difficult proposition given the extremely subjective nature of individual utility functions), economists fall back on a physical conception of productivity, measuring it in terms of contribution to aggregate (physical) output (Colander, 1984, p. 8). The problem then is how is one to evaluate ventures where there is no physical product? Are all enterprises in the service sector to be lumped together in one category, deemed by definition productive or unproductive? This approach seems unsatisfactory but equally problematic is the formulation of a nonsubjective standard that would distinguish between service sector ventures that enhance the common weal (say an efficient bank or insurance agency) and those whose contribution is less evident (say, commission entrepreneurs or scalpers).

Even setting aside the question of the service sector, however, another question poses itself. Just how efficient must a venture be to be considered productive? It seems unlikely that a firm that produce goods whose market value is lower than the market value of its inputs should be considered productive even if tangible goods are produced. (It is not clear that the firm is increasing society's aggregate welfare in any real way.) On the other hand, should the protected manufacturer who produce goods inefficiently but survives thanks to government supports (subsidies, tariff protection, etc.) be considered rentier? After all, the "productivity" of such a firm is questionable (given the fact that its efficiency is tainted) and its profits are clearly mediated by state intervention in the market.

Taking this question of mediation further, just how much government mediation is necessary to deem an enterprise rentier? Is the industrialist who earns an extra margin of profit thanks to governmental intervention in the market in the form of tariff protection, infrastructural subsidies, and guaranteed contracts to be considered rentier? Perhaps, but the fact is that a large portion of private sector industrialists everywhere in the world enjoys such profit enhancement thanks to sheltering or nurturing by the state. In the United States, for example, the defense industry has long been sustained by near guaranteed contracts from the state just as the auto industry has long been buoyed by tariff protection, import quotas, and subsidies. Such governmental intervention is the rule rather than the exception in most industrialized countries. It is part of the prevailing logic of "embedded liberalism" discussed by Callaghy (1989, p. 119) wherein states compromise free market principles for the sake of domestic political and economic considerations. Are we then to consider all entrepreneurs who benefit from embedded liberalism rentier? Strict adherence to the economist's definition of rents would rule in the affirmative. Rents (and hence rentiers) are created whenever the state intervenes in ways that artificially inflate or reduce commodity prices (thereby creating artificial scarcities and hence the opportunity to collect inflated profits).

But reliance upon the economist's narrow (if precise) definition of rents (perhaps paradoxically) expands the concept rentier to such a degree that it is robbed of analytic utility. A term that embraces in one category groups as different as the supply mafia of Egypt and the automotive industry of the United States is a term so diluted as to lack analytic punch. So defined, the category may be internally consistent, however, it glosses over essential distinctions between such ventures (their productivity, their autonomy from the state), distinctions that are crucial to the political scientist. On the other hand, falling back on a more intuitive understanding of the term rentier ("unproductive", government-mediated) opens the door to too much imprecision and subjectivity (just what is productive? how much mediation is necessary to qualify as rentier?) to define clear boundaries for this group.

4. UTILITY OF THE RENTIER PARADIGM?

As an analytic category then, the term rentier is problematic. But this is not to say that the literature on rentier capitalism lacks important insights. To the contrary, this research is extremely useful for identifying three hazards that emerge whenever profits are politically mediated.[11]

First, there is the hazard that where profits are politically mediated, society as a whole will suffer a significant welfare loss. The reasoning behind this claim is that when state elites are given discretionary power over the distribution of resources, they are likely to distribute those resources according to criteria that are economically irrational. This in turn leads to inefficient use of resources, that is, waste and welfare loss. Now, the noneconomic criterion that governs the state's discretionary distribution of resources is typically one of two (Bates, 1981, p. 102). Either state elites will distribute benefits with an eye to *personal gain* (for example, government contracts or interest-free loans will be distributed to the client who offers the biggest kickback). Or state elites will distribute benefits with an eye to *political survival* (that is, benefits will be distributed with an eye to building a political clientele). Examples of such economically "irrational" distribution of benefits are many, ranging from the distribution of state contracts to close friends and family by state bureaucrats in Egypt for reasons of personal gain (Sadowski, 1991) to the provision of subsidies for hopeless industrial ventures in Saudi Arabia by state elites eager to buy political quiescence from the middle class (Luciani, 1990). In either case, state elites distribute benefits in an economically irrational fashion and this leads to welfare loss for society as a whole.

Second, there is the hazard that where profits are politically mediated, the entrepreneurial class will lose its political autonomy. The danger is that where the economic position of the entrepreneurial class depends upon currying favor with the state, these entrepreneurs will be reduced to what Kasfir (1984) calls "eunuch capitalists," capitalists who lack the autonomy to challenge the state or act as a countervailing force to state elites in the defintion of public policy. An "emasculated" bourgeoisie is a common phenomenon in many Third World countries and its creation is often the conscious policy of the state as shown by Iliffe (1983) in Ghana and de Miras (1982) in Côte d'Ivoire.[12]

Third, there is the hazard that where profits are politically mediated, the state will become embroiled in clientalistic relations which can ultimately cannibalize the state and undermine its capacity to conduct coherent developmentalist economic policy. Boone's work on Senegal (1990) and Callaghy's work on Zaire (1984) have made clear the negative impact rampant clientalism can have on state capacity.

These three hazards are genuine. Where the state mediates private sector profitability, opportunities are indeed created for machination that can result in welfare loss, the emasculation of social forces, and the cannibalization of the state. Still, it must be stressed that political mediation of profits creates only the possibility, not the necessity, of such consequences. Whether or not political mediation leads to losses in general welfare, societal autonomy, or state capacity turns on a number of intervening political variables, specifically the nature of state structure and the logic of the regime's sustaining political coalition.

The evidence is clear from Tunisia. Tunisia's industrial class does indeed fit a strict definition of a rentier class and its profits are indeed politically mediated by the state. Although some industrial ventures might survive without government support, nearly all see their profitability enhanced by government subsidies and protection (all of which have historically been distributed on a discretionary basis). Never-theless, government mediation of profits has not resulted in debilitating welfare loss, societal emasculation, or state cannibalism (such as one finds in a Zaire) and this is primarily due to the character of the Tunisian state and the nature of the regime's sustaining political coalition.

Consider the first hazard, welfare loss. Clearly state intervention in the Tunisian economy has led to some market distortion, resulting in less than perfectly rational allocation of society's resources. The question of significant welfare loss however, ultimately turns on whether noneconomic logic (specifically concern for personal gain or building political clienteles) overwhelms the state's decision-making process in its management of the economy.

In Tunisia, concern for building political clienteles has not been a governing consideration in the state's distribution of discretionary benefits to the industrial class. This is because industrialists as a group have never been an important component in the regime's political base. To the contrary, the regime has historically sought its popular foundation in a coalition of urban workers and rural peasants (both of whom *are* linked to the state through the discretionary distribution of benefits, e.g., health benefit cards to loyal peasant members of the rural party machine and higher wages to loyal organized workers). Its symbols have always been populist (even as the ruling party shed the qualifier "socialist" from its name in 1988 it made certain to retain its membership in the international alliance of socialist parties) and it has steadfastly refused to renounce its populist constituencies (hence the state's efforts to shore up the national trade union confederation since 1988). The regime has historically kept businessmen at arm's length[13] and even with the recent celebration of entrepreneurs as leaders in the development process, the regime has tended to exclude them from the political limelight. (Note that very few businessmen have been invited to join the ruling party's central committee.) The relative dispensability of businessmen to the regime's political base has permitted the state to cleave to a developmentalist logic in its economic policies even when this logic harms business interests.

The best evidence for this is the alacrity with which the state implemented IMF-mandated market-oriented reforms in the late 1980s. When severe foreign exchange and fiscal crisis loomed in 1986 and the International Monetary Fund (IMF) called for price and import liberalization, devaluation of the dinar, and reductions in public spending, the regime quickly fell in line — so much so that today Tunisia is considered a model adjuster by the Fund (*IMF Survey*, November 9 1992, pp. 347–350). This was true despite the fact that these measures were destined to reduce substantially supports and subsidies to the industrial sector. (For example, the IMF reforms promised to reduce tariff protection as well as the availability of subsidized credit.) State elites adopted these measures (despite the protests of individual industrialists) largely because they *could*. Industrialists had never been an important part of the regime's sustaining political coalition and so the regime could afford to compromise their interests for the sake of IMF-enunciated (and funded) rationality.[14]

If concern for building political clienteles has not been a governing consideration in the state's distribution of benefits to the industrial class, then neither has concern for personal gain on the part of state elites. If we are to take Tunisian industrialists at their word, corruption levels are relatively low in Tunisia's state bureaucracy, at least in comparison to that of many neighboring states in the region.[15] This is not to say that the Tunisian state is entirely corruption-free. Clearly whenever bureaucrats are endowed with significant supervisory power over businessmen, incidents of corruption will occur. Tunisia, like many countries, has witnessed some spectacular cases of corruption especially at the top of the political pyramid. (These cases multiplied during the final years of the Bourguiba regime when leadership broke down and a mad scramble to profit before the president's demise seized many of the ailing leader's entourage.) Nevertheless, scores of Tunisian industrialists attested to the low incidence of corruption in the state's management of industry. Yes, petty favors might grease the wheels of low-level interaction with state bureaucrats. A manufacturer, for example, might slip a free sample of merchandise to the state labor inspector at holiday time. One did not however, have to give public officials a "cut of the action" in order to succeed in business in Tunisia as would be the case in Syria or Iraq. An industrialist could count on getting access to state licenses, subsidies, and supports strictly on the merits of his project, if that project were sound. At bottom, the bureaucracy was guided by a developmentalist ethic and if its management of the economy was irrational (many industrialists extravagantly bemoaned the state's irrationality, complaining of delays and inefficiency in its handling of their affairs), this irrationality was attributed to administrative incompetence and overbureaucratization rather than blatant corruption on the part of state officials.

At first glance this claim of "no corruption" might seem difficult to square with our earlier observation that insider contacts are very important to business success in Tunisia. In fact the two are compatible so long as one realizes that cronyism is distinguishable from corruption in terms of both cause and effect. Corruption refers to the misuse of public office for private ends. It is motivated by the individual's desire for personal gain and is deplored because such gain usually comes at the expense of general welfare. Cronyism by contrast refers to the provision of preferential treatment to one's chums. Cronyism need not necessarily be motivated by the desire for personal payoff. Moreover, it need not necessarily result in welfare loss for society as a whole.

In the case of Tunisia cronyism is indeed prevalent in business-state relations but this is not necessarily because businessmen and bureaucrats are eager to create "back-scratching" opportunities that will profit them both at the expense of the general public. To the contrary, frequent recourse to cronyism should be seen as a rational response to an information problem faced by both industrialists and state elites. For the industrialist there is the daunting prospect of dealing with a Byzantine state that has long sought to license and control every aspect of business life. A typical project may require over 40 separate bureaucratic approvals before it can be legally launched. Moreover, the laws and regulations governing business life are constantly in flux. For this reasons businessmen need contacts on the inside just to get through the system and get the information necessary to play by the government's rules.

On the state's side there is the fact that state elites often don't have the technical data and/or training necessary to assess the projects they are called upon to approve. Under these conditions bureaucrats are often forced to fall back on the advice of "friends in the business" to decide whether a project is viable or a borrower trustworthy.

What this means is that cronyism is not necessarily motivated by the desire for personal gain (though on occasion it certainly is); rather, it is often a second-best solution to an information problem faced by both industrialists and state elites. Moreover, cronyism should not necessarily be seen as subverting economic rationality. Where dependable information is scarce, reliance on personal contacts may actually abet the rational allocation of economic resources rather than subvert it.[16]

The political mediation of profits then does not necessarily spell welfare loss. Where state bureaucrats are primarily corruption-free and where economic clients are politically dispensable, state supervision of discretionary benefits can be fully compatible with economic rationality and efficient growth. But what about our second hazard — the political emasculation of social forces? Will dependence upon the state's discretionary distribution of resources mean that industrialists will hesitate to challenge the state on political matters for fear of biting the hand that feeds it?

Here the answer is a bit more ambiguous. Certainly such dependence upon the state counsels a certain degree of political reticence on the part of private sector industrialists. Nonetheless, it is interesting to note that political "rectitude" is not a condition of business success in Tunisia. One need not be a member of the ruling party nor need one get the party's *imprimatur* in order to do business in Tunisia. The best evidence for this is the fact that a good portion of the industrialists interviewed were not members of the Destour party.[17] Moreover, not a few of the most successful businessmen in Tunisia were "political pariahs," men who had fallen into disfavor with the regime during the Bourguiba era and who had consequently fled to business as a refuge from politics. These men were granted "the right to make money" free from politically motivated bureaucratic harassment. As one businessman reported, relations with the bureaucracy are "personalized not politicized." Though it is useful to know someone on the inside to get access to discretionary benefits, one does not have to pass a political test to get the loans and licenses necessary to do business in Tunisia.

None of this is to say that industrialists are at the forefront of oppositional party politics in Tunisia. To the contrary industrialists in Tunisia have generally eschewed such activity for two reasons. First, Tunisia is a relatively small country and members of the elite tend to be well known to each other. Businessmen enjoy extensive formal and informal contact with state elites (through dinner parties, social gatherings, and formal government commissions). Consequently, when industrialists are unhappy with state policy, they tend to contact state elites directly rather than work through organized public forums such as parties. Apparently industrialists find they can make the most effective case for their preferences in private consultation with state elites rather than in the glare of collective, public confrontation.

Second, industrialists tend not to be at the forefront of oppositional politics in Tunisia because until relatively recently there was little in state policy to oppose. Over the past 20 years a coincidence of interest prevailed between private sector industrialists and state elites. Both were committed to the country's industrialization and both designated a large role for the private sector in the process. Consequently, the state generally anticipated the needs of private sector industrialists and legislated an extremely favorable context for their development. Only in the last few years, as the state has bowed to IMF pressures to eliminate many industrial subsidies and supports, has a divergence of interest emerged between the state and the less competitive segment of this class. Consequently the long-term quiescence of private sector industrialists cannot be taken as a measure of political emasculation. Rather, it is an indication of the industrialists' long-term satisfaction with a state that generally anticipated their interests.

The political mediation of profits then need not necessarily mean the political emasculation of private sector industrialists. In Tunisia, industrialists have benefited from a generous supply of government-mediated rents, however, they have tended to retain a fair degree of political independence (though perhaps they have fallen short of being outright renegades). But what about our third hazard — that political mediation of profits will embroil the state in clientalistic relations that undermine its capacity to conduct coherent developmentalist policy and ultimately lead to its own cannibalization?

The entanglement of the state in debilitating clientalistic relations is not unique to Third World cases of rentier capitalism. It is rather a constant in politics and everywhere acts as a brake upon the pursuit of strictly rational economic policy. In the United States, for example, it is the government's "entanglement" with certain key constituencies (retirees, farm interests, etc.) that prevents it from adopting a purely rational set of policies to close its enormous deficit. Ultimately, the issue of entanglement is a matter of degree. Whether entanglement leads to state cannibalization or not, however, turns on the state's capacity to "manage" its clients. Can it juggle clients in a way that endows it with sufficient autonomy to sustain its own developmentalist logic? Moreover, does the state have alternate strategies of legitimation besides client-buying that can sustain it while client interests are being clipped? In Tunisia, clientalism has long constituted a crucial component of the regime's strategy for survival. The state's clients, however, have not been limited to rent-gathering industrialists but rather have included many other groups such as high-wage workers organized by the UGTT and subsidy-happy consumers of basic commodities. The state's capacity to sustain its developmentalist trajectory derives from its ability to juggle these different groups, "sequencing" their injury to avoid the coalescence of their anger against the state and carrying out "reform by stealth" to catch the opposition off-guard.[18] In this way clients are serviced sufficiently to prevent the ship of state from capsizing even as it stays its general developmentalist course.

Of course the most intriguing questions remain — why does Tunisia's state elite remain focused on a developmentalist course and how is it that the state bureaucracy remains relatively free from corruption? Both of these characteristics of the Tunisian state are essential to explaining why the mediation of profits does not generate debilitating welfare loss, societal emasculation, or state cannibalization in Tunisia. The answer most certainly lies in avenues suggested by Kohli (1987) and Evans (1992). Surely, leadership plays a role — both Presidents Bourguiba and Ben Ali personally identified their prestige with the economic development of Tunisia. Historical experience also proved to be reinforcing. The country possesses a long tradition of "development from above" that stretches back to precolonial times as shown in Brown's (1974) study of the Tunisia of Ahmed Bey and that was reinforced during the French colonial era (Brown, 1964). Finally, the decent remuneration, secure employment, and specialized training enjoyed by Tunisia's higher civil service (Larif-Beatrix, 1988, pp. 229, 248; Camau, 1978) has certainly provided the *esprit de corps* and security of tenure which analysts such as Evans (1992) suggest are crucial to the development of a professional, incorruptible state bureaucracy. Clearly, more research is called for in this area. But equally clear is the fact that to predict the consequences of rentier capitalism one need look less at the character of the capitalists themselves (productive? autonomous?) than at the character of the state that nurtures them.

NOTES

1. The term "crony capitalism" is borrowed from Callaghy (1990, p. 260). The phenomenon is further explored in the case of Egypt by Sadowski (1991), Zaire by Callaghy (1984) and Macgaffey (1987), Nigeria by Joseph (1984), and Saudi Arabia by Field (1984).

2. These troubling implications will be expanded below.

3. Nicholas van de Walle made this point clear to me. The idea is developed further in Colander (1984, p. 8) and in Wellisz and Findlay (1984, pp. 57–60).

4. The term is that of French economist G. Destanne de Bernis who used it to describe the heavy industries he believed would spur integrated development in Third World countries by fostering forward and backward linkages with other industries in their economies.

5. An attempt to define the term rent precisely will follow below.

6. Figures are taken from the National Statistical Institute's Industrial Censuses as well as various internal document from the INS. They refer to firms employing 10 workers or more.

7. That is, they tended to concentrate in subsectors such as food processing, textiles, and building materials rather than in mining or utilities.

8. This is why many analysts object to any hard and fast distinction between profit-seeking and rent-seeking. Both involve the same "maximizing" behavior on the part of the entrepreneur. The only difference between the two is the institutional setting in which the maximizing behavior takes place. Where perfect market conditions prevail or where the government intervenes in the market (but along the lines of economic rationality) such maximizing behavior leads to socially beneficial consequences (increased social surplus). When such conditions do not prevail, maximizing behavior generates social waste. See Buchanan (1980, p. 4) and Tollison (1982, p. 577) for more. Jones and Sakong (1980, pp. 267–278) provide empirical evidence of this from the Korean case.

9. Thanks go to Nicholas van de Walle for clarifying this point for me. One example of artificially created scarcities that generate opportunities for reaping monopoly profits (i.e. rents) would be state limitation of firm number in a given sector (imposed via licensing).

10. Boone's definition is clear and precise: "Rentier activities are defined as politically mediated opportunities for obtaining wealth through non-productive economic activity" (1990, p. 427). See her article for an excellent discussion of rentier capitalism in Senegal.

11. Political mediation is the one quality that both economists and political economists agree constitutes a defining criterion for most rentier situations.

12. All these citations are from Boone (1990, p. 430).

13. Notwithstanding the important role played by merchants in the early years of the Neo-Destour party (prior to independence).

14. Of course, not all industrialists saw their interests compromised by the IMF-inspired reforms. Those industrial enterprises that were export-oriented and efficient by world standards were certain to benefit, on balance, from dinar devaluation and easier access to imported inputs. Nevertheless, the lion's share of industrial ventures in Tunisia were not so oriented or efficient when the reforms were introduced and so a good portion of these ventures were destined to suffer. Precise statistics on industrial failures between 1989–93 are not available. This past spring however, Hedi Jelani (president of Tunisia's Union of Industrialists, Merchants, and Artisans, UTICA) predicted that 10–20% of the country's private sector industrial firms would go bankrupt in 1993–94 with further implementation of IMF reforms, specifically, liberalization of the country's tariff barriers. Without doubt, the regime's reforms have been painful (even if not fatal) for a significant portion of the industrial class. Nonetheless, the regime has not been dissuaded from pursuing these reforms.

By contrast, the regime has been more careful to buffer the impact of structural adjustment on labor. Wage rates have been steadily increased to keep near pace with inflation; the labor code has not been "rationalized" to make labor dismissal more "flexible," despite insistent recommendations to that effect by foreign experts. In fact, the best argument a failing industrial venture can make to persuade the state to sustain its "irrational" subsidies and protection is to show that the venture's failure will result in massive layoffs. Labor's disaffection is considered dangerous to the regime's political survival and so the regime has modified its economic policy to maintain labor peace even as it takes steps to limit labor's organizational autonomy.

Admittedly, the notion of sustaining coalitions is borrowed from the political logic of democratic experience. Clearly, authoritarian regimes (that is, regimes whose reign is not beholden to free and fair population election) are significantly more insulated from the need to sustain popularity than are democracies (see Callaghy, 1993). Nevertheless, no regime survives (long) by coercion alone and even the most authoritarian regime must be attentive to the cultivation of a political base/coalition if it wishes to endure. This is also true for Tunisia. The less than wholly democratic nature of the regime lends it some insulation from popular pressures and some space for "play" with its traditional constituencies. Nevertheless, over the long term the regime must attend to the interests of those constituencies or else construct a new coalitional base to provide it with popular ballast.

15. These views were reflected in interviews with over 50 industrialists conducted in 1988–89.

16. The impact of cronyism on general welfare (positive or negative) depends on the character of the state bureaucracy. Jones and Sakong (1980) provide persuasive evidence from the Korean case that where bureaucracy is guided by a developmentalist ethic, cronyism can be used to improve general welfare. Evans (1992) develops this idea further in his discussion of the utility of "embedded autonomy" for successful state-led development.

17. The interviewed sample was selected on a nonrandom basis but was diversified across sector and size category to be reasonably representative of Tunisian industrialists as a whole.

18. These strategies of "reform by stealth" and "sequencing injury" are elaborated by Waterbury (1989). Examples of such reform by stealth include the regime's policy of granting Tunisian workers wage raises on a regular basis, but setting them so as to lag slightly behind the rate of inflation.

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