

# Militarizing Welfare: Neo-liberalism and Jordanian Policy

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*Jordan's seemingly successful economic and political reforms have been used to advertise the American vision of societal transformation in the Middle East. The imposition of neo-liberal economic policies removed a key source of welfare for the populace, leaving the regime without a secure base of support. Economic liberalization led to a radical change in the regime's base of support, marginalizing the previous regime backers — the East Bank population — and replacing them with a strengthened military, formerly only part of the regime's support. Initial economic liberalization was a critical juncture when differing outcomes were possible. The 1990s set the institutions and state policies that persisted after these extreme hard times passed. An analytical focus on state social provisioning demonstrates the changed social base of the Jordanian regime and the groups effectively disenfranchised by the new arrangements. The military and security services are the only sector growing in structural adjustment. Alongside decreasing social welfare allocations in general, the military's budgets are increasing and the military diversifying into sub-contracting and new economic enterprises. Militarized liberalization serves as an alternative model for Middle East regimes, one that can furnish the foundation for semi-authoritarianism into the near future. This changing social base of the regime, illuminated through an examination of social welfare, must be recognized when tackling the perennial question of a democratic deficit in the Middle East.*

Jordan's seemingly successful economic and political reforms have been used to advertise the American vision of societal transformation in the Middle East.<sup>1</sup> However, the imposition of neo-liberal economic policies removed a key source of welfare for the populace, leaving the regime without a secure base of support. Structural adjustment and the imposition of neo-liberal economic reforms were set to dismantle the social provisioning<sup>2</sup> upon which the state of Jordan had been built, without establishing

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1. Pete W. Moore, "QIZs, FTAs, USAID and the MEFTA: A Political Economy of Acronyms," *Middle East Report*, No. 234 (2005).

2. I define the welfare system as the institutions and policies that provide protection for the lower classes against the fall into poverty, and insurance, social security, and pensions mainly for the middle classes. These institutions can extend into public services such as health care, worker protection, and wage determinations.

substantive participation as an alternative foundation for the regime.<sup>3</sup> The removal of social policies was not merely a matter of unemployment and decreased buying power, but threatened the very nature of Jordan's regime itself. Prior to its economic reforms in 1989, a social contract in Jordan, similar to most in the Middle East, provided economic goods in return for political quiescence. The state's abrogation in economic reform would logically generate increased political voice, as the populace would no longer support the regime due to economic benefits received. Instead, economic liberalization in Jordan led not to increased political space but to the radical change in the regime's base of support, marginalizing the previous regime backers — the East Bank<sup>4</sup> population — and replacing them with a strengthened military. The pro-American regime has remained a mystery made more puzzling given the reality of poor economic performance and a lack of democracy. The regime's reliance upon military welfare, strengthening the numbers and economic power of the military, aids in explaining the persistence of this semi-authoritarian regime.

Hard times can solidify new institutional patterns that either reverse or reinforce old arrangements.<sup>5</sup> When resources for living decline, critical realignments among domestic actors can institutionalize a new coalition for governing which remains in place long after the crisis is over. The harsh economic conditions of the 1990s, depicted here, effectively raised the role of the military by serving as employment and welfare. The narrow group of the military substituted for previous welfare provided to a broad segment of the population. In the atmosphere of general economic crisis, welfare to one section of the population was welcomed. While new economic policies themselves generated substantial protest, the increasing numbers and economic benefits of the military proceeded without objection. The result contributed to the demise of political liberalization. A larger and stronger security apparatus, now providing important welfare benefits not available elsewhere, compromised the ability of the populace to organize against the government.<sup>6</sup> The 1990s began with economic reform accompanied by

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3. On Jordan's lack of democracy, see for example Jillian Schwedler, "Don't Blink: Jordan's Democratic Opening and Closing," *Middle East Report Online*, [www.merip.org/mero/mero070302.html](http://www.merip.org/mero/mero070302.html).

4. The distinction is one of national origin or lineage, not current citizenship. Jordanian, East Banker, and Transjordanian are all terms for a person who traces his/her origin to the area now known as Jordan. Palestinians trace their ancestry to the West Bank, the Gaza Strip, or what is now inside the boundaries of Israel. Precise demographics of East Bankers versus Palestinians are unavailable; the government regards all population counts by national origin as national security issues. As such, it will not release any information it may have on these demographics. As anthropological studies have shown, distinctions between Jordanian and Palestinian are not hard and fast, and senses of identity have proven to be flexible. Palestinians allied to the monarchy, having arrived prior to 1948 (some after), are often seen as Jordanian. The Majali family, although originally from Hebron in the West Bank, is considered Jordanian, viewing its interests in line with those from its home in Karak (southern Jordan). Layne calls these "practical purposes" Jordanians; they are Jordanian in all the ways that count. Others continue to be viewed as Palestinian. Linda Layne, *Home and Homeland: The Dialogics of Tribal and National Identities in Jordan* (Princeton: Princeton University Press, 1994), p. 18. Intermarriage complicates the situation, as does the current reorganization of kinship that can cross national origin lines.

5. Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca: Cornell University Press, 1986).

6. For the effect of the coercive apparatus' on political liberalization in the Middle East, see Eva [Continued on next page]

significant political reform — the return of Parliament and the legalization of political parties. By the beginning of 2000, economic liberalization had sped up while political reform had reversed, resulting in what some have called “deliberalization.”<sup>7</sup>

The economic distress of the 1990s was somewhat alleviated by the Iraq War in 2003, which catapulted US aid to Jordan to new heights and revived the transport and tourism sectors. Jordan served as a key stop for contact with Iraq. Other economic sectors suffered as the domestic competition for goods and jobs increased with the arrival of, by some estimates, some 700,000 Iraqi refugees. The Iraqi refugees infused money into Jordanian banks but increased prices through general inflation. While the economic situation somewhat shifted, the basic profile of the domestic economy remained. Even more important, the military’s central role supporting popular welfare and the regime continued to develop along the institutional lines set in the 1990s.

In this article I delineate the Jordanian regime’s changing social base through a focus on the political economy of state provisioning and the effects of economic liberalization. I begin by setting the social scene, placing the Jordanians and Palestinians in their regional location and labor market concentration. I then present the country’s production profile prior to structural adjustment and its attending labor market characteristics. Next, I focus on the welfare policies enacted by the state, tightly linked to the economic regime. Specific elements of state social provisioning created incentives for kinship organizing with welfare’s decline. I then discuss structural adjustment, which marks the shift in the country’s welfare regime. I examine the altered labor market and new welfare provisions under economic liberalization, and demonstrate the growing privileges and institutional economic power of the military in economic liberalization.

An analytical focus on state social provisioning demonstrates the changing social base of the Jordanian regime and the groups effectively disenfranchised by the new arrangements. Examining welfare policies concentrates analysis on the causes and consequences of the quintessential political question: who gets what. Welfare is both a dependent and independent variable. It is intimately related to the country’s economic development trajectory and the political battles over redistribution.<sup>8</sup> Social provisioning in turn influences the production profile, particularly by sending signals to the labor market.<sup>9</sup> Thus, delineating the prior welfare regime is central to forecasting economic

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Bellin, “The Robustness of Authoritarianism in the Middle East: Exceptionalism in Comparative Perspective,” *Comparative Politics*, Vol. 36, No. 2 (2004), pp. 139–57.

7. Russell E. Lucas, “Deliberalization in Jordan,” in Larry Diamond, Marc F. Plattner, and Daniel Brumberg, eds., *Islam and Democracy in the Middle East* (Baltimore: Johns Hopkins University Press, 2003); Schwedler, “Don’t Blink: Jordan’s Democratic Opening and Closing.”

8. Evelyne Huber and John D. Stephens, *Development and Crisis of the Welfare State: Parties and Policies in Global Markets* (Chicago: University of Chicago Press, 2001). The production regime includes the country’s connection to the international economy, relationships among firms, employers, and financial institutions, labor market institutions, and the government’s relationship to and involvement in the economy. David Soskice, “Divergent Production Regimes: Coordinated and Uncoordinated Market Economies in the 1980s and 1990s,” in Herbert Kitschelt, et al., eds., *Continuity and Change in Contemporary Capitalism* (New York: Cambridge University Press, 1999); J. Rogers Hollingsworth, Philippe Schmitter, and Wolfgang Streeck, eds., *Governing Capitalist Economies* (New York: Oxford University Press, 1994).

9. Social insurance affects individual decisions on investment in specialized skills. Torben Iversen  
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outcomes and collective organizing potential once social provisioning is withdrawn.

Social provisioning mechanisms in the developing world differ sharply from those of the developed countries, with the result that they are often not identified as forms of welfare. But the existence of a social contract trading political rights for economic security is well acknowledged.<sup>10</sup> Comparison with social welfare in southern Europe and Latin America identifies the nature of diverse Middle Eastern policies as buffering the direct experience of the market for the middle and lower classes and providing a measure of social insurance. Welfare in all these regions is partial and geared toward those in formal employment and crucial social groups in state formation. In the northern Mediterranean, social security and pensions form the bulk of welfare expenditures, on top of salaries to state employees.<sup>11</sup> In Latin America, public employment and pensions are supplemented by health care and price controls, measures more familiar in the Middle East.<sup>12</sup> The prevalence of clientelism does not void the existence of a welfare regime, but is a method of accessing state insurance. In all these regions votes are exchanged for welfare services, and personal connections used to negotiate the bureaucracy for the same. Within the national systems, large territorial differences are present, creating what has been called a dual system of welfare provision: A minority of workers benefits well from social policies, while the majority has minimal or no coverage.<sup>13</sup> Further, the private realm is kept distinct from the formal labor market, but relied upon for social services. Women's social rights are derived relationally, from their connection to a male relative, and no public services aid in the entrance of women to work outside the home. Private religious and local charities are explicitly called upon to fill in for the state.<sup>14</sup>

Jordan's welfare regime was split between those covered and those left out of the system entirely. For the East Bank population, welfare meant public sector employment with attendant benefits for the entire family. Along with a steady income, these jobs provided access to health care and cheap consumer goods. Benefits last into retirement for these employees. In the 1970s, with increasing inflation and rising incomes among Palestinians working in the Gulf, the state took several additional measures to aid the poor and the state-employed Jordanian population. Blanket subsidies on basic

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en, *Capitalism, Democracy, and Welfare* (New York: Cambridge University Press, 2005).

10. For example John Waterbury, "From Social Contracts to Extraction Contracts: The Political Economy of Authoritarianism and Democracy," in John P. Entelis, ed., *Islam, Democracy, and the State in North Africa* (Bloomington: Indiana University Press, 1997). Ayubi terms these social welfare, but does not isolate the welfare regime as a variable. Nazih N. Ayubi, *Overstating the Arab State: Politics and Society in the Middle East* (New York: I.B. Tauris, 1995).

11. Maurizio Ferrera, "The 'Southern Model' of Welfare in Social Europe," *Journal of European Social Policy*, Vol. 6, No. 1 (1996).

12. Evelyne Huber, "Options for Social Policy in Latin America: Neoliberal versus Social Democratic Models," in Gøsta Esping-Andersen, ed., *Welfare States in Transition: National Adaptations in Global Economies* (Thousand Oaks, CA: SAGE Publications, 1996).

13. Martin Rhodes, "Southern European Welfare States: Identity, Problems and Prospects for Reform," in Martin Rhodes, ed., *Southern European Welfare States: Between Crisis and Reform* (Portland, OR: Frank Cass, 1997).

14. Compare to the liberal model of welfare. Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton: Princeton University Press, 1990).

goods were implemented, and specialized institutions created to funnel low-cost goods to employees of the state and the military. Palestinians largely left out of state employment collectively organized in the private sector along profession and kinship lines to obtain social insurance, a system fed by handsome remittances from work in the Gulf states. The dual income structure of the country, based on aid and remittances, encouraged division along national origin lines, laying the foundation for future sub-divisions in the same basic vein. Differing sources of financing exacerbated separations between the groups, allowing each to live detached from the other and adding an economic dimension to identity.

While supporting the regime's allies, the welfare system contributed to labor market configurations that in economic liberalization bode poorly for the very constituency previously privileged. The labor market onto which East Bankers were thrown had been altered in the intervening decades, and their domestic rural economy left underdeveloped. With the impending end of generous public employment, these workers face scarce employment opportunities, mainly low-wage supplementary jobs in the new free trade zones (generally staffed by women). What was initially a reward is fast becoming a curse under the new economic arrangements.

For the regime, the downside, apparent in economic liberalization, was the lack of a Jordanian private sector with which to ally. Because the private sector was, and remains, predominantly Palestinian, a significant Jordanian or East Bank bourgeoisie did not exist. The class was simply not large enough. Nor was there a substantial Jordanian middle class separate from state employ. Brief speculation arose that the regime would move toward Palestinians for its new base of support.<sup>15</sup> For a multitude of reasons, such a regime coalition would entail the daunting task of redefining the country's national identity.<sup>16</sup> When structural adjustment was initially imposed, demands for a return to prior policies were voiced. Contrary to fears, it was not the Jordanians of Palestinian descent who rose against the regime. Instead, it was the East Bankers, staunch regime supporters, who took to the streets and made clear demands on the government for change. Having relied upon the tribes and East Bank Jordanians as a whole, big businessmen, and the army, the Jordanians have now been dropped by the state. The army has been strengthened and largely restricted to East Bankers, while responsibility for private social insurance is now in the hands of rearranged kinship groups and local leaders.<sup>17</sup>

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15. Laurie A. Brand, *Jordan's Inter-Arab Relations* (New York: Columbia University Press, 1994); Rex Brynen, "Economic Crisis and Post-Rentier Democratization in the Arab World: The Case of Jordan," *Canadian Journal of Political Science*, Vol. 25, No. 1 (March 1992); Glenn E. Robinson, "Defensive Democratization in Jordan," *International Journal of Middle East Studies*, Vol. 30 (1998); Tareq Tell, "Les origines sociales de la glasnost Jordaniennes" ["The Social Origins of the Jordanian Glasnost"], in Riccardo Bocco and Mohammad-Reza Djalili, eds., *Moyen-Orient: Migrations, Democratisation, Médiations [Middle East: Migrations, Democratization, Mediations]* (Paris: PUF, 1994).

16. Some Jordanians have espoused the opposite, leading to concerns expressed by Palestinians in Jordan over their status in light of the creation of the Palestinian Authority and peace treaties with Israel. See Adnan Abu-Odeh, *Jordanians, Palestinians, and the Hashemite Kingdom in the Middle East Peace Process* (Washington, DC: United States Institute of Peace Press, 1999), p. 235.

17. Anne Marie Baylouny, "Creating Kin: New Family Associations as Welfare Providers in Liberalizing Jordan," *International Journal of Middle East Studies*, Vol. 38, No. 3 (2006).

The policy of using the military for social provisioning corresponded with the regime's own desire for self-preservation amidst pressures for political liberalization, and was approved by the United States. Economic reforms made welfare to the general population off limits as a method to secure popular legitimacy and support. Yet in regimes friendly to the United States, the US ignored and encouraged public sector investment in the military. The military became the one area on which the state could spend generously to generate political backing. The military was preferred for domestic reasons also. The Jordanian monarchy's use of the military as a support base has long domestic roots and strong implications for the endurance of the regime. In the past, a strong military supported the monarchy against popular social movements and coup attempts alike.

### **SOCIAL GROUPS AND GEOGRAPHICAL REGIONS**

Jordan's welfare regime centered on the Jordanian population, also called East Bankers or Transjordanians, who form the state's main support, in contrast to the population of Palestinian origin.<sup>18</sup> These national origin categories overlap with demographic and labor market divisions. In fact, a near dichotomy of employment opportunities characterize the rural and urban regions of the country. Jordanians inhabit the rural northern and southern regions, working primarily in the army and state employment; Palestinians live in the central, urbanized area of the country, where the bulk of private employment and industry have been concentrated. This central region contains the majority of the population, a mix of Palestinians and Jordanians, and is home to the capital, 'Amman. It is by far the most densely populated area in the country.<sup>19</sup> The southern and northern regions, rural and Jordanian, have a low proportion of the population. The southern region contained 10% of the total population, and the north around 27% in the late 1990s.<sup>20</sup> The south is also sparsely populated, compared to the central and parts of the northern regions. Population density varies between three and 59 people per square kilometer there.<sup>21</sup>

As refugees, the Palestinians settled in the urban areas of Jordan, where most refugee camps, administered by the United Nation Relief and Works Agency for Palestine Refugees in the Near East (UNRWA),<sup>22</sup> came to be located.<sup>23</sup> In addition to living in the

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18. Small minority groups are present, such as the Circassians, Chechens, and some Armenians. In labor market and welfare analyses, the Circassians can be subsumed within the Jordanian population. Likewise, the Jordanian Christians have consistently allied with the regime and were incorporated into public employ, albeit with less *carte blanche* than the Jordanian Muslims.

19. Hashemite Kingdom of Jordan Department of Statistics, "Jordan in Figures 1999: Population density and area," [www.dos.gov.jo/jorfig/1999/fig\\_e\\_n.htm](http://www.dos.gov.jo/jorfig/1999/fig_e_n.htm). See Table 1.

20. Derived from Department of Statistics Hashemite Kingdom of Jordan, "Statistical Yearbook 1998" (Amman: Department of Statistics, 1999), p. 9.

21. Hashemite Kingdom of Jordan, "Statistical Yearbook 1998," p. 14.

22. UNRWA's expenditures are mainly in education, with some health care. UNRWA is rumored to be planning a withdrawal from administering these areas.

23. Settlement in the camps re-created the layout of prior village and neighborhood residences. A village would settle in one particular neighborhood, and even sections of that village were settled by their former streets. Signe Gilen et al., *Finding Ways: Palestinian Coping Strategies in Changing Environments* (Oslo, Norway: FAFO, 1994); Aseel Sawalha, "Identity, Self and the Other Among Palestinian Refugees in East Amman," in Jean Hannoyer and Seteney Shami, eds., *Amman, Ville et*

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camps themselves, later waves of refugees settled nearby in order to receive services provided by the United Nations' organization. UNRWA recognizes ten Palestinian refugee camps as official, and three more are unofficial. The main camps are in East ‘Amman, Balqa, and areas nearby to ‘Amman, in Madaba and Zarqa’.<sup>24</sup> Around 72,000 registered refugees live in the most prominent camp, Wihdat, located in the eastern part of the capital. Balqa, a rural area, is the largest camp, containing 79,000 registered displaced people.<sup>25</sup> Although they were intended to be temporary, housing facilities in the camps have become permanent. The camps and surrounding low-income areas, all overwhelmingly Palestinian, are overcrowded and underserved in terms of electricity and running water.<sup>26</sup> An estimated 13% of all refugees, or around 275,000 persons, live in the camps.<sup>27</sup> About 10% of the Jordanian population lives in one of the low income areas, which include the 13 refugee camps and 14 squatter settlements.<sup>28</sup>

Palestinians and Jordanians occupied different labor markets — private sector for the former and public for the latter<sup>29</sup> — due to historical processes of national inclusion and employment.<sup>30</sup> Displaced Palestinian farmers, now in the city, found informal, irregular, service sector work, particularly in construction, health care, and retail.<sup>31</sup> In

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*Société - The City and its Society* (Beirut, Lebanon: CERMOC [Centre d’Etudes et de Recherches sur le Moyen-Orient Contemporain], 1996).

24. Blandine Destremau, “*L'espace du camp et la reproduction du provisoire: les camps de refugiés Palestiniens de Wihdat et de Jabal Hussein à Amman*” [“The Space of the Camp and the Reproduction of the Temporary: The Camps of Palestinian Refugees of Wihdat and Jabal Hussein in ‘Amman”], in Bocco and Djalili, eds., *Moyen-Orient: migrations, démocratisation, médiations*, pp. 84, 91.

25. Wihdat camp is inhabited primarily by 1948 refugees; Balqa by a large portion of 1967 “displaced people” — the term used for the 1967 refugees in official United Nations documents. Gilen et al., *Finding Ways*.

26. Jocelyn Dejong, “The Urban Context of Health During Economic Crisis,” in Hannoyer and Shami, eds., *Amman, Ville et Société - The City and its Society*, p. 272.

27. Aage Tiltnes, “Poverty and welfare in the Palestinian refugee camps of Jordan: Portrait of living conditions based on a household survey,” paper presented at the Palestinian Refugees and UNRWA in Jordan, the West Bank, and Gaza, 1949-1999 Conference, Dead Sea, Jordan, September 1, 1999.

28. Fayiz Suyyagh, “Poverty Management in Jordan: A Critical Assessment of Institutional Structures and Processes,” paper presented at the Workshop on the Economy conducted under former director Mustapha Hamarneh, ‘Amman, June 1999, p. 10.

29. The Center for Strategic Studies reported the share of capital owned by individuals of Palestinian ancestry to have been 83% in 1996. Eleven percent was Transjordanian, and the remainder from minority groups. Abu-Odeh, *Jordanians, Palestinians, and the Hashemite Kingdom*, p. 196.

30. While categories of Jordanian and Palestinian on the whole implied differing forms of livelihood and welfare, these divisions should be considered cautiously, as aggregates for which a number of exceptions existed. Palestinians did work for the state, and Jordanians were involved in the private sector. Despite the imprecise nature of the division, individuals are commonly termed and recognized as either Jordanian or Palestinian. See the example in Gilen et al., *Finding Ways*. Because of the dominant practice and the general overlap between economic opportunities and community of origin, I will continue to use these categories as a shorthand heuristic devise in this study.

31. Jocelyn Dejong and Tariq Tell, “Economic Crisis and the Labour Market: A Case-study of Palestinian Workers in Low-income East Amman,” in Riccardo Bocco, Blandine Destremau, and Jean Hannoyer, eds., *Palestine, Palestiniens: territoire national, espaces communautaires* [Palestine, Palestinians: National Territory, Communal Spaces] (Amman: CERMOC, 1997). Informal work should not be seen as an alternative to formal employment, but as second best. Workers do not prefer infor-

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refugee areas, only one-quarter of workers in 1985 were in any salaried employment, with most of the remainder casual wage laborers and petty traders.<sup>32</sup> Their income was supplemented by relatives working abroad, who sent money through kin networks. Rural Jordanians had access mainly to agriculture as an alternative to state employment. Urban Jordanians, living in the central region, faced the widest employment potential. Not only did they receive preference in public employment, but they also could take advantage of private sector opportunities available in the central region.

### *THE PRODUCTION REGIME AND THE LABOR MARKET*

Jordan is labor-rich and capital poor, with a large proportion of highly educated labor. Prior to structural adjustment, Jordan's economy was an ostensibly free market one, heavily reliant upon the service sector. Significant state investment was channeled to private businesses and the government was responsible for the largest portion of the GDP, yet ownership was not direct as in socialist Syria to the north. Substantive economic planning measures were absent. In fact, it could be said that Jordan lacked any defined economic development philosophy at all, taking its cues instead from international development organizations such as the World Bank.<sup>33</sup>

By virtue of its reliance upon external income sources, foreign aid to the state and worker remittances to much of the local population, Jordan often has been analyzed as a non-oil rentier economy.<sup>34</sup> The government's income came primarily through customs duties and foreign aid. Little domestic direct taxation, apart from some fees, was present. Foreign sources of income constituted over 54% of the budget in 1980 and thereabouts for most of the 1970s, declining to about one-third in 1988.<sup>35</sup> Most aid was for general budget support. Revenue from domestic income tax, on the other hand, was generally about 11 or 12%.<sup>36</sup> Customs duties constituted one-third to one-half of total government tax revenue. Tariffs on goods varied widely, averaging 40%.<sup>37</sup> A strong currency supported these policies, aggravating manufacturing's troubles.

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mal arrangements, due to their precariousness and vulnerability. Gabriella Pinnarò and Enrico Pugliese, "Informalization and Social Resistance: The Case of Naples," in N. Redclift and E. Mingione, eds., *Beyond Employment: Household, Gender, and Subsistence* (Oxford: Blackwell, 1985).

32. Rebecca Miles Doan, "Class Differentiation and the Informal Sector in Amman, Jordan," *International Journal of Middle East Studies*, Vol. 24, No. 1 (February 1992), p. 32.

33. Jawwad al-'Anani, "Falsafat al-iqtisad al-Urduni bayna al-fikr wa al-tatbiq khilala nisf al-qarn al-madi" ["Philosophy of the Jordanian economy between theory and practice during the last half century"], in Mustafa al-Hamarneh, ed., *al-Iqtisad al-Urduni: al-mushkilat wa al-afqa [The Jordanian Economy: Problems and Future]* (Amman: Center for Strategic Studies, 1994). USAID also helped plan the economy's direction. Rami G. Khouri, *USAID and the Private Sector in Jordan: A Chronicle. The Genesis, August 1985-August 1988* (Amman: Al Kutba Publishers, 1989).

34. See for example Hazem Beblawi, "The Rentier State in the Arab World," in Giacomo Luciani, ed., *The Arab State* (Berkeley: University of California Press, 1990).

35. This also has been termed political rent.

36. Brand, *Jordan's Inter-Arab Relations*, p. 49.

37. Tayseer Abdel Jaber, "The Competitiveness of Jordan's Manufacturing Industry," in Matthes Buhbe and Sami Zreigat, eds., *The Industrialization of Jordan: Achievements & Obstacles* (Amman, Jordan: Friedrich Ebert Stiftung Research Institute, 1989).

The country's other main income was worker remittances, feeding customs duties, and private consumption. In the early 1980s, 40% of the labor force worked outside the country, and remittances formed the largest component of the national income.<sup>38</sup> Reported remittances at their highest during this period equaled 124% of Jordan's trade exports. The government captured this income through open financial markets, high customs duties, and exit and other fees. Remittances provided around one-third of the GNP (gross national product), at times outpacing foreign aid, and funding a negative balance of trade. The investment profile of the migrant leans heavily toward consumption, not investment, spent on land and housing construction for example.<sup>39</sup> Income from expatriate workers, sent to immediate family members, was used to purchase household necessities and consumer goods, and fund education.

Domestically, the lion's share of jobs was in the civil service and army, accounting for around 47% of employment.<sup>40</sup> Eleven percent of jobs were in industry in 1986, mainly in phosphate and other raw material extraction.<sup>41</sup> The state invested heavily in these private sector companies, often constituting majority ownership, effectively blurring the public-private distinction.<sup>42</sup> While a large portion, estimated at three-fourths of East Bankers nationwide, worked for the government in some capacity,<sup>43</sup> in the regions outside the capital this proportion reached staggering heights. The public sector was virtually the only employment in these regions. At the advent of structural adjustment, 92% of the domestic labor force in Karak worked in the public sector; 99.5% in Tafileh; 90% in Ma'an — all in the southern region. By contrast, the central areas of Palestinian concentration, 'Amman, Zarqa', and Balqa, had 58%, 56%, and 58% public employment respectively.<sup>44</sup>

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38. M. Samha, "The Impact of Migratory Flows on Population Changes in Jordan: A Middle Eastern Case Study," *International Migration*, Vol. 28, No. 2 (June 1990), p. 216.

39. Charles B. Keely and Bassam Saket, "Jordanian Migrant Workers in the Arab Region: A Case Study of Consequences for Labor Supplying Countries," *The Middle East Journal*, Vol. 38, No. 4 (Autumn 1984); Bassam K. Saket, "Economic Uses of Remittances - the Case of Jordan," in Monther Share', ed., *Jordan's Place Within the Arab Oil Economies* (Irbid: Yarmouk University, 1986). Fees from land purchases increased sharply during the 1970s, demonstrating the domestic connection to the Gulf economy. Omar Razzaz, "Contested Space: Urban Settlement Around Amman," *Middle East Report*, March-April 1993.

40. Timothy Piro, *Political Economy of Market Reform in Jordan* (Lanham, MD: Rowman & Littlefield Publishers, 1998), p. 40. Estimates of the total domestic workforce employed by the government at this time generally range from 45-50%. The World Bank put it at 45%, translating into 257,000 individuals, in 1991. Of these, 90,000 were in government administration, 30,000 in autonomous institutions under the government's umbrella, and the remainder employed by the army. Country Operations Division World Bank, Country Department III, Europe, Middle East and North Africa Region, "Jordan Public Expenditure Review" (Washington, DC: World Bank, 1991), p. vii.

41. Abdel Jaber, "The Competitiveness of Jordan's Manufacturing Industry."

42. This mixed sector was counted as private in government statistics. For detailed government investment amounts in private and public sector companies, see François Rivier, *Croissance Industrielle dans une Economie Assistée: Le Cas Jordanien [Industrial Growth in an Assisted Economy: The Jordanian Case]* (Beirut: CERMOC, 1980), pp. 205-7.

43. Brynen, "Economic Crisis and Post-Rentier Democratization."

44. Department of Statistics Hashemite Kingdom of Jordan, "*Dirasat al-istikhdam, fil-mu'assasat alati ya'amal bi-kul minha 5 ashkhas aw akthar*" ["Employment Survey, For Establishments Engaging Five Persons or More"] (Amman: Department of Statistics, 1992), Tables 8 and 9.

Dependence upon foreign income sources had direct effects on Jordan's production profile. Economically, it skewed labor market incentives toward either state employment or work in the Gulf. Agriculture declined, as is often witnessed in rentier or aid-dependent states, and the service sector increased without accompanying industrial development. Remittance income furthered this tendency toward consumption and service sector activities. The laissez-faire economic approach meant indirect signals to private business through state investment, not management. The near-complete absence of rural industry was one consequence of this development structure.

The state's economic development trajectory translated into neglect and continued underdevelopment for the rural, Jordanian regions. The service-oriented economy provided neither steady employment nor opportunities there. The main private employment remained agriculture, which declined in the oil boom. Higher salaries were available with the government during the oil decade, pushing farming out of the realm of viable employment. From one-third of all employment in the 1960s,<sup>45</sup> agriculture sank to less than 10% of domestic labor in the 1980s.<sup>46</sup> The field was surrendered to foreign workers or became part-time, seasonal work for Jordanian women, children, and the elderly. The agricultural products from these farms were primarily used in home consumption, supplementing the main income from government jobs.<sup>47</sup> Domestic unemployment dropped to almost nil during the boom of the 1970s, and Jordan began importing workers. Not strictly replacement labor, these migrants filled positions unwanted by the domestic population at poverty wages.<sup>48</sup>

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45. E. Kanovsky, *The Economy of Jordan: The Implications of Peace in the Middle East* (Tel Aviv: University Publishing Projects, 1976), p. 6; Richard T. Antoun, *Arab Village: A Social Structural Study of a Trans-Jordanian Peasant Community* (Bloomington, IN: Indiana University Press, 1972), p. 27; Rivier, *Croissance Industrielle dans une Economie Assistée*.

46. Ian J. Seccombe, "Labour Emigration Policies and Economic Development in Jordan: From Unemployment to Labour Shortage," in Bichara Khader and Adnan Badran, eds., *The Economic Development of Jordan* (London: Croon Helm, 1987), p. 123.

47. Tareq Tell, "Paysans, nomades et état en Jordanie orientale: les politiques de développement rural (1920-1989)" ["Peasants, Nomads and the State in Oriental Jordan: The Politics of Rural Development (1920-1989)"], in Riccardo Bocco, Ronald Jaubert, and Françoise Métral, eds., *Steppes d'Arabies. Etats, pasteurs, agriculteurs et commerçants: le devenir des zones sèches [Arabian Steps. States, Clergy, Farmers, and Merchants: The Evolution of Arid Zones]* (Paris: Presses Universitaires de France, 1993), p. 97.

48. Mauro Van Aken, "Development as a gift: Patterns of assistance and refugees' strategies in the Jordan Valley," paper presented at the Palestinian Refugees and UNRWA in Jordan, the West Bank and Gaza, 1949-1999 Conference, Dead Sea, Jordan, September 1, 1999. Farming began to be considered a spare-time activity to be done by women, old men, children, and those who have no better options, in addition to Egyptians. Foreign workers, mainly Egyptians, are currently estimated at 90% of guest workers. About one-third of the registered 150,000 guest workers are employed in agriculture, and one-quarter in construction and sanitation. However, estimates are that only one-fifth of foreign workers are registered. Other estimates put the number of Egyptians alone at 300,000. They are believed to depress wages by working for less than Jordanians. Some recent moves to increase licensing fees for workers in agriculture and nursing are intended to open space for Jordanian workers. "Jordan, Egypt seek ways to control influx of Egyptian labour to Kingdom," *Jordan Times*, November 16, 1999, p. 2; Mohammad Ben Hussein, "Registered foreign labourers number 154,000 in 1999," *Jordan Times*, April 26, 2000; "35 na'ibun yatalibun bi-i'ada al-nazr fi dariba al-mabi'i at al-mafruda 'ala al-saja'ir" ["35 Representatives Request Revising the Sales Tax on Cigarettes"], *al-Ra'i*, November 29, 1999, p. 1.

## WELFARE INSTITUTIONS AND THE SOCIAL BASE OF THE STATE

Government-allocated welfare was provided first through public employment, primarily for Jordanians, and later through subsidies on basic goods which benefited the general population.<sup>49</sup> The Jordanians long received welfare through state employment, dating from the mandate era and initial state formation, when loyalty was purchased through carrot and stick policies. Anti-government tribes were settled and made economically dependent upon the new government.<sup>50</sup> John Bagot Glubb, the British officer charged with subduing the bedouin, recruited the desert tribes into the Arab Legion, offering benefits unavailable elsewhere.<sup>51</sup> Famines were created and then alleviated by the ruling British.<sup>52</sup> Tax revolts were forcibly put down by the army, the institution which integrated and employed the local population.<sup>53</sup> Initially somewhat mercenary in origin, with some hailing from outside Jordan, military personnel became regime supporters.

So integral was the army to state-building that one scholar contends it effectively created the Jordanian state.<sup>54</sup> Already in the 1950s, the military was the largest employer, after agriculture, of village workers. Just shy of 30% of village men were employed in the military in 1960, a calculation which excludes those in the government bureaucracy.<sup>55</sup> Employment in public works projects was another means to incorporate the tribes. Government investment and planning was predominantly directed at the East Bank, neglecting the Palestinian West Bank during Jordan's period of administrative rule there.<sup>56</sup>

The state not only provided employment and food for the general population, but special benefits were also granted to tribal leaders. Continuing the British colonial

49. Jordan spends 35% of its budget on social services. Along with Tunisia it is among the states with the highest proportion of social expenditures in the region, including Gulf oil states. Syria, avowedly socialist, spends only 14% of its budget on social services. Muhammad Q. Islam, "Fiscal Policy and Social Welfare in Selected MENA Countries," in Wassim Shahin and Ghassan Dibeh, eds., *Earnings Inequality, Unemployment, and Poverty in the Middle East and North Africa* (Westport, CT: Greenwood Press, 2000), p. 105.

50. Mustafa B. Hamarneh, "Social and Economic Transformation of Trans-Jordan 1921-1946" (Unpublished Ph.D. dissertation, Georgetown University, 1985); Naseer H. Aruri, *Jordan: A Study in Political Development (1921-1965)* (The Hague: Martinus Nijhoff, 1972).

51. Riccardo Bocco and Tariq M.M. Tell, "Pax Britannica in the Steppe: British Policy and the Transjordan Bedouin," in Eugene L. Rogan and Tariq Tell, eds., *Village, Steppe and State: The Social Origins of Modern Jordan* (New York: British Academic Press, 1994); P.J. Vatikiotis, *Politics and the Military in Jordan: A Study of the Arab Legion 1921-1957* (London: Frank Cass & Co. Ltd., 1967).

52. Tariq Tell, "Guns, Gold, and Grain: War and Food Supply in the Making of Transjordan," in Steven Heydemann, ed., *War, Institutions, and Social Change in the Middle East* (Berkeley: University of California Press, 2000).

53. Bocco and Tell, "Pax Britannica in the Steppe."

54. Vatikiotis, *Politics and the Military in Jordan*.

55. Antoun, *Arab Village*, p. 27.

56. Gad G. Gilbar, "The Economy of Nablus and the Hashemites: The Early Years, 1949-56," *Middle Eastern Studies*, Vol. 25, No. 1 (January 1989); Rivier, *Croissance Industrielle dans une Economie Assistée*, p. 68. As a result of these measures and the lack of employment opportunities in the West Bank, much of the population emigrated eastward into Jordan. Kanovsky, *The Economy of Jordan*, p. 10.

era strategy of incorporation,<sup>57</sup> heads of tribes or shaykhs received cash allowances, along with subsidies and agricultural resources to farm their new land, for allegiance to the new regime. Large land owners received support, loans, and aid from the government, particularly via irrigation projects in the Jordan Valley (the East Ghor).<sup>58</sup> Favorable mortgages were granted to West Bank landowners supporting the new Hashemite state.<sup>59</sup> Owner-operator farms, which formed the vast majority of farms, did not receive such support.<sup>60</sup>

Developments in the 1970s exacerbated these trends. The massive increase in aid to the state permitted an expansion in state employment for Jordanians. Through the bureaucracy, monies were distributed to loyal sectors of the populace, securing allegiance and dependence. The privileged importance of East Bankers to the government is apparent in the state budgets of this time, since a disproportionate amount (over one-third) went to the least populated East Bank regions in the south of the country (10% of the population).<sup>61</sup> In addition to direct employment in state institutions, military construction and works projects filtered government funding to these rural areas.

The military increased three-fold from 1961 to 1975. In 1975, one-fourth of the domestic labor force was in the security services.<sup>62</sup> Such guaranteed employment and preferential treatment did not make the rural Jordanian population economically better off, but provided them with a guaranteed, steady income.<sup>63</sup> Social security, adequate health care, and access to emergency loans were perks of public employment. State employees also could take advances on earnings, which constituted the main form of loans. Military service provided extra social benefits. In addition to health care, employees of the military and their families were eligible for state-subsidized (essentially free) higher education, whose seats were reserved for them through quotas.<sup>64</sup> Govern-

57. Joseph A. Massad, "Identifying the Nation: The Juridical and Military Bases of Jordanian National Identity" (Ph.D. dissertation, Columbia University, 1998), p. 111. Later published as a book: Joseph A. Massad, *Colonial Effects: The Making of National Identity in Jordan* (New York: Columbia University Press, 2001).

58. Brynen, "Economic Crisis and Post-Rentier Democratization," p. 82; Michael P. Mazur, *Economic Growth and Development in Jordan* (London: Croom Helm, 1979).

59. Bocco and Tell, "Pax Britannica in the Steppe;" Rodney Wilson, "The Role of Commercial Banking in the Jordanian Economy," in Bichara Khader and Adnan Badran, eds., *The Economic Development of Jordan* (London: Croon Helm, 1987).

60. The British land policy established a relatively egalitarian distribution, allowing for small peasants to remain on their plots. This arguably contributed to the anti-revolution, pro-government stance of the tribal constituencies. Michael R. Fischbach, "British Land Policy in Transjordan," in Rogan and Tell, eds., *Village, Steppe and State: The Social Origins of Modern Jordan*.

61. Demonstrated in the 1986-1990 five year plan for Tafileh, Karak, and Ma'an. Brynen, "Economic Crisis and Post-Rentier Democratization," p. 82.

62. Mazur, *Economic Growth and Development in Jordan*, p. 111.

63. Riccardo Bocco, "Etat et tribus bédouines en Jordanie, 1920-1990. Les Huwaytat: territoire, changement économique, identité politique" ["The State and Bedouin Tribes in Jordan from 1920-1990. The Huwaytat: Territory, Economic Shift, Identity Politics" (Unpublished Ph.D. dissertation, Institut d'Etudes politiques, 1996)].

64. Full scholarships were available after ten years of service. These places at state universities, the most prestigious educational institutions, were much coveted. Majed Bader, *al-Ta'lim al-'ali fil-Urdun: bayna al-mas'uliyya al-hukumiyya wa al-qita' al-khas* [Higher Education in Jordan: Between Public and Private Sectors] (Amman: CERMOC, 1994). As Massad states, this policy together with

ment-subsidized housing also accompanied military employ.<sup>65</sup> The military itself was seldom a life-long career. Upon retirement around age 30, former army personnel were free to seek other employment while continuing to receive a pension. Health and social security benefits covered the entire family of the employee, if male.<sup>66</sup> The state's health and education spending, amounting to \$163 per person in 1983, was significantly higher than in other developing countries.<sup>67</sup> Social security, established by law in 1978 to begin functioning in 1980, covered much of the domestically employed population.<sup>68</sup>

A new bureaucracy charged with allocation and not taxation often operates by non-economic criteria,<sup>69</sup> and this was certainly the case for Jordan. Jobs were won on the basis of connections or *wasta*, not qualifications, operating through tribal leaders or compatriots in the state administration.<sup>70</sup> After the "Black September" 1970-1 clashes between the PLO and the Jordanian army, the regime began removing Palestinians from sensitive positions in the administration and military. This "Jordanization" of the state benefited East Bank Jordanians, whose origin was considered ample qualification for jobs.<sup>71</sup> In fact, state employment was analyzed by some to be the defining characteristic of East Banker identity.<sup>72</sup> By 1985, the number of employees in the civil

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military-only consumer stores increased the military's economic role. Massad, *Colonial Effects*, p. 219.

65. Brynen, "Economic Crisis and Post-Rentier Democratization," pp. 81-2.

66. If the employed is a woman, her dependents only have access to social security and health insurance if she is certified head of the household, not an easy or common accomplishment. Abla Amawi, "Gender and Citizenship in Jordan," in Suad Joseph, ed., *Gender and Citizenship in the Middle East* (Syracuse: Syracuse University Press, 2000), p. 179.

67. Mohammad Ben Hussein, "Construction council to organise sector with amendments to contractors assn. law," *Jordan Times*, May 19-20, 2000; Brynen, "Economic Crisis and Post-Rentier Democratization," p. 81. Private universities and community colleges are attempting to answer the excess demand. The country spent 11.2% of its GNP in 1992 on education. Bader, *Higher education in Jordan*.

68. To mobilize savings of expatriate workers, dual nationals were acknowledged in 1987 and allowed to participate in the Social Security Corporation. Massad, "Identifying the Nation," p. 60; John M. Roberts, "The political economy of identity: state and society in Jordan" (Unpublished Ph.D. dissertation, University of Chicago, 1994). Most of those covered were men, and amounted to about one-fourth of the work force in the late 1990s. Hashemite Kingdom of Jordan Social Security Corporation, "Overview and Tables," [www.ssc.gov.jo](http://www.ssc.gov.jo). About 300,000 workers are insured in the program. Hashemite Kingdom of Jordan, "Statistical Yearbook 1998," p. 222.

69. Kiren Aziz Chaudhry, *The Price of Wealth: Oil and Labor Exporters in the International Economy* (Ithaca: Cornell University Press, 1997).

70. Rif'at al-Fa'ouri, *al-Wasata fil-qita' al-hukumi al-Urduni: dirasa maydaniyya lil-idara al-wus-ta* [Intermediation in Jordan's Government Sector: A Study of the Middle Administration], *Abhath markaz al-dirasat al-urduniyya* [Researches of Jordanian Studies Center] (Irbid: Yarmouk University Publications, 1997); Robert B. Cunningham and Yasin K. Sarayrah, *Wasta: The Hidden Force in Middle Eastern Society* (Westport, CT: Praeger, 1993), Jamil E. Freisat, "Bureaucracy and Development in Jordan," *Journal of Asian and African Studies*, Vol. 24, No. 1-2 (1989); Schirin Fathi, *Jordan - An Invented Nation? Tribe-State Dynamics and the Formation of National Identity* (Hamburg: Deutches Orient-Institut, 1994).

71. Abu-Odeh, *Jordanians, Palestinians, and the Hashemite Kingdom*; Lamia Radi, "La gestion d'appartenances multiples" ["Managing Multiple Belongings"], *Les Cahiers de l'Orient*, No. 35 (1994); Yezid Sayigh, "Jordan in the 1980s: legitimacy, entity and identity," in Rodney Wilson, ed., *Politics and the Economy in Jordan* (New York: Routledge, 1991).

72. Laurie A. Brand, "Palestinians and Jordanians: A Crisis of Identity," *Journal of Palestine Studies*  
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service had tripled from its 1970 number, a number which excludes the military's own expansion.<sup>73</sup>

Jordanization proceeded unhindered as Palestinians left the country for work abroad during the oil boom, vacating the public sector of competition. Whole classes can be remade without a whisper of protest during economic booms.<sup>74</sup> In effect, Jordan "solved" its domestic integration problems through the export of primarily Palestinian labor. The Jordanian state began an explicit policy of prioritizing East Bankers in government positions, simultaneously minimizing the Palestinian presence in public administration and the military. Given the possibility of larger financial gains through work abroad, Palestinians acquiesced to this new situation without objection.<sup>75</sup> Officially reported remittances averaged a yearly \$220 per East Bank resident in 1976 (discounting the West Bank territories administered at the time by Jordan).<sup>76</sup> In Palestinian squatter settlements, the majority of families had one or more members employed in the Gulf.<sup>77</sup> Almost all of returning expatriate workers from the Gulf War had supported relatives during their stay abroad, and over half aided four or more family members.<sup>78</sup> These informal methods were supplemented by professional associations, mainly benefiting Palestinians.<sup>79</sup> Professionals in the private sector obtained welfare through the union or association, not their job or employer. Private pension plans through professional associations began in 1971.<sup>80</sup> The doctors' association, for example, provided

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*Studies*, Vol. 24, No. 4 (Summer 1995).

73. Jreisat, "Bureaucracy and Development in Jordan," p. 99; Paul A. Jureidini and R.D. McLaurin, *Jordan: The Impact of Social Change on the Role of the Tribes* (New York: Praeger Publishers, 1984).

74. Chaudhry, *The Price of Wealth*.

75. Abu-Odeh, *Jordanians, Palestinians, and the Hashemite Kingdom*, pp. 190-1. He contends that this is how Palestinians were pushed out of the national consensus.

76. Mazur, *Economic Growth and Development in Jordan*, p. 119.

77. "Family" is immediate family. The data is from 1980. Seteney Shami, "Domesticity Reconfigured: Women in Squatter Areas of Amman," in Dawn Chatty and Annika Rabo, eds., *Organizing Women: Formal and Informal Women's Groups in the Middle East* (New York: Berg, 1997), p. 88.

78. Hisham H. Ahmed and Mary A. Williams-Ahmed, "The impact of the Gulf Crisis on Jordan's economic infra-structure: a study of the responses of 207 displaced Palestinian and Jordanian workers," *Arab Studies Quarterly*, Vol. 15, No. 4 (1993); B.S. Anderson, "The History of the Jordanian National Movement: Its Leaders, Ideologies, Successes and Failures" (Ph.D. dissertation, University of California, Los Angeles, 1997). Later published as Betty S. Anderson, *Nationalist Voices in Jordan: The Street and the State* (Austin: University of Texas Press, 2005). Families who received remittances from a relative working abroad did not receive income from the state and vice versa, demonstrating the split between public and private labor markets. Jon Hanssen-Bauer, Jon Pedersen, and Age A. Tiltnes, eds., *Jordanian Society: Living Conditions in the Hashemite Kingdom of Jordan*, Fafo-report No. 253 (Oslo: Fafo Institute for Applied Social Science, 1998), p. 290.

79. According to Longuenesse, welfare from professional associations substituted for the lack of state-level social guarantees. In addition, they acted as a redistribution measure among members and provided increased status and differentiation of the professional from the working class. In line with the trend toward private welfare, an increase in social provision in the 1990s has been apparent in these unions, in addition to credit for purchasing consumer goods. Elisabeth Longuenesse, "Professional Syndicates in Jordan," Talk given to CERMOC, 'Amman, 1998.

80. The idea for pension and health insurance funds in these associations was brought up in 1965 but was rejected on the basis that doctors were not in financial need of such provisions. Longue-

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pension, insurance, and loans to member doctors and their families.

The oil boom spurred another of the state's welfare mechanisms, subsidizing and regulating consumer prices. The flood of currency from abroad, through expatriate salaries sent home to relatives, and financial aid to the state, had increased domestic inflation. State salaries could not keep pace.<sup>81</sup> In the decade following 1972, the cost of living increased by 300%.<sup>82</sup> After troubles in the army over this, the Ministry of Supply was set up in 1974 to administer subsidies on goods considered basic, or politically "sensitive."<sup>83</sup> Maximum retail prices were set. Goods were imported by the state, then provided below cost through civil and military cooperatives to which public sector employees had access.<sup>84</sup> This had the additional effect of depressing market prices. Regulations first covered wheat, sugar, and petroleum. Fixed prices subsequently extended to a host of items, including powdered milk, bread, poultry, meat, cheeses, soda, rice, pasta, coffee, and tea. Non-food items covered included soap, cigarettes, spare car parts, and school notebooks. Electricity and water services were charged progressively, and luxury goods were subject to high customs duties.<sup>85</sup> The population as a whole benefited from these subsidies, although only state employees could purchase from the cooperatives. Both Palestinians and Jordanians used household and informal reciprocal mechanisms on top of these measures, adding to and feeding off of state welfare.<sup>86</sup> These grassroots networks were not structured along the lines of the traditional extended family, but generally consisted of neighbors, close friends, and immediate family.

### *ECONOMIC LIBERALIZATION'S SOCIAL IMPACT*

In line with the fate of its neighbors, the prosperous, state-led period of the 1970s succumbed to the regional recession of the mid-1980s. As the oil boom turned bust, some countries hobbled along via loans for a few years. In Jordan, the regional oil price decline translated into a radical drop in foreign aid money and labor remittances. Foreign debt increased as the country borrowed to continue spending. On top of the large and growing accumulated debt, the administrative detachment from the West Bank in

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nesse, "Professional Syndicates in Jordan."

81. Zayd J. Sha'sha, "The role of the private sector in Jordan's economy," in Wilson, ed., *Politics and the Economy in Jordan*, p. 84.

82. Hani Hourani, *Azma al-iqtisad al-Urduni [The Crisis of Jordan's Economy]* (Nicosia, Cyprus: al-Urdun al-Jadid, 1989), p. 67.

83. Mazur, *Economic Growth and Development in Jordan*. The army's salary was raised after the unrest. The government had begun subsidizing wheat in the 1960s.

84. Interview by author with Economic Director of the Secretary General Office, Ministry of Supply (*Wizarat al-Tamwin*), April 22, 1998.

85. Taher H. Kana'an, "The Social Dimension in Jordan's Approach to Development," in Kamel Abu Jaber, Matthes Buhbe, and Mohammad Smadi, eds., *Income Distribution in Jordan* (San Francisco: Westview Press in cooperation with the Friedrich Ebert Stiftung, 1990).

86. The benefits of state employment were accessed by a wider network than simply those employed and their immediate families. Friends and distant family often could obtain these services — identity and health cards were swapped, for example.

July 1988<sup>87</sup> contributed to the currency's devaluation.<sup>88</sup> The dinar decreased by over a third by 1989, subsequently declining further. In February 1989, the government shut down the money-changing establishments it viewed as responsible in an attempt to halt the dinar's downward spiral.<sup>89</sup>

With no foreseeable end to the crisis, Jordan turned to the International Monetary Fund, which policy-makers considered the only source of relief.<sup>90</sup> Negotiations yielded a structural adjustment plan which included the removal of subsidies, privatization of public sector investments, cuts in state employment, and gradual elimination of customs duties. Begun in 1989, at first little of the state's moves were in overt privatization, i.e. the selling of state assets.<sup>91</sup> The regime sheltered its supporters as long as possible, while simultaneously moving toward the creation of a new social base. Privatization stepped up late in the 1990s, beginning with telecommunications, water, electricity, and Royal Jordanian, the national airline. The Ministry of Supply, which had overseen subsidies and price supports, was dismantled and transferred to the Ministry of Industry and Trade in 1998.<sup>92</sup>

Increases in fuel prices, a main ingredient of the package, sparked immediate riots in the regime-supporting southern town of Ma'an in 1989.<sup>93</sup> Ma'an, a transportation center, made its living trucking goods between Iraq and the port of 'Aqaba. Residents not working in transport were employed either in the state, the army, or agriculture. Government jobs provided small, borderline poverty incomes, unable to keep pace with

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87. The detachment left the West Bank population, without warning, stateless. Since April 24, 1950, West Bank residents had been declared Jordanian by Parliamentary resolution, and the two banks united. Anis F. Kassim, "The Palestinians: From Hyphenated to Integrated Citizenship," in Nils A. Butenschon, Uri Davis, and Manuel Hassassian, eds., *Citizenship and the State in the Middle East: Approaches and Applications* (Syracuse: Syracuse University Press, 2000).

88. Robert Satloff, "Jordan's Great Gamble: Economic Crisis and Political Reform," in Henri Barkey, ed., *The Politics of Economic Reform in the Middle East* (New York: St. Martin's Press, 1992); Khaled Wasif al-Wazani, *al-Jihaz al-masrifi wa al-siyasa al-naqdiyya fil-Urdun, 1989-1995 [The Banking System and Financial Policy in Jordan, 1989-1995]* (Amman: Center for Strategic Studies, Economic Studies Unit, University of Jordan, 1996). The World Bank placed ultimate blame for Jordan's debt on its military buildup in the 1980s, along with excess government employment. World Bank, "Jordan Public Expenditure Review," p. 4.

89. "Jordan: Debt Difficulties," *Oxford Analytica Daily Brief*, February 23, 1989.

90. Khaled al-Wazani, "Jordan: Strategic Options for Growth and Development Facing Poverty and Unemployment," paper presented at the Workshop on the Economy conducted under CSS former director Mustapha Hamarneh, 'Amman, June 1999. For local analyses of Jordan's economy, its regional booms and busts, and the specifics of structural adjustment, see Wasif 'Aaziz et al, *al-Islah al-iqtisadi wa al-tammiyya al-bashariyya fil-Urdun [Economic Reform and Human Development in Jordan]* (Amman: Mu'assassa 'Abd al-Hamid Shouman and al-Mu'assassa al-'Arabiyya, 1999). For a structural account of Jordan's problems, emphasizing the lack of manufacturing, see Hourani, *The crisis of Jordan's economy*.

91. Taher H. Kanaan, "The State and the Private Sector in Jordan," in Nemat Shafik, ed., *Economic Challenges Facing Middle Eastern and North African Countries: Alternative Futures* (New York: St. Martin's Press, 1998).

92. Michel Marto (Minister of Finance) and Ziad Fariz (Central Bank Governor), "Letter of Intent of the Government of Jordan to Michel Camdessus, International Monetary Fund, 28 August 1999," International Monetary Fund, [www.imf.org/external/np/loi/1999/082899.htm](http://www.imf.org/external/np/loi/1999/082899.htm).

93. Lamis Andoni, "The five days that shook Jordan," *Middle East International*, April 28, 1989, pp. 3-4.

inflation that was rising 30% and 50%. Price increases reached 50% on fuel, cigarettes, phone bills, and residential water, compounding the effect of the dinar's depreciation.<sup>94</sup> Irrigated water and fertilizer price increases affected farmers,<sup>95</sup> and the removal of subsidies on meat was planned for the following year.<sup>96</sup>

The 1990-1 Gulf War aggravated the economic predicament. The removal of a major trading partner, Iraq, affected private income, business, and the state budget. Iraq had been an important provider of aid and fuel to Jordan. The transport sector, linked to Iraq, declined substantially in the 1990s. Remittances from workers in the Gulf had been low and continued their fall, bottoming out in 1991.<sup>97</sup> The war increased the domestic labor force, as expatriate workers were expelled from Kuwait upon its recapture from the Iraqis. Overnight, 300,000 workers carrying Jordanian passports, mostly Palestinians, "returned" to a country many had never inhabited but only visited on holiday. While unemployment and inflation certainly increased as a result, economic benefits also accompanied their return. The former Gulf workers brought large amounts of capital, worth about one billion USD,<sup>98</sup> much of which was used to establish small-scale and retail businesses.<sup>99</sup> Bank deposits doubled during the return period.<sup>100</sup> Whole commercial sectors of the capital were created anew by these returnees.

In 1996, riots in Jordanian areas again followed the removal of subsidies. Three days after ending wheat subsidies, effectively tripling the price of bread, riots began in Karak, a key area for regime support. Karak's labor force was almost wholly dependent upon state and military employ.<sup>101</sup> Banks and government buildings were attacked, among them the Ministry of Education that had just raised school fees. Police in riot gear suppressed the crowds and peaceful marchers.<sup>102</sup> While the King blamed foreigners and the Ba'th political party,<sup>103</sup> observers commented that the populace rioted out of fears of

94. "Jordan: New Government," *Oxford Analytica Daily Brief*, May 2, 1989.

95. "Jordan: Fragile Kingdom," *Oxford Analytica Daily Brief*, October 15, 1991.

96. World Bank, "Jordan Public Expenditure Review," p. 6.

97. Reported worker remittances reached a low in 1991 of 389 million JD. They were 1,032 million JD in 1997. Ministry of Planning, Hashemite Kingdom of Jordan, *Plan for Economic and Social Development 1993-1997* (Amman: Jordan Press Foundation, 1993), p. 120; Hashemite Kingdom of Jordan, "Statistical Yearbook 1998."

98. For the two years of 1992 and 1993, repatriated savings totaled around \$1 billion. Hashemite Kingdom of Jordan, *Plan for Economic and Social Development 1993-1997*, p. 120; Hashemite Kingdom of Jordan, "Statistical Yearbook 1998," p. 275. Figures vary by the source, however the trend is clear.

99. New projects registered at the Chamber of Industry increased by an average of two or three hundred for the years 1991-93. Yann Le Troquer and Rozenn Hommery al-Oudat, "From Kuwait to Jordan: The Palestinians' Third Exodus," *Journal of Palestine Studies*, Vol. 28, No. 3 (1999), p. 43.

100. Nicholas Van Hear, "*L'impact des rapatriements forcés vers la Jordanie et le Yémen pendant la crise du golfe*" [The Impact of Forced Repatriation to Jordan and Yemen during the Gulf Crisis"], in Bocco and Djalili, eds., *Moyen-Orient: migrations, démocratisation, médiations*.

101. Pamela Dougherty, "The pain of adjustment - Kerak's bread riots as a response to Jordan's continuing economic restructuring programme: a general overview," *Jordanies*, No. 2 (December 1996).

102. Lamis Andoni and Jillian Schwedler, "Bread Riots in Jordan," *Middle East Report*, No. 201 (1996), p. 41.

103. As has been recognized, the King's response to the 1996 riots in Karak was the opposite of that in 1989. The King supported Prime Minister Kabariti, kept him in office, and dissolved Parliament.

hunger.<sup>104</sup> Bread is the staple of the lower classes, and the price rise occurred on top of declining opportunities for state jobs, alongside the whittling away of other subsidies. Price increases affected all food items using wheat as an input, i.e. dairy, poultry, and meat.<sup>105</sup>

Suffering from reduced state employment and declining possibilities abroad, much of the professional class was unemployed.<sup>106</sup> The proportion of professional labor is extremely high in Jordan, more than in most advanced industrial countries, since the country served as a source of educated labor for the oil states. Forty percent of agricultural engineers were unemployed, and the rest had an average salary of only 120 Jordanian Dinars (JD)/month, less than \$170, a borderline poverty salary.<sup>107</sup> Thirteen percent of dentists were unemployed.<sup>108</sup> Work in the Gulf was no longer the manna it once was. Opportunities declined as nationals replaced expatriates.<sup>109</sup> Aggregate numbers of Jordanian expatriates, after declining sharply, rebounded to the 1989 level, but the percentage of the Jordanian labor force employed abroad declined, and the value of the remittance receipts eroded.<sup>110</sup>

Yet the urban classes, Palestinians included, had more resources to cope with austerity. Remittances were still flowing, albeit at a lower proportional rate, and the option of migrating for work, much diminished, remained. One-third of camp residents received remittances from abroad in the 1990s.<sup>111</sup> More importantly, the bulk of private business and industry was located in the center. Previously less dependent on the state, urban groups developed extensive networks of reciprocity and distribution. By contrast, the rural, mainly Transjordanian areas, dependent upon state employment were particularly vulnerable as structural adjustment proceeded.<sup>112</sup> Low-paid agricultural work was no lon-

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104. Lamis Andoni, "Jordan: behind the recent disturbances," *Middle East International*, October 25, 1996, pp. 17-18. The army stepped in with a curfew to end the protests.

105. Many have been forced to substitute bread for other, now more expensive, food items, leading to the seemingly paradoxical situation of an increase in bread consumption with the bread price's rise.

106. Elisabeth Longuenesse, "*Ingénieurs et marché de l'emploi en Jordanie*" ["Engineers and the Workings of Employment in Jordan"], in Elisabeth Longuenesse, ed., *Bâtisseurs et Bureaucrates: Ingénieurs et Société au Maghreb et au Moyen-Orient* [Builders and Bureaucrats: Engineers and Society in the Maghreb and the Middle East], *Études sur le Monde Arabe*, N. 4 (Table-Ronde Centre National de la Recherche Scientifique) (Lyon: Maison de l'Orient, 1990). Jordan's labor force is highly educated. In 1998, 28% of 18-23 year olds were enrolled in higher education. Bader, *Higher education in Jordan*. In other words, 30 out of every 1000 persons were college students. Hashemite Kingdom of Jordan Department of Statistics, "Key National Indicators," [www.dos.gov.jo/sdb\\_jd/jd\\_txt3e.htm](http://www.dos.gov.jo/sdb_jd/jd_txt3e.htm). Out of a labor force of less than one million, 40,000 were engineers. Hashemite Kingdom of Jordan, "Statistical Yearbook 1998," p. 232.

107. "Agricultural engineers union again taken by Islamists," *Jordan Times*, March 29, 1998, p. 3.

108. "500 tabib asnan musajiloun bil-niqaba 'atlun 'an al-'amat" ["500 Dentists Registered with the Syndicate Are Unemployed"], *al-'Arab al-Yawm*, May 31, 2000, p. 6. Jordan has one dentist per every one thousand persons, compared to the international average of one per every five thousand.

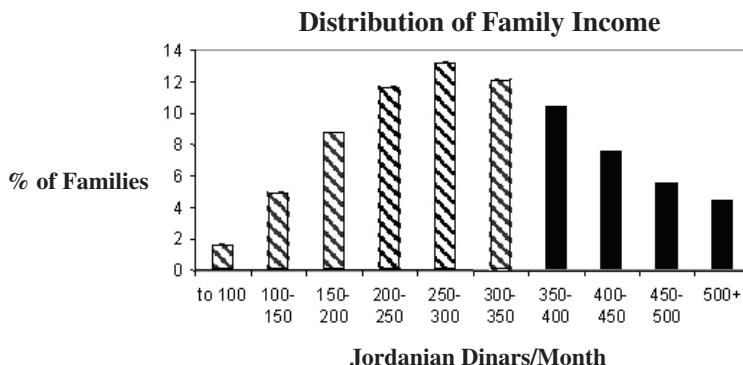
109. Onn Winckler, "Gulf Monarchies as Rentier States: The Nationalization Policies of the Labor Force," in Joseph Kostiner, ed., *Middle East Monarchies: The Challenge of Modernity* (Boulder, CO: Lynne Rienner, 2000).

110. Le Troquer and al-Oudat, "From Kuwait to Jordan;" Lamia Radi, "*Les Palestiniens du Ko-wéit en Jordanie*" ["The Palestinians of Kuwait in Jordan"], *Maghreb-Machrek*, No. 144 (April-June 1994); Van Hear, "*L'impact des rapatriements forcés vers la Jordanie et le Yémen*." While the aggregate amount increased, the proportion of remittances remained lower than the prior, oil-boom level.

111. Tiltnes, "Poverty and welfare in the Palestinian refugee camps."

112. In one survey, 40% of the younger generation from one village is in debt. Lisa M. McCann,  
[Continued on next page]

ger an option as a main source of income.<sup>113</sup> The transport industry suffered with the Iraqi sanctions.<sup>114</sup> Informal work constituted almost half of all employment, and was highest among the lower and middle classes.<sup>115</sup> Unemployment increased significantly, to 28% nationally, but was uneven. The least affected were 'Amman, 'Aqaba, and Ma'an.<sup>116</sup>



*Note: The light bars are poor or borderline. The first four are poor, the next two are borderline. The middle class begins at 350 JD per month.*

*Source: Interview by author with Jordanian statistician and social scientist, spring 2000; Hashemite Kingdom of Jordan, Department of Statistics, Household Expenditure and Income Survey 1997 (Amman: Department of Statistics, 1999), Table 3.14.*

The result was the arrival of poverty for almost one-third of the population. Estimated in the mid-1980s by the World Bank to have been effectively eliminated, poverty reached 20% in 1991,<sup>117</sup> and 30% in 2000.<sup>118</sup> A significant amount of poverty was composed of the working poor, about half of which were in the state's employ.<sup>119</sup> Most

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"Patrilocal co-residential units (PCUs) in Al-Barha: dual household structure in a provincial town in Jordan," *Journal of Comparative Family Studies (Special Issue: The Arab Family)*, Vol. 28, No. 2 (1997).

113. There are indications that Jordanians began to accept these previously rejected types of work. "Jordanians forced into less prestigious jobs," *Jordan Times*, February 24, 2000.

114. Between the Gulf War and the Iraq War in 2003, most of Ma'an's 10,000 drivers were idle, and their income fell to one-fifth of its previous level. Peter Feuilherade, "Iraqi oil keeps flowing," *Middle East International*, September 22, 1995, p. 9; Saad G. Hattar, "Transport sector welcomes tax breaks, urges more reform in sector," *Jordan Times*, May 19-20, 2000.

115. Musa Shteiwi, "Class Structure and Inequality in the City of Amman," in Hannoyer and Shami, eds., *Amman, Ville et Société - The City and its Society*, p. 418.

116. Economic Studies Unit, "Unemployment in Jordan - 1996: preliminary results & basic data" (Amman: Center for Strategic Studies, University of Jordan, 1997).

117. Ahsan Mansur, "Social Aspects of the Adjustment Program: Strengthening of the Social Safety Net," in Edouard Maciejewski and Ahsan Mansur, eds., *Jordan: Strategy for Adjustment and Growth*, Occasional Paper #136 (Washington, DC: International Monetary Fund, 1996), p. 58.

118. "Jordan: Economic Predicament," *Oxford Analytica Daily Brief*, September 7, 1999; al-Wazani, "Jordan." ESCWA also puts the figure at 30% for 1994. Van Aken, "Development as a gift." Radi puts the figure at 40%. Radi, "*Les Palestiniens du Koweit en Jordanie*." For the differing measures of poverty, see Suyagh, "Poverty Management in Jordan."

119. al-Wazani, "Jordan;" Musa Shteiwi, "Poverty Assessment of Jordan," paper presented at the [Continued on next page]

poor families resided in the central, capital region, not surprisingly since most of the populace lived there. However, proportionally the capital had the lowest incidence of poverty; the highest rates were in Mafraq in the north, then Karak in the south, followed by Balqa, Irbid, Tafileh, and Ma'an. The same general distribution held for families in absolute or abject poverty.<sup>120</sup> The line between the poor and the non-poor was extremely thin. Income was also polarized: the top ten percent of the population spent the equivalent of the poorest 54%.<sup>121</sup> These trends continued in the next few years.<sup>122</sup>

Official per capita income went from over \$1,500 in the mid-1980s to under \$1,000 in 1990,<sup>123</sup> decreasing to \$850 in 1998.<sup>124</sup> Income in the rural areas was less than three-fourths its average in urban areas.<sup>125</sup> By some estimates, food prices had increased almost 80% by 1992.<sup>126</sup> From 1992 to 1997, prices doubled on food, education, rent, and healthcare. Heat and electricity increased by 150%.<sup>127</sup> The consumer cost of living index went up by 73% overall between 1987 and 1993. Clothing costs were three times what they were in 1986.<sup>128</sup> The official cost of living index increased almost 60% by 1992.<sup>129</sup> Prices on cereal products doubled between 1994 and 1998, which had an inflationary effect on most other food items as well.<sup>130</sup> Even these numbers underestimate the actual impact, since the index excludes imports. Jordan is heavily dependent

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Workshop on the Economy conducted under Dr. Mustapha Hamarneh, ‘Amman, June 1999.

- 120. Hashemite Kingdom of Jordan, *Plan for Economic and Social Development 1993-1997*, p. 43.
- 121. Interviews by author with Jordanian statistician and social scientist, various dates, spring 2000. Calculated using Department of Statistics Hashemite Kingdom of Jordan, “*Dirasa nafaqat wa dakhl al-usra 1997*” [“Household Expenditure and Income Survey 1997”] (Amman: Department of Statistics, 1999), Table 3.14. On increasing income inequality in Jordan, see also Zafiris Tzannatos, “What Accounts for Earnings Inequality in Jordan and How Can Labor Policies Help Reduce Poverty?” in Wassim Shahin and Ghassan Dibeh, eds., *Earnings Inequality, Unemployment, and Poverty in the Middle East and North Africa* (Westport, CT: Greenwood Press, 2000), p. 173.
- 122. Data is from the most recent household expenditure survey, from fieldwork conducted in 2002-2003 by Middle East Marketing and Research Consultants.
- 123. Abla Amawi, “Scrutinizing the nature of economic growth: UNDP’s Human Development Report for 1996,” *Jordanies*, No. 2 (December 1996), p. 105.
- 124. Abdul Salam Gharaibeh, “Nabulsi lauds monetary policy,” *Jordan Times*, September 18, 1999, p. 8.
- 125. Hashemite Kingdom of Jordan, “Household Expenditure and Income Survey 1997,” Table 3.16. An account of one northern Jordanian village determined that almost 70% of households operated on less than 200 JD (\$280) per month, with an average household size of over eight members. Mohammed Shunnaq, “Political and economic conflict within extended kin groups and its effects on the household in a north Jordanian village,” *Journal of Comparative Family Studies (Special Issue: The Arab Family)*, Vol. 28, No. 2 (1997).
- 126. Mansur, “Social Aspects of the Adjustment Program,” p. 60.
- 127. Interviews by author with Jordanian statistician and social scientist, various dates, spring 2000. Calculated using Department of Statistics Hashemite Kingdom of Jordan, “Household Expenditure and Income Survey 1992” (Amman: Department of Statistics, 1993); Hashemite Kingdom of Jordan, “Household Expenditure and Income Survey 1997.”
- 128. Central Bank of Jordan, “Thirtieth Annual Report 1993” (Amman: Department of Research and Studies, 1994), p. 148.
- 129. Hashemite Kingdom of Jordan, *Plan for Economic and Social Development 1993-1997*, p. 22.
- 130. Central Bank of Jordan, “Thirty Fifth Annual Report 1998” (Amman: Department of Research and Studies, 1999), p. 134.

on foreign goods, importing 60% of its needs.<sup>131</sup> In 1997, educational fees increased, as did prices on medical and health goods and services.<sup>132</sup>

Health care standards eroded since structural adjustment. Only slightly over half of the population had health insurance, mainly public sector workers and the military.<sup>133</sup> The provision of health care was skewed, with most of the population in the poor Palestinian areas outside the formal healthcare system.<sup>134</sup> The excluded population relied on the private pay-as-you-go system, and this was where the bulk of money on health care was spent, despite representing a much smaller percentage of population served.<sup>135</sup> The poor received health care at low, or occasionally no cost, by applying to the Ministry of Health. Almost a third of a million people had such health care cards in 1992.<sup>136</sup> Public hospitals were last resorts, even for those insured through them, and reportedly King 'Abdullah had to visit al-Bashir public hospital, which serves the entire kingdom's poor, three times in order for the elevator to get fixed. The wait was typically five hours long, months if the need was not urgent, and managing the bureaucracy was trying. Much of the population avoided going to the hospital unless imperative, resorted to home-based remedies, or found a way to purchase services through the private system.<sup>137</sup> During the 1989 Ma'an riots, public health centers were one of the targets of attack.

Expenditures on essential goods absorbed a larger portion of the family budget. Already in the initial few years of structural adjustment, consumption was cut by around one-quarter.<sup>138</sup> Spending on food and drink, fuel, and rent increased, while clothes, furniture, and personal care declined. Most individuals had only one JD per month to spend on entertainment, a sum insufficient to purchase a book or see a movie.<sup>139</sup> In line with the distribution of poverty in the kingdom, Ma'an and Karak in the south spent the

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131. Suah Ma'ayeh. "WTO membership called health hazard for pharmaceuticals sector," *Jordan Times*, November 28, 1999.

132. Central Bank of Jordan, "Thirty Fifth Annual Report 1998," p. 38.

133. Hanssen-Bauer, Pedersen, and Tiltner, eds., *Jordanian Society*, p. 189. Military insurance was the most common form of health insurance, held by 25% of the population. Government insurance represented another 23%. Insurance coverage was high in rural areas, with a heavy proportion of military insurance. By contrast, only 20% of camp residents had government insurance, and six percent had military insurance. Tiltner, "Poverty and welfare in the Palestinian refugee camps."

134. DeJong, "The Urban Context of Health During Economic Crisis," p. 277. Only about five percent of the population was covered by UNRWA health care, 63% of camp refugees. Hanssen-Bauer, Pedersen, and Tiltner, eds., *Jordanian Society*, p. 190; Tiltner, "Poverty and welfare in the Palestinian refugee camps." Doctors warned against privatizing the public health care system, which would further skew the distribution of care. Muhammad Soayden, "*Niqaba al-atiba' tahadhir min khaskhasa al-qita' al-tibbi al-'am*" ["The Doctor's Syndicate Warns against Privatization of the General Medicine Sector"], *al-'Arab al-Yawm*, June 10, 2000.

135. World Bank, "Proposed Projects on Jordan," [www.worldbank.org/pics/pid/jo39749.txt](http://www.worldbank.org/pics/pid/jo39749.txt).

136. Mansur, "Social Aspects of the Adjustment Program," p. 63.

137. Brigitte Curmi, "*Les Associations de Bienfaisance à Amman: le Jabal Achrafieyyeh*" ["Charitable Associations in Amman: The Jabal Achrafieyyeh"], in Hannoyer and Shami, eds., *Amman, Ville et Société - The City and its Society*; Hana' Jaber, "The impact of structural adjustment on women's employment and urban households," *Jordanies*, No. 4 (December 1997). Interviews by author with Jordanian social scientist, various dates 1999-2000.

138. Tiltner, "Poverty and welfare in the Palestinian refugee camps."

139. Interviews by author with Jordanian statistician and social scientist, various dates, spring 2000. Calculated from Hashemite Kingdom of Jordan, "Household Expenditure and Income Survey 1997," Tables 4.9, 4.12.

highest proportion of income on food and drink, over 55%.<sup>140</sup> Families in ‘Amman, of all income groups, spent the least on these necessities nationwide.

Newspapers commented on the lack of effective demand in the marketplace, the sudden appearance and flourishing of “everything for a dinar” stores, and the new common sight of beggars on the streets of the capital.<sup>141</sup> Household debt to friends, family, and the local grocer increased.<sup>142</sup> Poorer households delayed paying water and electricity bills, and moved out of titled property and into squatter settlements to save on expenses.<sup>143</sup> Not only did much of the lower classes stop eating meat but they now ate chicken only rarely.<sup>144</sup>

### *THE STATE’S RESPONSE*

In an attempt to protect the vulnerable population from the effects of structural adjustment, specialized welfare programs were created to target the poor. The Family Income Supplement program provided cash supplements to qualified families, replacing the former system of food coupons that started in 1990.<sup>145</sup> Around one and a quarter JD was allocated to the household head in families earning less than 500 JD per month. The money was automatically added to state employees’ paychecks; others picked it up at banks.<sup>146</sup> The National Aid Fund provided monthly cash payments to qualified families, generally the unemployable poor. In 1998, 50,000 families benefited. Families received about 25 JD per month, rising to a maximum of 50 JD for extra family members.<sup>147</sup> The Zakat Fund, run by the government but financed privately, provided regular, small amounts of aid to 3,000 households, an average of eight JD each.<sup>148</sup> Around 300,000 people received help from one of these government programs or from private, NGO charities at the end of the 1990s.<sup>149</sup> These programs have been viewed

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140. In this report the poverty line was set at less than one JD per day, 184 JD for the average family of 6.2 per month. Twenty-eight percent of the population was below this line.

141. O. Al Farawati, “Dinar shops help alleviate stress of tough economy,” *Jordan Times*, February 24, 2000; Rami Khouri, “So much to buy, so little to buy it with,” *The Globe and Mail*, April 27, 2000. For the Ramadan holiday in 2000, few could even afford the traditional slaughtering of a sheep. Whereas commonly in extended families at least one member would be able to handle the expense, that year many middle class families had no one who could do so.

142. DeJong and Tell, “Economic Crisis and the Labour Market,” p. 214.

143. DeJong, “The Urban Context of Health During Economic Crisis;” Omar Munif Razzaz, “Law, urban land tenure, and property disputes in contested settlements: The case of Jordan” (Unpublished Ph.D. dissertation, Harvard University, 1991).

144. *Jordan Times*, December 12, 1999; Jaber, “The impact of structural adjustment,” pp. 160-1.

145. Interview by author with Economic Director of the Secretary General Office, Ministry of Supply. All anti-poverty and social measures were based on the family and family income levels, not on the individual.

146. Andoni and Schwedler, “Bread Riots in Jordan,” p. 41.

147. Central Bank of Jordan, “Thirty Fifth Annual Report 1998,” p. 41; Mansur, “Social Aspects of the Adjustment Program,” p. 63; Suyyagh, “Poverty Management in Jordan.”

148. Hashemite Kingdom of Jordan, *Plan for Economic and Social Development 1993-1997*, p. 66; Mansur, “Social Aspects of the Adjustment Program,” p. 63.

149. Shteiwi, “Poverty Assessment of Jordan,” p. 21; Mustafa Hamarneh, *al-Urdun [Jordan]*, Sa‘ad al-Deen Ibrahim, ed., *Dirasat mashru’ al-mujtam’ al-madani wa al-tahawwul al-dimugrati fi al-watan al-‘arabi* [Studies in the Civil Society Project and the Democratic Transformation of the

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as ineffective and unable to either reach all the poor, particularly in rural areas, or to provide adequate assistance to those they do reach.<sup>150</sup>

Other aid measures were indirect. Micro-financing of private initiatives was a hot trend, promoted by international institutions as one way to alleviate poverty. Several programs attempted to provide developmental aid, especially for women's enterprises.<sup>151</sup> The Social Productivity Program was the main one. These included the National Aid Fund, the Small and Micro Enterprises Development Program, the Training and Employment Support Program, and the Community Infrastructure Development Program.<sup>152</sup> The Development and Employment Fund lent money for 500 projects in 1993, the bulk of which were in the capital's service sector.<sup>153</sup> However, these programs have been viewed as ineffective and unable to reach either all the poor, particularly in rural areas, or to provide adequate assistance to those they do reach.<sup>154</sup> Further, these programs left the middle classes without social security.

The government pinned its economic hopes on foreign investment. Duties on imports declined, scheduled to reach 30% by 2010 to meet European Union and World Trade Organization requirements.<sup>155</sup> Economic laws were hastily rewritten in time for accession to the WTO in the winter of 1999-2000.<sup>156</sup> Qualified trade zones were set up to encourage foreign investment, with duty-free entrance into the United States market as enticement. The goal was political, to encourage joint ventures with Israel; investment from both Israel and Jordan was needed to receive this duty-free export status.<sup>157</sup> Located in the rural areas of the northern and southern regions of the country, the companies in the roughly 12 industrial zones were mostly East Asian owned. Some were Israeli or Turkish; very few were Jordanian-owned. In addition to poor working conditions and no job security, the women were paid below minimum wage, only 50-60 JD

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*Arab World*] (Cairo: Markaz Ibn Khaldoun and Dar al-Ameen, 1995). To such charity, the population responded by asking for jobs. Suha M'ayeh, "JOHUD Ramadan goodwill drive welcomed but impoverished villagers say they need jobs," *Jordan Times*, December 12, 1999.

150. Musa Shtawi and Ibrahim Hejor, "Poverty Alleviation Programs Effectiveness in Jordan," paper presented at the Workshop on the Economy conducted under former director Mustapha Hamarneh, 'Amman, June 1999.

151. Yusuf Mansur, "Aqaba, finally a Freeport," *Jordan Times*, February 9, 1998, p. 3.

152. Government of Jordan, "Memorandum on Economic and Financial Policies to IMF, 4 July," [www.imf.org/external/np/loi/2000/jor/01/index.htm](http://www.imf.org/external/np/loi/2000/jor/01/index.htm).

153. Central Bank of Jordan, "Thirtieth Annual Report 1993," p. 33; Central Bank of Jordan, "Thirty Fifth Annual Report 1998."

154. Shtawi and Hejor, "Poverty Alleviation Programs Effectiveness in Jordan."

155. "Business leaders, association executives review Jordan Vision 2020 draft document," *Jordan Times*, November 25, 1999; Mohammad Ben Hussein, "Cabinet reduces tax on soft drinks, some industrial inputs," *Jordan Times*, April 28-29, 2000. Customs for goods such as soft drinks were around 60%.

156. Laws have changed so quickly that businessmen are unaware of the most recent laws. Another complaint was that the laws required by international financial institutions were often merely translated from foreign languages directly into Arabic, and the resulting text was unintelligible.

157. Amman Ministry of Industry and Trade, "Agreement between the Hashemite Kingdom of Jordan and Israel on Irbid Qualifying Industrial Zone" (Mimeo: n.d.). Karak, Zarqa', Aqaba, and Irbid have zones. Only the one in Irbid had active production by 2000. Interview by author with Ministry of Industry and Trade official, April 18, 2000.

per month.<sup>158</sup> The zones were effectively exempt from labor laws and social insurance payments.<sup>159</sup> Even so, the number of jobs created in these zones were not high, and as many as two-thirds of the employees were foreign.<sup>160</sup> The Jordanians employed were largely women, bused in from the countryside.<sup>161</sup>

The country's basic industrial profile remained. Services still made up approximately 65% of GDP, providing low wages and unstable work.<sup>162</sup> Two-thirds of all industry was located in 'Amman, mainly in its Industrial Estate. The southern areas had a minuscule proportion of industry, less than one percent of the domestic total. Industry in these regions consisted mainly of raw material mining.<sup>163</sup> The little manufacturing that existed prior to economic reforms, pharmaceuticals for instance, was hurt by economic reforms.<sup>164</sup> The few mixed-sector industries, phosphate, and potash around Tafileh for example, were not successful. As raw material industries in a privatizing economy, they were increasingly subject to international price fluctuations and could not survive.

To make up for lost customs duties, Jordan implemented a sales tax and numerous fees.<sup>165</sup> The sales tax was popularly believed to be less regressive than a proposed income tax, which would have affected public sector and formal employees more than informal and private sectors, which are able to avoid such taxes. For the regime's support base — public employees — a sales tax was preferable. The consumer tax, begun in 1989, first turned into a sales tax of 10%, then increased to 13%, became a value added tax,<sup>166</sup> then a general sales tax. In April 2004 it became 16%. The sales tax appears to consumers as a price increase, since it is placed on the goods at the wholesale stage and thus is hidden to the public. Much of the educated public had no idea of the true percent of the tax. Multiple new fees also accompanied the government's search

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158. Adnan Nasser, "'Amilat Urdunyyat fi ahad al-Masani' al-israiliyya bimadina al-hasan yan-fadhma idraban 'an al-'amal'" [“Jordanian Wages in One of the Israeli Factories in al-Hasan City Lead to a Strike”] *al-'Arab al-Yawm*, May 31, 2000, p. 22. On female employment in labor-intensive, low-paid manufacturing, see Saskia Sassen, *Globalization and Its Discontents* (New York: The New Press, 1998), pp. 112-5.

159. Interview by author with Labor Union official, Labor Union Central Office, June 26, 2000.

160. Jomana Amara, “Military Industrialization and Economic Development: Jordan’s Defense Industry,” in Defense Resources Management Institute Working Paper Series (Monterey, CA: Naval Postgraduate School, 2006), p. 35.

161. Interviews by author with owners, managers, and officials in the 'Amman, Kerak, and Irbid industrial zones, April-May 2004.

162. Bryan Daves, “Biting the Hand that Feeds You: the Dilemma of Economic Reform and Regime stability. Jordan in comparative perspective,” paper presented at the Politique et état en Jordanie, 1946-1996, Conference, Paris, June 24-25, 1997; al-Wazani, “Jordan.” Services create a higher proportion of low-wage labor than does manufacturing. Sassen, *Globalization and Its Discontents*.

163. Nassim Barham, “Industrialisation in Jordan,” *Jordanies*, No. 4 (December 1997).

164. 'Ali As'ad, “*Al-munafasa wa al-itifaqiyat al-duwaliyya wa himayat al-malikiyya tahadid mustaqbil sina'a al-adwiya al-urduniyya*” [“Competition and International Agreements and Royal Protection Threaten the Future of Jordanian Pharmaceutical Production”], *al-'Arab al-Yawm*, May 17, 2000, p. 19.

165. Salih al-Homsi, “*Takhfid kul al-ta'rifa al-jumroukiyya 5% wa idafat-ha 'ala daribat al-mabi'at bi-istithna' al-kahul wa al-saja'ir*” [“5% Reduction in Customs Duties and Addition to Sales Taxes with the Exception of Alcohol and Cigarettes”], *al-Rai'*, February 6, 2000.

166. Interview by author with Ministry of Finance official, March 23, 2000. The value added tax, while better for businesses, would have the same regressive effect on popular income as the sales tax.

for additional revenue,<sup>167</sup> including an annual tax on public transportation vehicles.<sup>168</sup>

The war in Iraq generated a partial recovery for the Jordanian economy, through US aid money, financial support for the military, and travel through Jordan. The effects of income polarization was abated by a major influx of US aid, an economic reprieve that permitted a further bolstering of the military component of the regime's base. Aid to Jordan increased significantly in the 1990s, and jumped more from 2003 and the war in Iraq. While for the 30 years prior to 2001, the US provided a total of \$4.5 billion, since 2003 the average has been over \$750 million per year. In 2003, to prevent negative effects on Jordan from the war in Iraq, the US gave Jordan over \$1.5 billion. From 2004 on, Jordan received half a billion dollars.<sup>169</sup> About half of all these funds were earmarked for military expenditures, which include training, equipment, policing, counter-terrorism, counter-narcotics, and border control. This makes Jordan one of the five largest USAID recipients worldwide.

### ***WELFARE THROUGH MILITARY EMPLOYMENT***

The military and security services were the only sector growing in structural adjustment. Instead of subsidizing Jordanians or East Bankers in general, the state began to target its social largesse to a sub-group of East Bankers — the military. Not coincidentally, military conscription was eliminated in 1992, shortly after economic reforms began, allowing for the possibility of East Banker or Jordanian domination of the army once again. Growing subsidies, pensions, and employment in the military were targeted to East Bankers. In 1997, military employment reached ten percent of the labor force.<sup>170</sup> In rural, mainly East Banker areas, 20% worked in the army.<sup>171</sup>

Alongside decreasing social welfare allocations in general, the military's budgets increased and the military diversified into sub-contracting and new economic enterprises. The military's reported budget for 1998, almost \$700 million, equaled one-quarter of the total government budget.<sup>172</sup> That year, the government gave an additional month's salary to all employees in the defense and security fields. Pension expenditures also increased that year, on top of previous large increases.<sup>173</sup> Pension and social secu-

167. Interview by author with Ministry of Finance, April 28, 2004.

168. Mohammad Ben Hussein, "Government to enforce annual income tax fee on public service vehicles," *Jordan Times*, April 12, 2000. The tax ranged from 10 to 150 JD.

169. Jeremy M. Sharp, "U.S. Foreign Assistance to the Middle East: Historical Background, Recent Trends, and the FY2008 Request," in CRS Issue Brief for Congress (Washington, DC: Congressional Research Service, The Library of Congress, 2007), pp. 7, 12, 14. See also "Foreign Military Sales, Foreign Military Construction Sales and Military Assistance Facts," Deputy for operations and administration business operations/comptroller, DSCA, US government, available at [http://www.dsca.osd.mil/programs/biz-ops/2003\\_facts/Facts\\_Book\\_2003\\_Oct04\\_FINAL.pdf](http://www.dsca.osd.mil/programs/biz-ops/2003_facts/Facts_Book_2003_Oct04_FINAL.pdf)

170. Alan Abrahart, Iqbal Kaur, and Zafiris Tzannatos, "Government Employment and Active Labor Market Policies in MENA in a Comparative International Context," in Heba Handoussa and Zafiris Tzannatos, eds., *Employment Creation and Social Protection in the Middle East and North Africa* (New York: American University in Cairo Press, 2002).

171. Center for Strategic Studies, "*Istitla' lil-ra'i hawla al-dimugratiyya fil-Urdun 2002*" [“Opinion Survey on Democracy in Jordan 2002”] (Amman: Markaz al-dirasat al-stratijiyya, University of Jordan, 2002), Table 2/1/3.

172. Hashemite Kingdom of Jordan, "Statistical Yearbook 1998," p. 246.

173. Central Bank of Jordan, "Thirtieth Annual Report 1993," pp. 66, 68; Central Bank of Jordan  
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rity receipts continued to be highest in East Bank areas and lowest in the areas of Palestinian concentration.<sup>174</sup> Benefits for retiring soldiers increased, with up to ten times more officers receiving a one-time payment of \$28,000 in housing aid. The Jordanian military also diversified into sub-contracting, training Palestinian Authority police, aiding coalition forces in Iraq, and participating in United Nations peacekeeping forces throughout the world, all highly paid positions. Jordan even instituted a peacekeeping training institute to teach cultural awareness for coalition forces in Iraq.<sup>175</sup> About 9% of GDP was devoted to defense expenditures.<sup>176</sup>

Social welfare for military personnel and their families was maintained and enhanced. Scholarships were reserved for the military and their dependents, along with free medical care, and military cooperative stores selling goods at preferential prices.<sup>177</sup> The military had pensions while most Jordanians did not. The Social Security Corporation (SSC) for the private sector and civil servants covered almost 24% of the labor force in 2000. Added to this is the military, which covered 6.4%, and the civil system (8%).<sup>178</sup> Since 2002 the military pension system was closed to new entrants, who are directed to SSC. The same applied to the civil service scheme since 1995.<sup>179</sup> Pension spending amounted to 1.3% of GDP in 2001 for the SSC, while the military and civil service combined spending amounted to 3.5% of GDP.<sup>180</sup>

Further, Jordan initiated its own defense industry in 1999, whose main purpose is not to aid the military capacity of the country but to increase its economic capacity.<sup>181</sup> The King ‘Abdullah II Design and Development Bureau would produce equipment, services, training, and research for the military in Jordan and ultimately regionally for the Middle East and North Africa. While the qualified industrial zones cater mainly to foreign, unskilled workers, this industry would be staffed by a smaller number of Jordanians with some skills and educational background.<sup>182</sup>

## **CONCLUSION**

From a version of statism supporting aggregate consumer demand and purchasing power through price fixing, the Jordanian state has subjected its population to the vagaries of international prices and foreign capital investment. The true legacy of Jordan's welfare regime is the solidification of one segment of the population's dependence on

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dan, “Thirty Fifth Annual Report 1998,” pp. 82-3.

174. Hashemite Kingdom of Jordan, “Household Expenditure and Income Survey 1997,” Table 3.14; Tiltnes, “Poverty and welfare in the Palestinian refugee camps.”

175. Interviews by author with Jordanian military officers, ‘Amman, April 17 and May 10, 2004.

176. Amara, “Military Industrialization and Economic Development,” p. 5.

177. Interviews by author with Jordanian military officers, ‘Amman, April 17 and May 10, 2004.

178. Middle East and North Africa Region World Bank, *Reducing Vulnerability and Increasing Opportunity: Social Protection in the Middle East and North Africa* (Washington, DC: World Bank, 2002), p. 132.

179. David A. Robalino, *Pensions in the Middle East and North Africa: Time for Change* (Washington, DC: World Bank, 2005), p. 202.

180. World Bank, *Unlocking the Employment Potential in the Middle East and North Africa: Toward a New Social Contract (MENA Development Report)* (Washington, DC: World Bank, 2004), p. 148.

181. Amara, “Military Industrialization and Economic Development,” p. 4.

182. Amara, “Military Industrialization and Economic Development,” p. 18.

the state, and hence its vulnerability. The seeds sown in initial state formation were institutionalized through state welfare. The state, able to easily establish a support base through employment, did so, particularly since this form of social provision did not contradict a *prima facie* free market orientation. In this way, the state avoided tough decisions regarding national integration and economic development. At the same time, labor market incentives entailed in the welfare regime added to regional and class disparities.

Economic reform measures impoverished much of the population, but the Jordanian, rural population, dependent on the state, was hardest hit. Structural adjustment policies exposed this previously beneficiary population to international price fluctuations while removing their privileged position in public employment. Declining budget allocations meant less money to East Bank regions. To compensate, the state promoted these areas for cheap labor in qualified industrial zones. As secure but low paid public sector jobs dwindled, irregular, poverty-wage employment in manufacturing zones opened up, primarily hiring women. Further, the state's recent promotion of the high tech and service sectors will not aid the poorer East Bank regions, since investment in those sectors would most likely be generated in the central urban region.<sup>183</sup> The Palestinian population was better able to cope with these changes, due to their overwhelmingly urban residence, their remittance income, and their established dominance in the private sector.

Thanks in part to US aid along with greatly increased business in Jordan as the gateway to Iraq, Jordan's per capital income has rebounded to around \$2,000, but unemployment remains around 30%.<sup>184</sup> The country is still reliant on worker remittance income, and the domestic attempts to generate employment have not been fruitful. Jordanians consider their worst problem to be the increasing difficulty for even the middle classes to cover expenses.<sup>185</sup> It is the large quantity of aid, half of which goes to the military, which is arguably responsible for keeping the government afloat and creating respectable macro-economic figures. Ironically, regional peace on the horizon has been regarded as a threat to Jordan's stability, since it would entail the reduction of the military's size and the country's foreign aid.

To create support and funnel welfare to the populace, the government turned to reliance on the military, bolstered by its main supporter, the US. Militarized liberalization serves as an alternative model for Middle East regimes, one with which they have long been familiar, and which can furnish the foundation for semi-authoritarianism into the near future. This changing social base of the government, illuminated through the study of social provisioning, must be recognized when tackling the perennial question of a democratic deficit in the Middle East.

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183. "King Abdullah invites software titans to attend March conference," *Jordan Times*, February 24, 2000; "Al-Malik: *Qita' al-barmajiyat sa-yuwattan al-taknulijiyya wa yuwazaf al-kharijin wa yazid hajm al-sadirat*" ["The King: The Programming Sector Will Domesticate Technology, Employ Graduates, and Increase Exports"], *al-Aswaq*, February 24-25, 2000; "'Khulwa' iqtisadiyya bi-ri'asa al-malik fi al-bahr al-mayyit" ["Economic 'Retreat' Headed by the King at the Dead Sea"], *al-Rai'*, November 27, 1999.

184. Amara, "Military Industrialization and Economic Development," pp. 11, 12.

185. Jordanians cite their main problems as the rising cost of living (almost half of survey respondents), unemployment (a quarter of respondents), and poverty (12%). These issues also top the list of problems for prior polls in 2005 and 2006. Jordan Center for Social Research, "Democratic Transformation and Political Reform in Jordan: National Public Opinion Poll #4" (Amman: Jordan Center for Social Research, 2007), Table 2.