Militarizing Welfare: Neo-liberalism and Jordanian Policy

Anne Marie Baylouny

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. 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 upon which the state of Jordan had been built, without establishing

Anne Marie Baylouny is Assistant Professor of National Security Affairs at the Naval Postgraduate School. Baylouny has published on Islamism and social organizing, and recently completed a book manuscript on the political effects of economic changes and welfare. She is currently analyzing Islamist television programs. Field research for this article was completed 1999-2000, along with brief trips in 2004 and 2005. Funding was provided by the Fulbright Institute for International Education fellowship and the Simpson Memorial Dissertation Research Fellowship, the Institute for International Studies, Berkeley. The Social Science Research Council and the Mellon Foundation provided pre-dissertation and travel grants. The views are the author’s alone and not those of the Naval Postgraduate School or any other institutional affiliation or support.


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.\(^3\) 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\(^4\) 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.\(^5\) 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.\(^6\) The 1990s began with economic reform accompanied by

---


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.


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.”

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. Social provisioning in turn influences the production profile, particularly by sending signals to the labor market. Thus, delineating the prior welfare regime is central to forecasting economic

[Continued from previous page]


9. Social insurance affects individual decisions on investment in specialized skills. Torben Ivers-
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.\textsuperscript{10} 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.\textsuperscript{11} In Latin America, public employment and pensions are supplemented by health care and price controls, measures more familiar in the Middle East.\textsuperscript{12} 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.\textsuperscript{13} 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.\textsuperscript{14}

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

\textsuperscript{[Continued from previous page]}


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. For a multitude of reasons, such a regime coalition would entail the daunting task of redefining the country’s national identity. 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.


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. 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. 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. 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.

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), came to be located. In addition to living in the

---

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.


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 [Continued on next page]*
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’. 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. 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. An estimated 13% of all refugees, or around 275,000 persons, live in the camps. About 10% of the Jordanian population lives in one of the low income areas, which include the 13 refugee camps and 14 squatter settlements.

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

[Continued from previous page]


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 Gillen 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.

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. 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.

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. 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. Most aid was for general budget support. Revenue from domestic income tax, on the other hand, was generally about 11 or 12%. Customs duties constituted one-third to one-half of total government tax revenue. Tariffs on goods varied widely, averaging 40%. A strong currency supported these policies, aggravating manufacturing’s troubles.

---

[Continued from previous page]


35. This also has been termed political rent.


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. 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. 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. Eleven percent of jobs were in industry in 1986, mainly in phosphate and other raw material extraction. The state invested heavily in these private sector companies, often constituting majority ownership, effectively blurring the public-private distinction. While a large portion, estimated at three-fourths of East Bankers nationwide, worked for the government in some capacity, 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.

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.”
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, agriculture sank to less than 10% of domestic labor in the 1980s. 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. Domest ic 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.

---


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’iban yutalibun bi-i’ada al-nazr fi dariba al-mabi’at al-mafruada ‘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. 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. John Bagot Glubb, the British officer charged with subduing the bedouin, recruited the desert tribes into the Arab Legion, offering benefits unavailable elsewhere. Famines were created and then alleviated by the ruling British. Tax revolts were forcibly put down by the army, the institution which integrated and employed the local population. 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. 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. 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.

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.


53. Bocco and Tell, “Pax Britannica in the Steppe.”


55. Antoun, Arab Village, p. 27.

era strategy of incorporation, 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). Favorable mortgages were granted to West Bank landowners supporting the new Hashemite state. Owner-operator farms, which formed the vast majority of farms, did not receive such support.

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). 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. Such guaranteed employment and preferential treatment did not make the rural Jordanian population economically better off, but provided them with a guaranteed, steady income. 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.

---


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.


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

---

[Continued on next page]
ment-subsidized housing also accompanied military employ. 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. The state’s health and education spending, amounting to $163 per person in 1983, was significantly higher than in other developing countries. Social security, established by law in 1978 to begin functioning in 1980, covered much of the domestically employed population.

A new bureaucracy charged with allocation and not taxation often operates by non-economic criteria, and this was certainly the case for Jordan. Jobs were won on the basis of connections or washta, not qualifications, operating through tribal leaders or compatriots in the state administration. 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. In fact, state employment was analyzed by some to be the defining characteristic of East Banker identity. By 1985, the number of employees in the civil

[Continued from previous page]

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


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.


service had tripled from its 1970 number, a number which excludes the military’s own expansion.\textsuperscript{73}

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.\textsuperscript{74} 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.\textsuperscript{75} Officially reported remittances averaged a yearly $220 per East Bank resident in 1976 (discounting the West Bank territories administered at the time by Jordan).\textsuperscript{76} In Palestinian squatter settlements, the majority of families had one or more members employed in the Gulf.\textsuperscript{77} 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.\textsuperscript{78} These informal methods were supplemented by professional associations, mainly benefiting Palestinians.\textsuperscript{79} 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.\textsuperscript{80} The doctors’ association, for example, provided


\textsuperscript{74} Chaudhry, \textit{The Price of Wealth}.

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

\textsuperscript{76} Mazur, \textit{Economic Growth and Development in Jordan}, p. 119.


\textsuperscript{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.

\textsuperscript{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-
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. In the decade following 1972, the cost of living increased by 300%. 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.” 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. 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. 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. 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
July 1988 contributed to the currency’s devaluation. 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.

With no foreseeable end to the crisis, Jordan turned to the International Monetary Fund, which policy-makers considered the only source of relief. 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. 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.

Increases in fuel prices, a main ingredient of the package, sparked immediate riots in the regime-supporting southern town of Ma’an in 1989. 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

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.\textsuperscript{94} Irrigated water and fertilizer price increases affected farmers,\textsuperscript{95} and the removal of subsidies on meat was planned for the following year.\textsuperscript{96}

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.\textsuperscript{97} 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,\textsuperscript{98} much of which was used to establish small-scale and retail businesses.\textsuperscript{99} Bank deposits doubled during the return period.\textsuperscript{100} 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.\textsuperscript{101} 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.\textsuperscript{102} While the King blamed foreigners and the Ba’th political party,\textsuperscript{103} observers commented that the populace rioted out of fears of

\textsuperscript{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., \textit{Moyen-Orient: migrations, démocratisation, médiations}.
\textsuperscript{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. 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.

Suffering from reduced state employment and declining possibilities abroad, much of the professional class was unemployed. 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. Thirteen percent of dentists were unemployed. Work in the Gulf was no longer the manna it once was. Opportunities declined as nationals replaced expatriates. 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.

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. 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.

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.
108. “500 tabib asnam musajiloun bil-niqaba ’atilun ‘an al-‘amal” [“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.
110. Le Troquer and al-Oudat, “From Kuwait to Jordan;” Lamia Radi, “Les Palestiniens du Koweit 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. Tiltines, “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]
The transport industry suffered with the Iraqi sanctions. Informal work constituted almost half of all employment, and was highest among the lower and middle classes. Unemployment increased significantly, to 28% nationally, but was uneven. The least affected were ‘Amman, ‘Aqaba, and Ma’an.

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, and 30% in 2000. A significant amount of poverty was composed of the working poor, about half of which were in the state’s employ.

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.


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, and 30% in 2000. A significant amount of poverty was composed of the working poor, about half of which were in the state’s employ.

[Continued from previous page]


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.


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 Mafrak 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. 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%. These trends continued in the next few years.

Official per capita income went from over $1,500 in the mid-1980s to under $1,000 in 1990, decreasing to $850 in 1998. Income in the rural areas was less than three-fourths its average in urban areas. By some estimates, food prices had increased almost 80% by 1992. From 1992 to 1997, prices doubled on food, education, rent, and healthcare. Heat and electricity increased by 150%. 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. The official cost of living index increased almost 60% by 1992. Prices on cereal products doubled between 1994 and 1998, which had an inflationary effect on most other food items as well. Even these numbers underestimate the actual impact, since the index excludes imports. Jordan is heavily dependent on imports.

[Continued from previous page]

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


122. Data is from the most recent household expenditure survey, from fieldwork conducted in 2002-2003 by Middle East Marketing and Research Consultants.


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).


MILITARIZING WELFARE ★ 297

on foreign goods, importing 60% of its needs. In 1997, educational fees increased, as did prices on medical and health goods and services.

Health care standards eroded since structural adjustment. Only slightly over half of the population had health insurance, mainly public sector workers and the military. The provision of health care was skewed, with most of the population in the poor Palestinian areas outside the formal healthcare system. 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. 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. 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. 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. 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. In line with the distribution of poverty in the kingdom, Ma’an and Karak in the south spent the


133. Hanssen-Bauer, Pedersen, and Tiltnes, 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. Tiltnes, “Poverty and welfare in the Palestinian refugee camps.”


138. Tiltnes, “Poverty and welfare in the Palestinian refugee camps.”

highest proportion of income on food and drink, over 55%. 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. Household debt to friends, family, and the local grocer increased. Poorer households delayed paying water and electricity bills, and moved out of titled property and into squatter settlements to save on expenses. Not only did much of the lower classes stop eating meat but they now ate chicken only rarely.

**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. 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. 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. 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. Around 300,000 people received help from one of these government programs or from private, NGO charities at the end of the 1990s. These programs have been viewed

---

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.
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.
as ineffective and unable to either reach all the poor, particularly in rural areas, or to provide adequate assistance to those they do reach.\textsuperscript{150}

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.\textsuperscript{151} 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.\textsuperscript{152} The Development and Employment Fund lent money for 500 projects in 1993, the bulk of which were in the capital’s service sector.\textsuperscript{153} 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.\textsuperscript{154} 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.\textsuperscript{155} Economic laws were hastily rewritten in time for accession to the WTO in the winter of 1999-2000.\textsuperscript{156} 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.\textsuperscript{157} 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


\textsuperscript{154} Shteiwi and Hejoj, “Poverty Alleviation Programs Effectiveness in Jordan.”

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

\textsuperscript{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.

The zones were effectively exempt from labor laws and social insurance payments. Even so, the number of jobs created in these zones were not high, and as many as two-thirds of the employees were foreign. The Jordanians employed were largely women, bused in from the countryside.

The country’s basic industrial profile remained. Services still made up approximately 65% of GDP, providing low wages and unstable work. Two-thirds of all industry was located in ‘Amman, mainly in its Industrial Estate. The southern areas had a miniscule proportion of industry, less than one percent of the domestic total. Industry in these regions consisted mainly of raw material mining. The little manufacturing that existed prior to economic reforms, pharmaceuticals for instance, was hurt by economic reforms. 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. 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 — 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, 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 for revenue.
for additional revenue, including an annual tax on public transportation vehicles.

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. 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. In rural, mainly East Banker areas, 20% worked in the army.

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. 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. Pension and social secu-

rity receipts continued to be highest in East Bank areas and lowest in the areas of Palestinian concentration. 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. About 9% of GDP was devoted to defense expenditures.

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. 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%). 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. 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.

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. 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.

**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

---

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. 183 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%. 184 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. 185 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.

---


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.