

# The Effect of Oil Economy on Accountability in Constitution System

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**Abstract**— Accountability is an index to determine the democratic government and also it is one of the main principles. The continual evaluation leads to the improvement of state agents and public institutions performance, optimal use of public resources, avoiding deviation and corruption in the society. Also, to achieve democracy, it avoids autonomy and transgression of rulers to the citizens. Oil revenues can stabilize dictator and non-responsive governments. This is done via various ways, government control on oil as a rent source can make a strong government with extensive structure. Oil rent allows big administrative formations and payment of considerably subsidies to the government and the weak people will be dependent upon the government. Great oil revenues provides the governments with promotion of security and information structure of the government and creating mass organizations and some mechanisms as free press and civil institutions supervising the power and also ask for accountability. Oil rent helps the government to create a supportive class of people and avoid the creation of independent strong classes restricting government power and ask them to respond to their acts. The above mechanisms potentially are inhibitors of democracy and accountability in oil-field countries. The present study aimed to review the concept of oil economy, accountability, the significance of accountability and investigate the mechanisms of oil economy impact on public accountability.

**Index Terms**— Accountability, Oil Economy, Rentiergovernment, Political Development, Democracy, Oil Rent.

## 1 INTRODUCTION

TWO important changes were occurred in Iran history about 100 years ago. First constitutionalism movement and democratic movement in Iran and the second is the oil extraction for the first time in Iran. According to some researchers in political economy and sociology, these two events had no desirable outcomes and there was no convergent relationship between them in Iran and oil revenues were barriers to democracy trend. The oil exploration history in Iran indicates a strange sense. If the English man and his drilling machine were not in Masjid Soleiman on one of the hot days of Khordad 1908 to reach oil, the new democratic and liberal movement was not only dependent upon the black liquid and greediness of the foreigners and by localized modernism factors in Iran society, they were achieving their goals gradually and continually. Do you think if it was so, the destiny of this country was involved with the English man his drilling machine?! If he was not curious to find oil, what would happen to democracy and development?! Such dogmatic view to the oil role in the destiny of Iran is not a scientific method for social, economic and political pathology. The author is not attempted to view through this angle and there is a strange and nostalgic sense to the wealth for having it.

Oil is not the only barrier to democracy development in Iran and we can not say if there was no oil, we were in better position of development and democracy. There are various factors including knowledge, geography and historical barriers to the full establishment of democracy in Iran. However, economic relations have crucial role in the performance and relations of

other sectors of the society. It seems that at first we should give special attention to oil and oil economy to prevent democracy development in Iran. In addition, the non-democratic governments in most of the oil export countries (except Norway and Mexico city) emphasize on oil role as a probable barrier to democracy with different degrees. There are two major views regarding the relationship between oil, accountability and their interaction. The first view indicates if correct policies are taken in oil revenues use by governments, the accountability can be developed. They believe that if there are developed-based and democratic states, oil can be used in promotion of national benefits, democracy and accountability.

The economic factors are the basic elements in relations of other fields in the society. It can be said that if we believe the economy of a country at macro level is the dominant discourse and it can influence political power, general law or constitution. This can be reflected in the political regimes, their interactions with each other or with the citizens and vice versa. The governments revenue sources namely tax are of great importance in economic and political thought. For example in western democracy models, there is a close association between tax and democracy and some people believe there is no government without tax and the need of the government to tax caused that the tax payers were recognized as having participation and active involvement right in the country affairs. People pay tax and expect some services from the government and it should explain them about tax costs and be responsive to them and this accountability should be turned into the government performance evaluation index. However, in oil-revenue dependent countries (more than 50%), government is not dependent financially upon people and is not responsive and people can not ask the government to be responsive. Indeed, it can be said that there is a direct and mutual association between rulers need to people revenue and restriction of power via election and appointing the representatives in legis-

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lative power. The general principle is raised "The less the revenue of the government based on non-oil resources, the more it is possible the government and nation relation is based on accountability and democracy". The present study investigated the following questions.

- How we can determine the relationship between oil-based economy (oil rent) and accountability in constitution system?
- According to general law, how we can prevent the negative effect of oil on democracy, political development and accountability?

## 2 THE CONCEPT OF OIL ECONOMY

Before considering the effect of oil economy on accountability, it is necessary to define the concept of oil economy clearly. At first, it seems that it is not necessary to define oil economy, but can we call any economy with oil resources or oil export as oil economy? Which factors are required to consider a country oil-based? Answering these questions, challenges presenting a clear definition of oil economy. Simply it can be said: Oil economy is the one receiving considerable amount of oil revenues regularly. It is not easy to determine specific threshold in this definition. The World Bank considers the threshold 10% GDP and 40% total goods export. Thus, it can be said that oil economy is the economy of those countries in which high share of oil production in GDP and oil export in total export cause that the country is at the center of economic retention (Carl, 2003).

## 3 ACCOUNTABILITY CONCEPT

Accountability is one of the constituents of good constitution or democratic constitutional system. Indeed, accountability is the main requirement of fair government or new constitutional system. The definition of accountability and different types were always the main challenges. Many discussions are raised in scientific communities regarding the definition of accountability and its different types. It can be said that accountability concept is non-transparent and it can not be defined clearly. For example, accountability crisis is discussed in the recent researches (Mulgan, 2000) and they emphasized mostly on the number of concepts in scientific and academic space and showed that the state authorities mostly focused on various aspects of this concept (Dowdle, 2006). From descriptive views, accountability is a social relation by which an authority feels committed to justify his behavior to others. Mark Bons and other theorists explained more details of this approach (Mulgan, 2003). They believed that accountability is the relationship between respondent and asker, the relationship on which the respondent feels committed to explain all his decisions to him and the asker can ask for all the ambiguities and judge about the respondent responses. Simply, accountability is make people responsible to ensure doing the tasks at appropriate time in accordance to the agreed criteria in law. Also, accountability is defined as giving reasons and asking for reasons for the tasks (Munro and Mouritsen, 1996). In this definition, the right of asking for an individual, group or organization is assumed. Thus, the question is based on right and the

right forces another one to respond. In a comprehensive definition, accountability of government is guaranteeing accountability of the public authorities to their decisions against other government institutions, people and media to grantee the goals of government, public benefit, improvement of governments measurements. Here, accountability is to be responsible to an individual or organization for the expected performance. Accountability is created when acts, decisions and functions of a person or institution are faced with supervision, guidance of others and adequate information is provided about these decisions. Thus, accountability includes two separated stages: First responding, second compensation.

Accountability is another type of supervision. Supervision is described as an attribute and we should find its belonging (Rasekh, 2010). The belonging is supervising the measurements being applied by the government institutions. Legislative, executive and judiciary power are called supervising belonging in modern legal systems. It is worth to mention that at first one of the institutions should do something, then supervision is done. The supervision can be done during that work or after the task is finished. Supervision during the task is as it is done after the completion of a part of a task with various components and the logic "supervision after doing a task" is true about supervising during work ((Rasekh, 2010).

Responding is government, state authorities' obligation to present the required information about their decisions to the supervisory institutions in accordance with the legal criteria. Compensation is responding to the offenders' behavior and this is based on political, administrative or criminal feedback and the supervisory institution can punish the offender or correct the offence in case of any decisions or acts against law. Thus, accountability is to be responsible to another person for the acts. Accountability means informing, explaining and justifying the tasks being performed. The idea of responsive government indicates that the citizens can criticize the public authorities and can have the supports against the government mistakes having adverse effects on them. The idea showed that the government should be obliged to justify its acts by presenting some explanations and respond the protects and compensate the mistakes. Thus, accountability and compensation are interchangeable. Different compensation systems are pre-requirements of accountability and it is the necessary element in achieving the different types of compensations and supports (Le Suer and Sunkin, 1997).

## 4 THE IMPORTANCE OF ACCOUNTABILITY

Accountability is an index to determine a democratic government and one of its main principles. The accountability importance is as continual evaluation of the affairs leads to the improvement of the state authorities and institutions functions, optimal use of public resources, avoiding deviation and corruption for the society and it also avoids autonomy and dictatorship and transgression of the power authorities to the citizens. According to the contemporary human rights, any political regime defending the human rights and its citizens against transgression and provide the effective legal, political

and executive mechanisms to the citizens and be responsible to them can be considered a good ruler. Conversely, if human rights and citizenship violation is done by government institutions and organization as systematically or by social and political groups against other social groups or minorities and the citizens are deprived of the adequate legal, political and executive mechanisms, the government will be turned into an efficient, dictator and non-responsive government (Zarei, 2004). Also, prevention of probable corruption, prevention of resources wastage, the selection of the best method in planning and fulfilling the citizens' rights are the main reasons of accountability in political system.

## 5 THE MECHANISMS OF THE EFFECT OF OIL ECONOMY ON PUBLIC ACCOUNTABILITY

Vertical descending accountability or rulers' accountability to the citizens is called public accountability and it indicates political development and improvement of accountability and democracy in a country and various views are presented to explain the process of the effect of oil economy as one of the main examples of rent economy on public accountability. These definitions presented exact definition of the effect of rentiereconomy on government and civil society, parties and media relations about tax and agency, suppression and social texture renovation.

Middle East researchers found that rentier governments apply oil revenues to reduce the pressures leading to the more demands for their accountability (Ross, 2003). The studies showed that this is possible through different methods.

### a. Tax effect

These issues are traced in the studies of democratic institutions development in England and France. The demand to get response from the government was based on the response to the rulers' measurements to increase tax. Some theorists such as Charles (1975) found a similar relationship between some variables at tax and other variables at demand levels for political accountability. Democratic institutions are created when the country needs tax to provide the required resources to continue their activities. Today, tax acquiring namely direct tax is only possible via their satisfaction and this is no possible in totalitarian governments. Although these governments arrange their financial issues in short-term, they can not play important role in formation of financial power of the country in long-term. Rentier governments don't need tax due to oil revenues and the government is not responsive to the people. IN other words, rentier government is protected against the serious public pressures in political trend and accountability (Crystal, 1999). These studies showed that oil exploration in Qatar and Kuwait reduced government accountability against the tradesmen class (Mirtorabi , 2009).

### b. Spending effect

According to this theory, oil wealth increases government costs for sponsorship and it reduces potential pressures of democratization. The spending effect is a little different from tax effect. The tax effect is based on the fact that without tax, people are not intended to have responsive government but according to

spending effect, citizens have hidden motivation to create democracy and accountability of government but this is suppressed via government rewards. Oil rentier wealth dedicates more costs on supportive systems and this inhibits society movement to democratization and accountability of the government. For example, Jhonentelis believed that Saudi Arabia uses oil revenues to reduce pressure on accountability but all the totalitarian governments use their financial power to reduce dissatisfaction. According to the researchers, the oil wealth is considerable as allows Middle East countries to consider these costs in their budget without any pressure (Entelis, 1976).

### c. Suppression effect

Various studies have shown that rentier wealth and totalitarian aspects lead to the suppression of people response demands. Wealth resources allow the governments to work more on their domestic security and suppress the existing demands and resistances. For example, Clark in his studies on the soaring price of oil in 1990 in Congo republics found that the incomes allowed the government to promote Army and educate a specific guard of presidency to restore order. Totally, rent revenues given to rentier governments allow them to emerge as unique power in domestic economy and these powers are free from economic resources and social classes. Even it can make all the social classes up to down dependent upon the government-based economic resources. Oil wealth allows the governments to have abnormal direct relationship with the citizens. Normally, the governments can present services to the citizens to pay tax but in rentier governments, the governments can provide the services with cheap or free prices for the citizens, on condition that social and political behaviors of people are maintained as determined by government (Asgarian, 2003).

### d. Classes formation effect

This theory indicates that when oil revenues provide adequate money to the government, government by providing considerably money prevents independent social groups' formation. These groups require political rights of the government or ask for accountability of the rulers to their acts. The researchers investigating Aljazeera, Libya, Tunes and Congo found that oil governments prevented independent social groups' formation. Rentier government prevents democracy pre-requirement. Chad Hary (1994) believed that Middle East states applied oil revenue for development of the programs in 1970 to depoliticize the society. The governments purposefully eliminate independent civil institutions while other institutions were created to facilitate pursuing the political goals of the government. In recent years, the role of social capital and civil institutions between the family and government to reach economic development is emphasized. The governments with rich natural resources are free to finance and avoid social capital formation. The sociologists believe that great social and cultural changes are occurred to fulfill accountability of the rulers. The important point is that democracy is not restricted to giving vote, as civilization is not fulfilled only by urbanization. If literacy is the only requirement of education, giving vote is the only requirement of democracy but not all of it. Indeed, democracy is a mental phenomenon not an objective rule. Democracy is a behavior not a structure. Rulers accountability is creation not merely discussion and rulers accountability is formed in a histori-

cal gradual process. It is a process in which not only the people knowledge and political awareness are increased but also people by tolerating the disagreement are familiar with each other rights.

## 6 CONCLUSION

It can be said that oil plays an important role in development process of a country and it can be positive or negative. Oil revenue is used in economic infrastructure development and economic progress is provided (e.g. development of roads, water and electricity, communication, education, security and etc.) and oil revenues in a Rentier government stabilizes totalitarian and non-responsive governments and create many problems in decision making and resources assignment. This is done via various forms, government control on oil and using it as rent sources create a strong government with extensive structure and weak class is people. The great resources of the government create great administrative institutions to the government and the bureaucracy system focuses on executive power in the society and economic freedom is eliminated. The administrative centralized system leads to the increase of government tenure and reduction of people participation and it finally leads to reduced accountability. Oil rent via economic power of political power authorities can be controlled by government by selective systems and great state positions are only distributed among the special people supporting the government and it can control political behavior of the society and powers separation and balance of political power and political accountability of executive power to legislative power are challenged as one of the important components of democracy. In addition, supervision as one of the effective tools of accountability is affected by Rentier economy. Besides the internal supervision of the state organizations, strong control of public opinion and civil society on government performance can increase accountability coefficient and avoiding power misuse. Considerably oil revenues allow the governments eliminate the mechanisms as free press and civil institutions supervising the power. Improving security structure of the government and creating mass organizations by oil revenues can lead to the suppression of the opponents and weakening the supervisory institutions. In addition, political parties and civil institutions with active supervision role are eliminated or weakened and other public supervision methods as audio-visual media and press are under the control of government. This made transparency and free information trend problematic in constitution and administrative law system and totally weakening public supervision on power and government will not be responsive to people. Without a centralized budget system and reporting system in oil governments, the oil revenues are directed to informal channels under the supervision of a few people from budget aspects. Sometimes great part of these revenues is not mentioned in the budget documents and there is no control of their expenditure and revenue. Full control of government in domestic economy even in private economy including housing, services, agriculture and guarantee prices and state licenses make wealth owners dependent upon government in private sector to be active in government stability

and it avoids strong independent classes limiting government power. Thus, one of the most important factors a country moves in a direction or another one is the initial social and political structure of the country. Some countries including Norway with strong accountability culture and democracy, oil revenues help economic improvement of people but in totalitarian countries in social, political and even cultural aspects, oil revenues stabilize autonomy and leads to destruction and social, economic and political problems.

Various solutions are used to cope up with adverse effects of oil in most of the countries in the world as followings:

1- Improvement of budgeting system in oil governments: Creating a comprehensive, transparent and effective system is an important scientific step to increase efficiency and accountability of government in Rentier governments and in budgeting system, citizens, critics and public supervising systems can discover carefully which price was dedicated in the past year and how it will be in future.

2- Increasing government tax revenues: As it was said, in western democracy models, there is a close relationship between tax and democracy and some people believe that there is no government without tax and the need of the government to take tax recognized the right that the tax payers has participation and active involvement in the affairs of the country. People pay tax and expect some services from the government and it should explain them about tax costs and be responsive to them.

3- The lack of administrative centralization: As it was said, great bureaucracy of the government is one of the tools making the society dependent upon the government and respondent structural formation is reduced. ON the other hand, when oil revenues are used for the costly structure of the government, all the adverse effects are eliminated by reducing the government size. Delegating the executive and administrative qualifications to local councils and staff institutions reduces the government size and tangible and transparent supervision on public by people is provided and it is an important step in achieving democracy and accountability. These councils are structures in which any citizen can participate in supervision and decisions of the company. Oil economy mechanisms potentially can be barriers to democracy and accountability in oil countries. It can be said that the amount and intensity of this barrier can be affected by other factors as geopolitical situation, social, cultural and historical background of the countries. For example, in Norway with experience of industrial revolution and capitalization as a part of Europe and it had democratic government during oil exploration, this is different and oil existence in democratic government increases various development indices (accountability, education, welfare, public revenue, health and social forces participation) (and it is due to the supervisory institutions (strong parliament, freedom of journals and independent legal system) avoiding oil revenue misuse. Another difference of Norway and other oil countries is that oil is a part of economy of this wealthy country not all of it. Now, oil and gas are only 25% of GDP of this country and the rest of the revenue is financed through other various economic sectors. Finally, if a good decision is taken regarding

the costs and oil revenues assignment, we can use it appropriately. Using the experiences of the successful countries including Norway and Mexico city can be a good solution.

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