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Against the Grain: The IMF, Bread Riots, and Altered State Development in the Hashemite Kingdom of Jordan

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CLAREMONT MCKENNA COLLEGE

**AGAINST THE GRAIN:
THE IMF, BREAD RIOTS, AND ALTERED STATE DEVELOPMENT IN
THE HASHEMITE KINGDOM OF JORDAN**

**SUBMITTED TO:
PROFESSOR KRISTIN FABBE
AND
DEAN NICHOLAS WARNER**

**BY
DAVID LEATHERS**

**FOR
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Abstract

Since the end of World War II, and especially over the past three decades, there has been a dramatic increase of interactions between international financial institutions (IFIs) and states. This paper will explore these interactions by examining the Hashemite Kingdom of Jordan and the International Monetary Fund (IMF). This paper rests on the assumption that the complex implications of these interactions are not yet comprehensively understood and will move towards that goal by setting forth a collection of new approaches to further understand IFI-state interaction. It will discuss Jordan's economic and political history, structural adjustment policies implemented by the IMF, and responses and consequences of such policy on economic, cultural, and political dimensions. Then, theories on sovereignty, identity, nationalism and colonialism will be applied to Jordan-IMF interaction in order to suggest new ways of understanding the implications of IFI-state interaction.

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Introduction

This paper is intended to provide new approaches to understanding the interaction between international financial institutions (IFIs) and states. In one sense this is a conceptual process—I apply a number of abstract theories—but in another, it is very real and immediate. Specifically, this paper will use the case study of the International Monetary Fund (IMF) and the Hashemite Kingdom in Jordan, centering around 1989, the year Jordan began to interact with the IMF, to investigate IFI-state interaction. While there are copious amount of literature on the IMF—and the IMF’s agreements with Jordan—there has been minimal examination of how IFIs impact and alter states and their development beyond direct policy implications. This is important because such interaction has very real consequences for political actors and citizens of developing states affected by new policies. While much of this paper will rest on analytical and theoretical frameworks, we will begin with an anecdote to place this study in context.

The Reality of the Problem

On April 19th, 1989, President George H.W. Bush met with Jordan’s King Hussein at the White House. The late 1980s was a time of relative political calm in the Middle East. Saddam Hussein had yet to invade Kuwait and Jordan’s relations with Israel were at a relative calm. The two heads of state instead focused their discussion on economic development in Jordan; the economy of the small Arab nation had been declining throughout the 1980s. As the two men met, King Hussein received the first word of large riots in Ma’an, a town of 25,000 people 135 miles south of Amman. Jordanian officials had relayed the word that an estimated over 4,000 residents of Ma’an had taken to the streets even after a curfew had begun to be enforced the previous night.

The curfew had not worked. Gun battles broke out between residents of Ma'an and government forces called in to enforce order. The riots soon spread to other cities in the south, such as Kerak and Tafila. At least five people died and close to 40 were injured in just a few days of skirmishes between angered residents and the Jordanian army in Ma'an.¹ Government buildings and automobiles were a particular target for the protesters. The army even sent armored cars to nearby Petra to escort tourists to Amman.

While Jordan's history with violence has been almost solely derived from such political and ethnic struggles (namely wars with Israel and Black September, a civil war in 1970), the uprising in Ma'an was much different. Ma'an's residents were rioting over price increases. Just days before the unrest, the Jordanian government and regime of King Hussein had eliminated subsidies on goods including fuel, beverages, and cigarettes as part of an agreement with the International Monetary Fund (IMF) to provide Jordan \$275 million of loans, in exchange for reforms (called structural adjustment policies), over the next year and a half.² Prices increased dramatically and residents took to the streets. King Hussein did not seem too worried. "I believe everything is under control," he said while still in Washington. "It is really the result of measures that had to be taken. We had to take some measures and obviously the people feel them."³

Downhill Slide

The IMF had a good financial rationale to be willing to work with Jordan: the 1980s had not been kind to the small Arab monarchy. After the oil boom in the beginning of the

¹ Tyler, Patrick E. "5 Reported Killed in Jordan Riots." *The Washington Post*, April 20, 1989. Accessed April 12, 2015.

² Cowell, Alan. "5 Are Killed in South Jordan as Rioting Over Food Prices Spreads." *The New York Times*. April 19, 1989. Accessed April 4, 2015. <http://www.nytimes.com/1989/04/20/world/5-are-killed-in-south-jordan-as-rioting-over-food-prices-spreads.html>.

³ Ibid.

decade, prices began to freefall and the Jordanian economy began to slump as expatriate remittances dropped and surrounding Arab economies began to slow down. Arab foreign aid also dried up as more funds went to support Iraq in its war with Iran.⁴ Internally, Jordan had not been working to mitigate these problems. The state's apparatus began to grow as the government decided to protect the domestic economy by increasing subsidies and resisting austerity measures. This stood in contrast to the strategies encouraged by local economists IFIs which advocated for rapid economic liberalization. By April, when President Bush and King Hussein had met, Jordan had reached the point of no return. Though the IMF had been advising Jordan's government on financially sound decision-making throughout the 1980s, it had been largely ignored. In July 1989, Jordan signed its first Standby Agreement with the IMF and its first adjustment loan with the World Bank in December of the same year after reaching a point when it could not pay back its debt or borrow any more money to finance its day-to-day operations.⁵

The unrest in Ma'an was in response to price increases on only a handful of goods. Therefore, it marked the beginning of a longer, intense, and more comprehensive set of structural adjustment policies that Jordan would soon be pressured to implement in exchanged for continued financial assistance. Subsidies are also only one part of the IMF's strategy; Jordan eventually signed agreements incorporating significant changes to state-owned enterprises, public sector salaries and size, trade policy, tax policy and collection, and pensions.⁶

⁴ Harrigan, Jane, Hamed El-Said, and Chengang Wang. "The IMF and the World Bank in Jordan: A Case of over Optimism and Elusive Growth." *The Review of International Organizations* 1, no. 3 (2006): 263-92. Accessed March 9, 2015.

⁵ Ibid., 267.

⁶ Ibid.

It is important to understand that the subsidy protests of 1989 took place in Jordan's largely poor, Bedouin and Transjordanian south—and was only the first instance of such anger. (The significance of this ethnic homogeneity will be explained at length later). In 1996, the Jordanian army occupied Kerak, another Bedouin city in the south, after protests deteriorated into riots following the immediate doubling of bread prices after wheat subsidy elimination as part of a new round of IMF agreements.⁷ Rioters built barricades, set fire to buildings, and King Hussein promised to use “an iron fist on the protesters”.⁸ Ma'an became a hotbed for anger against the regime again in 2002 for similar reasons.⁹

Implications

Anti-government protests are nothing new and usually nothing surprising—governments can rarely satisfy all their citizens enough to avoid all kinds of vocal or violent responses. But what is different in Jordan is that Ma'an, Kerak—and all the southern towns most deeply affected by subsidy cuts and most violent in their unrest—had traditionally been bedrocks of support for the Hashemite regime.¹⁰ Since Jordan's independence from the British in 1946, these traditional bases of support, made up of both Bedouins and Transjordanians, had provided “regime security” to the monarchy through unwavering loyalty while the regime, simultaneously, provided disproportionate welfare, employment, and military opportunities to these populations.¹¹ Many analysts even argue this relationship has sustained the existence of the monarchy and government

⁷ Andoni, Lamis, and Jillian Schwedler. "Bread Riots in Jordan." *Middle East Report* No. 201 (1996): 40.

⁸ *Ibid.*, 41.

⁹ Schwedler, Jillian. "Occupied Maan: Jordan's Closed Military Zone." *Middle East Research and Information Project*, 2002, 1. Accessed March 22, 2015.

¹⁰ *Ibid.*

¹¹ Greenwood, Scott. "Jordan's "New Bargain:" The Political Economy of Regime Security." *Middle East Journal* 57, no. 2 (2003): 248-68. Accessed February 28, 2015. JSTOR.

throughout Jordan's turbulent political and economic history, such as with the injection of millions of Palestinian refugees in 1967.¹² It is because of this historical alliance that Bedouins and Transjordanians were understandably angry at the onset of IMF policy in 1989. It eliminated not only a financial advantage, but a symbol of perpetual regime support of these populations. The existence of such noneconomic consequences of IMF policy also serves to show either the IMF's ignorance of complex social and culture dynamics *or* the active choice to proceed with policy despite the possible effects it could have on the continued development of the state.

Thesis and Outline

This paper will take three core bodies of literature (frameworks) and synthesize them to develop new approach to understand IFI's impact on states. Chapter 1 will offer a brief overview of Jordan's history, economy and demographic characteristics. Chapter 2 will act as a pseudo-literature review; instead of summarizing different thinking on this issue it will outline the overarching framework of the paper, detailing the three key sub-frameworks (I, II, and III) that will guide all forthcoming analysis. Chapters 3 and 4 will delve into Frameworks I and II, respectively, to examine the literature surrounding IMF policy in Jordan. Chapter 5 forms the "core" of the main argument and analysis by building Framework III and synthesizing Frameworks I and II from the preceding chapters. Chapter 6 will be a brief analysis of the overarching framework, showing how Frameworks I-III support the thesis that there are new ways to understand IFI-state interaction.

¹² Ibid.

1. A Brief Overview of Jordan's History, Economy, and Population

Jordan is a small, lower-middle income Middle Eastern country situated between Syria, Iraq, Saudi Arabia, Israel, and the West Bank. Initially recognized by the League of Nations in 1922 as the Emirate of Transjordan, Jordan gained independence from the British mandate in 1946. Two years later, the young country changed its name to The Hashemite Kingdom of Jordan, referring to the lineage of its first king, Abdullah I.¹³

Jordan is a unique case for the Arab world as it has maintained the same system of governance—a monarchy—since independence. King Abdullah II, the current monarch, is the great-grandson of Abdullah I. He ascended to the throne following the death of his father, King Hussein, in 1999. This paper will largely focus on Jordan from 1989 to present, meaning King Hussein and King Abdullah II are the two monarchs that will have been in power during analysis of Jordan's economy, state, and society since 1989.

Jordan's relatively short history as a state has been defined by a number of broad and long-lasting political, social, and economic challenges stemming from its size, dependence on aid, near-constant influx of immigrants, and lack of natural resources. This section will be devoted to explaining these challenges in order to contextualize post-1989 Jordanian economic development and responses.¹⁴ The intersection of these

¹³ "Jordan - History - The Making of Transjordan." Jordan - History - The Making of Transjordan. Accessed April 15, 2015. http://www.kinghussein.gov.jo/his_transjordan.html.

¹⁴ While it would seem convenient to explain each category of these challenges (political, social, and economic) individually, categorizing Jordanian history would lead to a misunderstanding about how certain events have impacted the growth of the Jordanian people and state. This paper will pay special attention to this fact and treat Jordanian history, and the challenges that Jordan has faced, as multidimensional and fluid. In contrast, other literature only looks at economic issues, for example, as having economic consequences (e.g. a tax increase will have a certain effect on incomes and in turn anger those affected). But I will argue that economic policies actually have important and underestimated social and political noneconomic consequences.

challenges has exacerbated (if not caused) many of Jordan's problems since its independence, and, in turn, has spurred IFIs to interact with Jordan.

Lack of Natural Resources and Expatriate Model

First, Jordan is not well-endowed with natural resources. It has a small industrial base, and over 90% of its land is semi-arid.¹⁵ Unlike its neighbors, it has no oil and relies on other exports. One of Jordan's primary exports are skilled workers, who primarily move to Gulf States to work in oil production. This inherently leaves Jordan more vulnerable to oil-price shocks than other countries as it is affected by both oil prices but also oil sector employment. By the 1980s, a third of Jordan's working population was employed in the Gulf, amounting to 21% of GDP between the mid-1970s and 1980s¹⁶ and now hovers closer to 10% of the population, or about 600,000 Jordanians.¹⁷ This is a relatively unusual model for such a small nation. Since this system encourages skilled laborers to seek out jobs and paychecks outside of Jordan, the country has experienced a decades-long brain drain in which its qualified laborers go elsewhere to find work. This is one factor that has prevented Jordan from developing a manufacturing base.

This still remains an issue for the Jordanian economy as a whole. As works flock elsewhere for income, real GDP per capita, in 2003 for instance, remained significantly below the levels of the boom during the 1980s.¹⁸ The early 2000s, in contrast to the 1990s, was seemingly a time of prosperity for Jordan as new jobs were being created at higher rates. While some of these jobs went to Jordanians, most new employment

¹⁵ Harrigan, El-Said, and Wang. "The IMF and the World Bank in Jordan", 265.

¹⁶ Ibid.

¹⁷ U.S. Congress. *Jordan: Background and U.S. Relations*. By Jeremy Sharp. Cong. Rept. 7-5700. Washington, D.C.: Congressional Research Service, 2014.

¹⁸ Harrigan, El-Said, and Wang. "The IMF and the World Bank in Jordan", 281.

opportunities during this time were for unskilled laborers—maids, drivers, chefs, etc.—that were quickly occupied by Arab or Asian immigrants. Educated Jordanian citizens, despite the overall growth in the economy, did not experience a large uptick in employment.¹⁹

Foreign Aid

Jordan is also intensely dependent on foreign aid. The country's lack of natural resources and high government expenditures has made it a popular target of rich nations looking to secure and sustain a stable ally in the Middle East. The United States alone as provided over \$16 billion dollars in economic and military aid since it began assisting Jordan in 1951, ranging from \$362 million and \$700 million annually over the past four years.²⁰ Overall foreign aid to Jordan is increasing.²¹ This dependence can impede a nation's development by incentivizing the government not to raise the funds or provide services to its citizens. Since foreign aid comes both in the form of cash transfers and programs (through organizations like USAID), aid can change a government's perceived responsibility to collect revenues and spend on programs.

Demography

Jordan has developed with a unique demographic history. Currently, about half of Jordan's population are of Bedouin origin. Originating on the Arabian Peninsula,

¹⁹ Rad, Sahar T. "Jordan's Paradox of Growth without Employment: A Microcosm of the Middle East?" *Development Viewpoint* 65 (August 2011): 1. Accessed April 1, 2015. <https://www.soas.ac.uk/cdpr/publications/dv/dv65.html>.

²⁰ Jeremy Sharp "Jordan: Background and U.S. Relations", 13.

²¹ Al-Khaldi, Mwafaq Dandan. "Impact of Foreign Aid on Economic Development in Jordan (1990-2005)." *Journal of Social Sciences* 4, no. 1 (2008): 16-20. doi:10.3844/jssp.2008.16.20.

Jordanian Bedouins began populating the East Bank before the 14th and 18th centuries.²² Most are no longer nomadic and over the past decades have settled into relatively small villages spread out across Jordan's vast south and eastern deserts. This population is perceived as the most 'native' group in Jordan. As a whole, the Bedouins have remained very loyal to the Hashemite monarchy and enjoy preferential state policy. The King makes no secret of this bias: "It can be said that many of the characteristics of the Jordanian and Arab society are found in their strongest form in Bedouin culture....indeed, it has been said that they are the backbone of the Kingdom."²³ A note on terminology: for this paper, any person of Bedouin descent will be referred to as "Transjordanian". This is the term commonly used relevant literature to describe not only Bedouins—who have largely settled throughout Jordan's central and southern governorates—but also "urban Bedouins", citizens of Bedouin decent who have moved into larger cities and do not share a more traditional lifestyle with more rural Bedouin populations. Both of these sects of the Transjordanians have enjoyed preferential treatment from the state since Jordan's independence while maintaining unwavering loyalty to the regime.

Jordan's population is made of a number of diasporic populations—namely Assyrians, Armenians, Circassians, Mandaens, and Chenchans. For the scope of this paper, these groups will not factor into my analysis. Instead, the largest population group in Jordan—Palestinians—will be very important to subsequent analysis. The vast majority of non-Transjordanians are Palestinian. Expelled out of British-mandated

²² Mundy, Martha, and Basim Musallam. "Nomad Territory as a Factor in Defining Arabia's Boundaries." In *The Transformation of Nomadic Society* in the Arab East. Cambridge, UK: Cambridge University Press, 2000.

²³ "The People of Jordan." The People of Jordan. Accessed April 22, 2015. <http://www.kinghussein.gov.jo/people1.html>.

Palestine (modern-day Israel) after wars with Israel in 1948 and 1967, millions of Palestinian refugees live throughout Jordan in a diverse collection of cities, villages, and refugee camps. While the Jordanian government recognizes the approximately 3 million registered Palestinian refugees, other estimates place the number of Palestinians in Jordan around 4.5 million out of a total population of about 7 million citizens.²⁴ No matter the exact number, Palestinians make up an immense portion of the Jordanian population and likely outnumber Transjordanians.

The massive influx of Palestinian refugees throughout Jordan's history has not only been an issue of numbers. It has caused an inevitable clash of cultures. Palestinians and Transjordanians speak slightly different dialects of Arabic. Most Palestinians live in urban areas while most of the rural south is populated by Transjordanians. Palestinians dominate the private sector while Jordan's lumbering bureaucracy is staffed almost solely by loyal Transjordanians. The issue of one's ethnic composition is an important topic of conversation: many taxi drivers in Amman specify their heritage: "Jordanian-Jordanian", "Jordanian-Palestinian" (often 2nd generation), or "Palestinian-Palestinian".²⁵ "Palestinian-Palestinians" often specify from which part of modern-day Israel/Gaza/the West Bank they or their family originated. This level of involuntary specificity surrounding one's geographic roots speaks volumes to the prevalence of the Transjordanian/Palestinian divide in Jordan.

²⁴"A Kingdom of Two Halves." *The Economist*. March 08, 2014. Accessed March 18, 2015. <http://www.economist.com/news/middle-east-and-africa/21598719-jordanians-chafe-emerging-american-plan-israel-palestine-kingdom>.

²⁵ Anonymous. Conversation with taxi driver, personal interview. October 8, 2013. Raw data. Taxi, Amman, Jordan.

2. Outline and Understanding of Frameworks

This paper would not benefit from a strictly traditional literature review highlighting the ideas of certain thinkers around a certain subject. If this paper's purpose was to suggest a new set of IFI policies in Jordan, then it would require a lengthier and more standard literature review. Instead, it aims to synthesize and combine a number of approaches to improve how we analyze, understand, and discuss how IFIs interact with states. Therefore, while reviewing certain ideas surrounding IFI-state interaction, this section will explain the methodology of this paper through examining three different frameworks that will move toward a new understanding of IFI-state interaction. I will explain each framework, what type of thinking it exemplifies, what it lacks, and how it fits into overarching framework.²⁶

This paper will undertake three primary frameworks to examine IFI-state interaction. Not all literature within these frameworks was written with the intention of exploring this interaction; instead, this paper will apply different ideas to form a new way of understanding IFI-state interaction. These three frameworks are as follows: I) analyses of *economic effects* of economic policy; II) analyses of *sociopolitical/cultural effects and consequences* of state interaction with outside economic actors; and III) theories of changes in *state development* due to interaction with outside actors.

My argument is that the three frameworks listed above are the three parts of an equation that result in new ways of understanding IFI-state interaction. As of now, these frameworks exist narrowly; they have not been used to undertake a more comprehensive

²⁶ I will use examples that would fit into these different frameworks. Not all of the literature discussed will appear in later analysis, and all literature discussed in later analysis does not necessarily appear in this overview.

analysis of what happens when IFIs pressure a state to implement new policies. In other words, each of these frameworks each help create a partial understanding of IFI-state interaction.²⁷

Overarching Explanation of Frameworks I, II, and III

	<u>Body of Lit./Framework I</u>	<u>Body of Lit./Framework II</u>	<u>Body of Lit./Framework III</u>
	analyses of economic effects of economic policy	analyses of sociopolitical/cultural effects and consequences of state interaction with outside economic actors	theories of changes in state development due to interaction with outside actors
Example	IMF reports	articles with explanations of a domestic movement	theories on sovereignty, colonialism, etc.
Isolated Significance	technocratic understanding of economic policies	deeper understanding of reactions to economic policies	abstract understanding of changes to a state
Synthesized Significance	<i>a new understanding of IFI-state interaction through a synthesis of 3 relevant types of analysis of IFI policy and its effects on states</i>		

Figure 2.1

Framework I: Analyses of Economic Effects of Economic Policy

The first framework is the most familiar—analyses of economic development from a purely economic perspective. It will focus on the IMF’s financing programs and conditionality policies:

IMF financing provides its members breathing room to correct balance of payments problems: national authorities design adjustment programs in close

²⁷ Though I believe this overarching framework generally allows for a clearly delineated disaggregation of individual academic works into one of the three categories below, some of the literature discussed in both this review and in later analysis may not fit decisively into one—or instead may fit into two—subframeworks. This does not weaken the overall framework or argument. All sources I use in this paper help develop a new understanding of IFI-state interaction, and the three-pronged framework below should be used as a general guide for the different types of literature discussed throughout this paper

cooperation with the IMF that are supported by IMF financing; continued financial support is conditional on effective implementation of these programs.²⁸

An astounding portion of the commentary on IMF responsibilities and policy is written in the “language” of these IFIs themselves. This includes reports and briefings written and/or sponsored by these IFIs themselves as well as other documents critiquing, explaining, or praising IFI policies purely for how they affected a collection of economic factors like GDP, growth, job creation, etc. *Privatization and Structural Adjustment in the Arab Countries*, a collection of short policy briefs and debates by experts brought together by the Arab Monetary Fund, IMF, UN Development Program, and UN Economic and Social Commission for Western Asia, is a prime example of this type of literature.²⁹ It discusses privatization’s role in the Arab World, the financial rationale for such practices, and a number of case studies to conclude that privatization of state-owned enterprises and overall economic liberalization are positive forces for the Arab World.

This is all very informative; indeed, IFIs need to reflect and receive third-party perspectives from other economists and academics. But it paints an incomplete picture of the impact privatization—and more broadly, IFI intervention—can have in a country. The chapter entitled “Privatization in Jordan” is an example of the narrow view such literature takes. Written by former Jordanian Deputy Prime Minister Jawad Anani, it explains how Jordan, with the encouragement of the IMF began privatizing state-owned enterprises in the mid-1980s. At the end of the chapter, it delves into the “problems encountered in privatization”: legal problems, economic recession, domestic interest rates, Middle East

²⁸ "Factsheet -- The IMF at a Glance." IMF. March 27, 2015. Accessed March 22, 2015. <http://www.imf.org/external/np/exr/facts/glance.htm>.

²⁹ El-Naggar, Sa'id. *Privatization and Structural Adjustment in the Arab Countries: Papers Presented at a Seminar Held in Abu Dhabi, United Arab Emirates, December 5-7, 1988*. Washington, D.C.: International Monetary Fund, 1989.

volatility, and disengagement with the West Bank.³⁰ These problems are noticeably all narrow issues with the surface-level, day-to-day process of sale of state-owned enterprises. There is no concern for how such policies affect the state—only a consideration for how economic policies will have *economic* consequences.

As mentioned, there is nothing independently wrong about this approach (and its primary authors do not promise anything more). But this paper will argue that economic policies do not merely have economic consequences. Therefore, this body of literature provides a vital but only partial piece of the equation for determining how IFI policies have affected Jordan. These briefings, reports, and documents explain and analyze the successes and failures of IFI policy in economic terms. This will prove important in explicating when and why the IMF began to work with Jordan and exactly what they did in an attempt to help escape the country's economic crises and prevent such mistakes in the future. But it will not be able to inform a discussion on the noneconomic impact IFI policies have had in Jordan.

Framework II: Analyses of Sociopolitical/Cultural Effects and Consequences of State Interaction with Outside Economic Actors

A second body of literature important to our discussion of IFI-state interaction is that explicating movements, responses, and attitudes around policy changes in the countries where the changes took place. In other words, this is the “next step”: the technocratic literature discussed above delivers a simple framework for understanding, literally, what IFIs do. This category is the analysis of what happened next.

Understanding the reactions to IFI policies—and the many forms they take—is vital to comprehending how IFI policies affect states, citizens, and state-building. Like above, I

³⁰ Said El-Naggar. *Privatization and Structural Adjustment in the Arab Countries*, 222.

will not (in this section) attempt to review *all* the literature on responses in Jordan. Instead, I will highlight some literature that fits into the framework.

The first section of this paper serves as a good example of how responses are recorded and analyzed. Ma'an, the restive city in southern Jordan, has been home to many of the more violent responses during Jordan's agreements with IFIs. This began in 1989 with the first elimination of subsidies and subsequent price increases. Yet the same thing happened again seven years later in 1996 when riots broke in in Ma'an, Kerak, and other cities after bread prices doubled.³¹ There has even been similar activity after 2000. Numerous articles detail what led to these protests and how the Jordanian government reacted to them. Reports such as Andoni and Schwedler's *Bread Riots in Jordan*³², Ryan's *Peace, Bread and Riots: Jordan and the International Monetary Fund*, and similar works speak to the relationship of IFI policy, societal impact, and societal reaction. These almost wholly focus on the riots in 1989 and 1996.

The authors who write on this issue vary in their focus on *why* things happened opposed to *what* happened in response to economic liberalization. Andoni and Schwedler focus on the political situation in Jordan at the time of the riots, explaining how the King intentionally created a divide between the monarchy and the government to more easily cast blame on elected officials. It further delves into Jordanian-Iraqi and Jordanian-Israeli relations and the implications those relationships had on both domestic responses to IFI policy and government action to quell protests. Other authors speculate on the reasoning for such virulent responses to price increases and government crackdown. This type of

³¹ Ryan, Curtis R. "Peace, Bread and Riots: Jordan and the International Monetary Fund." *Middle East Policy* 6, no. 2 (1998): 54-66. Accessed March 12, 2015. doi:10.1111/j.1475-4967.1998.tb00308.x.

³² Lamis Andoni and Jillian Schwedler. "Bread Riots in Jordan", 40.

analysis—as well as more elementary observations of the riots themselves— inform our understanding of who rioted, why they rioted, and what consequences this unrest had for Jordan’s domestic and political situation.

A different type of responses studied in this second framework involves a much more nuanced examination in detailing domestic consequences of IFI presence and economic policy changes. Anne Marie Baylouny’s *Creating Kin: New Family Associations as Welfare Providers in Liberalizing Jordan* epitomizes this approach. She argues that after the first IFI agreements in 1989, Jordanian family networks began “reorganize...in an attempt to cope with the removal of basic social provisioning by the state”.³³ I do not want to delve too far into her arguments here as her theory will be examined in more depth later. But this approach adds another important pillar to the sociopolitical and cultural effects of state interaction with IFIs. Baylouny’s arguments speak to the critical intersection of economic policy, state, and society.

This is where this second framework moves beyond the first framework of technocratic economic analysis. As a more comprehensive way to look at domestic changes following economic liberalization, this multifaceted analysis speaks to the tendency of affected populations to react to changes in economic status with not only violence and rage, but also by altering cultural characteristics of their existence. As Baylouny argues, “the rise of family associations in Jordan was due to a confluence of incentives affecting multiple social classes simultaneously in economic liberalization”.³⁴

³³ Baylouny, Anne M. "Creating Kin: New Family Associations as Welfare Providers in Liberalizing Jordan." *International Journal of Middle East Studies* 38 (2006): 349. Accessed March 10, 2015. doi:http://journals.cambridge.org/download.php?file=%2FMES%2FMES38_03%2FS0020743806412381a.pdf&code=480a377e5b4958b200828a47df480146.

³⁴Ibid., 350.

In other words, her paper is an analysis of how economic changes affected noneconomic entities, key to our understanding of IFI-state interaction. Other studies such as Abbas Kelidar's *States without Foundations: The Political Evolution of State and Society in the Arab East*, use a similar framework enhance our understanding of the complicated formation of states and societies following large upheavals. In discussing colonialism in the Arab East, Kelidar takes an aggressively pessimistic but informative approach: "Historians have expressed little interest in the field of ethno-politics, which is becoming increasingly the singular approach to explain, analyse and understand the problematic existence and evolution of the nation-state in the Arab East and elsewhere in the Third World...The heterogeneous communities [in the post-colonial Middle East] which have been pressed into a political mosaic may shatter, and its constituent parts embark on a campaign to claim the future it never had".³⁵ Again, this is an approach to understand how the presence and actions of outside actors (in this case, economic/cultural/political colonizing states) can have lasting consequences on the intricate domestic makeup of a nation. While Kelidar's suggestion of a fragile "political mosaic" may be an overly dramatic conclusion, it accurately represents the immense extent of change—or potential of change—that a nation can endure after interaction with a powerful outside actors, whether it be the colonial British or modern IFIs.³⁶

The examples presented in this body of literature illustrate the cultural/sociopolitical consequences of state interactions with outside (primarily

³⁵ Kelidar, A. "States without Foundations: The Political Evolution of State and Society in the Arab East." *Journal of Contemporary History* 28, no. 2 (1993): 334-35. doi:10.1177/002200949302800206.

³⁶ Note: I do not mean to suggest that modern IFIs share much in common with historical colonial powers. While much literature does make this exact point, I only hope to illustrate that IFIs, like colonial powers, exist to implement policies in nations that are not their own

economic) actors. This framework lays out the changes that occurred due to outside pressure to implement drastic shifts in policy and will be contextualized by Framework I (analysis of actual economic policies) and Framework III (theoretical ideas on implications for the state).

Framework III: Theories of Changes in Development Due to Interaction with Outside Actors

The last remaining facet of the overarching framework involves a body of literature rarely associated with IFIs, economic actors, or economic liberalization. It encompasses theories on state development, specifically on state power, bureaucratic power, identity, and nationalism. Since this framework's application to IFI-state interaction may not be intuitive, I will devote a significant portion of my later analysis to explaining how we leverage these theories to help understand this complication interaction. The examples that will be presented in this section, as well as the numerous theories that will be discussed later in the paper, come from a wide range of scholars, areas of academia, and periods of time. Because theories on state power and state formation—and the focus of the state itself—have gone in and “out of fashion” over the past 75 years, there is a multitude of diverse and contrasting studies on the changes the state can undergo throughout different processes of its formation and existence.³⁷

Beginning with more concrete (and less abstract) theory are the ideas put forward in *Bureaucracy and the Alternatives in World Perspective*, edited by Keith Henderson and O.P. Dwivedi. The book brings together a collection of work examining the development of state bureaucracies and bureaucratic power in a number of areas of the

³⁷ Vu, Tuong. "Studying the State through State Formation." *World Politics* 62, no. 01 (2010): 148. doi:10.1017/S0043887109990244.

world. The book pays special attention to the types of programs implemented by the IMF and World Bank and sketches the impediments to such types of “de-administered development”³⁸ such as the growing influence of religion and traditional values in politics and administration and other political and cultural factors affecting management of the public sectors.³⁹ The authors take an interesting perspective on how IFIs relate to bureaucratic development: “The solutions offered by the ‘Washington consensus’ — downsizing and debureaucratising — do not go to the root of the problem. The challenge for the larger players in the development administration — the IMF and World Bank... — is to transform their rhetoric into reality...while also tolerating and encouraging other approaches to change.”⁴⁰ This take on development appears again in the book’s chapter on the Middle East which examines the pre-modern origins of bureaucracy and shows the roots of present-day administration while discussing the development of state bureaucracies in terms of recent structural adjustment policies.

Another aspect of this framework is to draw parallels between IFI-state interaction and other historical interaction of a similar nature in which one body had superior power over another—in at least some aspects of policy-making. *Colonising Egypt* by Timothy Mitchell and *Colonial Effects* by Joseph A. Massad are two examples of such analysis. Mitchell attempts to explain Britain’s colonization of Egypt through a series of abstract concepts that can relate to how IFIs select and interact with developing nations. For Massad, although his strongest analysis concerns the postcolonial Jordanian military, his insights on Jordan’s development can also inform our narrower topic of

³⁸ Henderson, Keith M., and O. P. Dwivedi. *Bureaucracy and the Alternatives in World Perspective*. New York: St. Martin's Press, 1999.

³⁹ *Ibid.*, 20.

⁴⁰ *Ibid.*, 49.

study. Both Mitchell and Massad (who frequently quotes Mitchell) illustrate the body of literature drawing on colonist-colonized dynamics to explain, more abstractly, what happens to a state in locked into set of hierarchical and policies.

There is also, of course, an important place for more foundational theories of state-building in this third framework. These include (though not all will be explored) Ernest Gellner's work on a sociocultural "high culture" which leads to development; the socioeconomic theories of Tom Nairn which work to explain nationalism as deriving from the rational social and economic interests of individuals; John Breuilly's work on the relationship between politics, past, and nationalism; and Anthony Smith's examination on the various thinkers and role of ethnicity in the development of the state.

A newer area of literature which will be used in this paper to examine IFI-state interaction is that of the characteristics and possible changes to state sovereignty. While IFIs are usually perceived to simply form a contract with debtor states, there is a more significant exchange of sovereignty at play. Stephen Krasner's work in *Sovereignty: Organized Hypocrisy* and Alexander Cooley and Hendrik Spruyt's *Contracting States: Sovereign Transfers ins International Relations* provide theories upon which to examine how IFIs co-opt sovereignty while interacting with states—and the implications for states during this process.

A Final Note on Frameworks I, II, and III

The authors, articles, and theories presented in this chapter represent an array of the thinking on possible interpretations of IFI-state interaction. Some of the works presented (particularly in Frameworks I and II) are intended to provide a comprehensive and more literal account of IFI policy in Jordan while shedding light on both the

consequences of and responses to such policy. In contrast, Framework III includes literature that has not been published with the express intent of building theories about what is discussed in Frameworks I and II. The next chapters will build on the overarching framework of this paper: synthesizing Frameworks I-III to form a new understanding of IFI-state interaction.

3. Framework I: Jordanian Economic Development from 1989-present

We must first trace Jordan's economic situation in the years leading up to 1989 to understand why IFIs deemed Jordan's situation in need of outside financial support—and Jordan agreed. In the early 1980s, Jordan was thriving. Poverty dropped from 24% of the population to 3% between 1980 and 1987. Real per capita GDP still grew by almost 4% during the early 1980s despite having one of the highest population growth rates in the world.⁴¹ But as has been discussed, Jordan's economy—although somewhat indirectly so—was tied to oil prices and oil sector employment. In the early 1980s, the price of oil began to decline off its boom of the late 1970s. This immediately jolted Jordan's expatriate Gulf population and the nation's fragile economy. Demand for Jordanian workers and exports shrank as oil prices fell. Jordan's economy began slipping towards recession. Beginning in the mid-1980s, IFIs including the IMF began suggesting that Jordan liberalize its financial sector, capital account and exchange regime, warning that a failure to act would have dramatic consequences.⁴² But instead, the government decided to use a countercyclical approach and increase spending for six consecutive years through 1988.⁴³ This approach has worked in some recessions in other parts of the world, but Jordan had not saved up the money during the preceding inflationary period to be able to successfully spend themselves out of a recession (the typical approach to countercyclical spending): a 111.6 million Jordanian dinar (JD) surplus in 1980 became a 141.4 million JD deficit as early as 1983.⁴⁴ Coupled with these internal issues, foreign aid from other

⁴¹ Harrigan, El-Said, and Wang. "The IMF and the World Bank in Jordan", 266.

⁴² *Ibid.*, 268.

⁴³ *Ibid.*, 266.

⁴⁴ Kanaan, Taher H., and Marwan A. Kardoosh. "The Story of Economic Growth in Jordan." *Global Development Network*, October 2002, 1-21. Accessed March 29, 2015.

Arab states began to decline as oil revenues plummeted throughout the region. Soon, the JD was devalued as an attempt to make Jordanian exports more competitive, depreciating more than 37% between 1988 and 1989. This was a shock in itself; Jordan's currency had been one of the most stable currencies in the Middle East.

The combination of these factors created an unsustainable trend for Jordan as it found itself further in economic isolation as the 1980s progressed. By early 1989, public debt in Jordan reached \$9.5 billion USD.⁴⁵ The real GDP growth rate was -13.5% in 1989.⁴⁶ Jordanian officials were not oblivious to these signals, but "it was clear that Jordan was headed for economic collapse but the government preferred to delay taking drastic measures".⁴⁷ By this point Jordan had entered a crisis. The government could no longer borrow and the Central Bank could not pay back its loans to cut down on its enormous public debt. "Jordan's day of reckoning had come", one scholar argued. "The country had no choice but to resort to IMF and World Bank financial support in order to reschedule foreign debt and restore access to badly needed credit."⁴⁸

IFI Involvement

Jordan signed its first agreements with the IMF in July 1989 and with the World Bank in December of the same year. These contracts immediately set in motion a series of reforms intended to help Jordan climb out its crises. But these did not get off to a productive start. Some of the initial recommendations backfired. For instance, the IMF almost immediately pressured the Jordanian government to liberalize interest rates in the

⁴⁵ Harrigan, El-Said, and Wang. "The IMF and the World Bank in Jordan", 267.

⁴⁶ Ibid., 268.

⁴⁷ Saif, Ibrahim. "The Political Economy of Governance in the Euro-Mediterranean Partnership." *GOEuroMed* 9, no. 7 (December 31, 2007): 11. http://www.go-euromed.org/documents/working_paper/WP0709_Saif_The%20Process%20of%20Economic%20Reform%20in%20Jordan.pdf.

⁴⁸ Harrigan, El-Said, and Wang. "The IMF and the World Bank in Jordan", 267.

country's financial sector. This set off a chain reaction which exacerbated the consequences of the recession. First, this liberalization led to a sharp increase of interest rates among many local Jordanian banks. This caused sharp competition and a drastic increase in nonperforming loans as banks, desperate for new clients, lent to debtors who were often unable to pay the banks back. These loans caused major insolvency issues and even caused Petra Bank, Jordan's second largest bank at the time, to collapse. The government had to inject millions of dollars to meet the run on the banking sector.⁴⁹ While analysts disagree about how influential the IMF's recommendations were to the exacerbation of the banking crisis, one thing is certain: Jordanian citizens and the Jordanian government could not help but recognize some type of correlation between the IMF's arrival, recommendations, and subsequent banking catastrophe. The IMF immediately tried to absolve itself of responsibility by arguing that the "devastating exchange rate and banking crisis...was the negative impact of the Gulf War"—though Iraq had not yet invaded Kuwait.⁵⁰ It was difficult for Jordan to welcome the IMF with open arms. While the IMF had injected a considerable amount of funds in Jordan's coffers following the signing of the agreement in 1989, the first steps of attempted reform could have logically caused the perception of a hegemon deciding policy for a diverse and complex population it did not understand.

The interest rate fiasco was just one example of IFI policy clashing with some aspect of Jordan's economy and society. Over the 15 years of conditionality from 1989 through 2004, IFIs implemented a range of structural adjustment policies tied to certain

⁴⁹ Harrigan, El-Said, and Wang. "The IMF and the World Bank in Jordan", 268.

⁵⁰ Khan, Moshin. *Jordan: Selected Issues and Statistical Appendix*. Technical paper. International Monetary Fund, 2004.

conditions agreed upon at different agreements. These measures included privatization of state-owned enterprises, elimination or reduction of various subsidies, cuts and freezes to the public sector, and other types of reform concerning trade, taxation, banking, currency, and more. This paper will largely focus on privatization and subsidy reform as they are the elements of conditionality which elicited the most intense responses from the Jordan's state and society and represent the most fundamental policy changes instituted by IFIs.

Privatization

Jordan has undergone two phases of privatization. The first, in the early to mid-1980s, occurred before the official arrival of the IMF and World Bank. The second began in 1998 and continued after Jordan had officially “graduated” from IMF and World Bank programs around 2008. Compared to developed nations, one of the most common features of developing nations is the large importance placed on the role of the public sector in providing services and products to a population. The reasons for this predominance varies among nations, regions, and governments. But in many developing nations, the state owns and operates an array of state-owned enterprises (SOE) which in other parts of the world are strictly bound to the private sector. These include mining, telecoms, transport, construction, banking, agriculture, and energy and usually enterprises often developed in parallel with the development of the state itself. Prying SOEs from the hands of the state has proven difficult under many circumstances across developing regions of the world. After years of ownership by the public sector, a state may find it difficult to relinquish control of its enterprises and sources of revenue.⁵¹

⁵¹ El-Naggar. *Privatization and Structural Adjustment in the Arab Countries*, 50.

During the post-WWII economic and political development of much of the Arab world, the dominance of the public sector, to developing nations, was thought to make a positive contribution to the cause their development, modernization and nationalism as routes to escape a colonial legacy. With the exception of Israel, Iran, and Turkey, all Arab nations were at one point colonies. And colonial powers, by definition are robust—and admittedly augmented—iterations of a transmitted public sector; occupying administrations were often more economically intrusive and interventionist than “the metropole’s” parallel administration.⁵² More recently, Arab nations have also received large amounts of foreign aid which sustains the perceived necessity and importance of a bloated public sector and bureaucratic state.⁵³ Other scholars argue that continual American military and intelligence penetration in the region further perpetuates the idea that state-managed (and -owned) enterprises are a valuable vehicle for economic and political development. While this is a more indirect symbol of positive perception of the public sector, the Arab World understandably has seen the public sector as a force for modernization and development. Although under colonial rule such change may not have been “good”, Arab states and societies logically recognize public enterprises as sources of power and vehicles of social and economic change.

Independent of what the developed world has done to perpetuate the perceived value of the public sector in the developing world, there are further internal reasons for this belief as “a common path was for [developing nations] to inherit a public enterprise sector at independence...and then add substantially to it” for both ideological and

⁵² Ibid., 52.

⁵³ Henderson and Dwivedi. *Bureaucracy and the Alternatives in World Perspective*, 248.

pragmatic reasons”.⁵⁴ This often took a “positive” form: young governments saw the public sector as an entity for revenue generation from which they would have a large surplus to target high-priority areas.⁵⁵ New governments tended to reclaim public enterprises as a nationalist instinct and inflate them in order to imbue them with a new sense of autonomy and national identity. Every person hired into the public sector and every unit of currency added to the state’s coffers in a post-colonial era further empowered new governments to take ownership of their new path to development.

This inflation of the public sector also took a “negative” form: a mistrust of the private sector. Colonial administrations provided extremely low barriers to entry state- and privately-owned firms from the colonial power so many colonized nations did not have a well-functioning private sector. Foreign private sector activities, in turn, were often seen as a poor cover up for just another avenue of influence for the colonizing force. This distrust carried past independence as “the domestic private sector” still “did not escape suspicion”.⁵⁶ This convinced the state and society that the public sector should grow and undertake more responsibility for providing services and products. The prevalence of state-owned enterprises in newly independent Arab nations came out of these beliefs and trends. While it is not difficult to understand why young, post-colonial states wanted to increase the size and power of their public sector, more recent strategies of development have overwhelmingly argued in the other direction.⁵⁷ IFIs have operated under the belief that the leaner a public sector, the better. Specifically, privatization has targeted the business components of the public sector—the enterprises that earn revenue

⁵⁴ El-Naggar. *Privatization and Structural Adjustment in the Arab Countries*, 52.

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Ibid.

through the sale of goods and services. Other government activities like health, education, justice, are often critiqued on the *same grounds* as SOEs, and are not usually under consideration to be privatized.

Privatization began to gain more importance in Jordan during the 1980s as the oil crisis led to an economic slowdown which translated pressure onto the regime to deal with the worsening economic climate. In 1986, as IFIs began to raise concerns over Jordan's bleak economic future, the Jordanian government officially announced that it would look into "trimming public involvement in commercial activities through the actual sale of assets to private entrepreneurs".⁵⁸ This exploration began to coalesce around the Telecommunications Corporation, the Public Transport Corporation, and the Royal Jordanian Airline, as well as largely state-owned potash and cement industries. Investigators found, not surprisingly, "the prevalence of a large degree of inefficiency in the administrative and employment policies, squander of public funds, administrative archaism, substandard services and high indebtedness, while [similar] private sector firms were yielding higher returns and results and generating better job opportunities, given the high level of efficiency in the administrative and employment policies".⁵⁹ This conclusion further encouraged the urgency of privatization of SOEs. Admittedly, data concerning privatization of SOEs is quite challenging to track down; SOEs are often privatized in different increments as governments find buyers for various chunks of the SOEs. There is surprisingly little scholarly work on the evolution of SOE privatization

⁵⁸ Ibid., 212.

⁵⁹ Orieqat, Harby, and Abdul Aziz F. Saymeh. "Privatization in Jordan, A Critical Assessment." *Developing Country Studies* 3, no. 7 (2013): 61. doi:Middle East University-Jordan.

outside of the simple fact that a number of important SOEs were privatized in Jordan over about two decades.

What is important about privatization, conceptually speaking, is that privatization of SOEs in Jordan were incursions into the public sector, mostly staffed by Transjordanians loyal to the regime—ironically, the same part of the population most negatively affected by privatization. “The shallowness of poverty in Jordan, with many people concentrated close to the poverty line, indicates a potentially disproportionate increase in the number of poor in response to an economic shock,” argued representatives from the United Nations Development Programme. “The poor made explicit reference to the impact of utilities restructuring and privatisation on the cost of living”.⁶⁰ Most of these poor were Bedouins.

Subsidy Reform

Subsidy reform—the reduction or elimination of government subsidies—has been a major pillar of structural adjustment policy since Jordan’s interaction with IFIs began in 1989.. As the IMF states in a policy brief on *Subsidy Reform in the Middle East and North Africa*:

In the Middle East and North Africa (MENA) countries, generalized price subsidies have for many years been part of the “social compact” and are still common, especially on food and fuels. Yet, generalized price subsidies are neither well targeted nor cost-effective as a social protection tool...subsidies are not only inefficient in supporting the poor, but they also impose a much heavier burden on the public finances than more targeted social protection tools.⁶¹

⁶⁰ Ministry of Planning and International Cooperation, and United Nations Development Programme, Jordan. *JORDAN HUMAN DEVELOPMENT REPORT 2004: Building Sustainable Livelihoods*. Report. Amman, Jordan: Jordanian Hashemite Fund for Human Development, 2004.

⁶¹ Sdravovich, Carlo, Randa Sab, Younes Zouhar, and Giorgia Albertin. *Subsidy Reform in the Middle East and North Africa: Recent Progress and Challenges Ahead*. Report. INTERNATIONAL MONETARY FUND, 2014.

Like other aspects of state institutions in Jordan (as in many former colonies), British colonial rule inspired the modern concept of subsidies when “heads of tribes or shaykhs received cash allowances [from the British], along with subsidies...for allegiance to the new regime.”⁶²

After two decades of modest subsidy programs, the government of Jordan increased its subsidies in the 1970s due to a number of intersectional economic factors detailed in the previous chapter: increasing oil prices and regional economic stability, an uptick in remittances, and an injection of thousands of wealthy Palestinians into the Jordanian economy after Israel’s victory in the Six Day War in 1967. Like the benefits of SOEs, subsidies mostly went to Jordan’s rural poor, a primarily Transjordanian population. By the late 1970s, one third of Jordan’s welfare budget went to rural Transjordanians living in southern Jordan though they comprised only about 10% of the population.⁶³ This shows state’s preference for—and intention to maintain the loyalty of—these loyalists.

When Jordan signed its first agreement with the IMF in 1989, the IMF’s main concern was Jordan’s enormous budget deficit.⁶⁴ Subsidy reform was therefore a high priority for technocrats; elimination of these artificial price mechanisms would be an effective way to cut the budget as well as lessen any loyalty the state was “buying” from certain populations. The first agreement included a large set of austerity measures—one of which slashed government subsidies on fuel, beverages, and cigarettes. Prices rose

⁶² Baylouny, Anne Marie. "Militarizing Welfare: Neo-liberalism and Jordanian Policy." *The Middle East Journal* 62, no. 2 (2008): 288. doi:10.3751/62.2.15.

⁶³ Brynen, Rex. "Economic Crisis and Post-Rentier Democratization in the Arab World: The Case of Jordan." *Canadian Journal of Political Science* 25, no. 01 (1992): 82. doi:10.1017/S000842390000192X.

⁶⁴ Ryan, “Peace, Bread and Riots”.

sharply and immediately. The rioting began in Ma'an. Seven years later, the Jordanian government implemented its second major economic adjustment program which amplified and increased the measures put forward in 1989 to "streamline its budget and bring its deficit more under control".⁶⁵ This time, the IMF wanted the Jordanian government to focus on the bread subsidy. This commitment had become an increasing burden for the Jordanian government as wheat prices had rose from \$175 to \$280 per ton in 1995.⁶⁶

Though Jordan's economy in 1996 was much healthier than it had been in 1989, "the public response [after the dramatic rise in bread prices in 1996] so closely resembled that of 1989".⁶⁷ Prime Minister Karabati tried to compensate for this dramatic change and reaction by announcing the possibility of a partial cost-of-living allowance to affected families. Citizens, particularly Transjordanians, were generally not pleased with this effort, seeing Karabati's plan as a weak excuse or cop-out for a significant and painful shift in economic policy. The king (who usually tried to distance himself from economic disagreements) made no secret of his support for Karabati's larger economic plan, even "referring directly to the 1989 riots and appealing for public cooperation with the economic adjustment process in the order to avoid a repeat of the earlier unrest."⁶⁸ The King also made a well-publicized appearance to the headquarters of the Jordanian armed forces in the days leading up to the official elimination of the subsidy.⁶⁹ This turn of events created a divide between large swaths of the poor Transjordanians affected by the

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ Ibid.

⁶⁸ Ibid

⁶⁹ Ibid.

price increases and the regime, though crowds largely focused their anger at the Prime Minister, not the monarchy.⁷⁰

Although the Jordanian government attempted to quell the effects of bread subsidy reform by suggesting alternative enhancements to a kind of ““social contract”” through [a] cost-of-living adjustment, the real effects on ordinary Jordanians were nonetheless severe”.⁷¹ Bread prices more than doubled, and international wheat prices kept rising, exacerbating the burden of basic foodstuff purchases for millions of poor. And the cost-of-living allowance program, while eventually implemented, was offset by the elimination of some dairy subsidies.⁷² Similar to privatization, subsidy reform had a disproportionately negative effect on Jordan’s Transjordanians, most of whom who lived in rural areas. The elimination of key food and fuel subsidies “created or deepened pockets of depression” among this sect of the population.⁷³

In the midst of Jordan’s overall poor economic situation, this new shock exacerbated a myriad of issues for Jordanians living below the poverty line. But a second issued caused by the elimination of subsidies had much deeper, political underpinnings. On the surface level, this tension took the form of the riots in southern Jordan in 1989 and 1996. This was a direct, violent result of public anger over the government’s role in price increases and the militarized response on behalf of Karabati’s government. Yet even more revealing were the other responses: the state flexing its military muscle—a surprisingly overt action quite dichotomous to the new set of policies intended to help

⁷⁰ Wiktorowicz, Quintan. "The Limits of Democracy in the Middle East: The Case of Jordan." *Middle East Journal* 53, no. 4 (Autumn 1999): 606-20. Accessed February 25, 2015. JSTOR.

⁷¹ Ryan, “Peace, Bread and Riots”.

⁷² Ibid.

⁷³ Nazzal, Mary. "Economic Reform in Jordan: An Analysis of Structural Adjustment and Qualified Industrial Zones." 8. April 2005.

Jordan grow as an economy and nation—and Karabati’s introduction of the cost-of-living allowance. To rural Transjordanians, looked like a pathetic attempt by the government of buying its way out of a rapid and destructive policy change.

What Next?

Privatization and subsidy reform were two important policy changes that occurred during Jordan’s interaction with the IMF beginning in 1989. While they are only two of many tactics, they both exemplify a unique and strained relationship between the Jordanian state, Jordanian citizens, and outside economic actors charged with fundamentally altering the state’s role in providing for the country. State-owned enterprises and state subsidies came from British colonization of the region, but decades later became chopping-block priorities. These changes had a disproportionate effect on Transjordanians, namely poor populations and state employees. The following chapters will explore, more in depth, the consequences and responses to these policy changes based on sociopolitical and cultural dimensions.

4. Framework II: Jordanian Responses and Sociopolitical/Cultural Effects and Consequences of IFI-state Interaction

As the previous section discussed, IFIs, by way of the Jordanian government, implemented a range of policies in Jordan through a number of agreements beginning in 1989. Some responses to these policies are obvious (and have been discussed at length so far in this paper), namely, violent unrest due to subsidy elimination in the rural and poorer areas of Jordan largely populated by Transjordanians. Indeed, this was one form of response, and it will be further investigated in this section. Yet IFI policy, in reality, had more significant consequences among the Jordanian state and society that were not immediately recognized as reactionary responses (like protests) to an immediate shift in government policy. Now that we have developed an understanding of the major policy changes initiated during the 1990s, this section will explore sociopolitical and cultural consequences that arose due to this new policy.

Deeper Implications of Violence in the South

The riots in Ma'an and other southern Jordanian cities have been widely discussed in the media and so far in this paper. But since they immediately occurred both in response to the 1989 and 1996 IFI agreements, these uprisings are an important reaction and piece of our understanding of responses in the wake of IFI-state interaction. One analyst, for instance, speculates that for many Palestinians living in Jordan, uprisings following the elimination of subsidies harkened back to "imagery of the intifada in the occupied territories, complete with stones flying in one direction and tear gas canisters in the other...before the unrest came to an end, the rioters had turned their anger on targets that seemed to reflect public hostility towards economic privation and government

power”.⁷⁴ This is an interesting perspective, bringing an important historical implication into the discussion of an excessive use of force to quell unrest a more powerful government. While Ryan’s analysis is somewhat hindered by the fact that a vast majority of Ma’an residents (those affected by the price subsidies) are Bedouin Transjordanians and did not actively participate in the 1987-1993 intifada against Israeli occupation of Palestinian territories, the imagery argument still holds: the “iron fist” King Abdullah used to crush the protest harkened back to violent oppression of the past.

This comparison, even if only ringing true for a small swath of citizens involved in the crackdown, has serious implications for society’s perceptions of how it sees the role of its state. The regime had the responsibility of “selling” the policy changes to the Jordanian people by rationalizing swift and intense policy changes as in the best interest for the country. Governments acting alone often have difficulty doing this; explaining how cuts in welfare spending may somehow *help* people in the longer term is a counterintuitive, complex argument to make. Yet this, compounded by the fact that the regime was only acting as the middleman under pressure for technocratic IFI policy, made it almost impossible for the regime to remotely look like it was acting in the best interests of the Jordanian population.

There is no doubt that the government’s actions were nominally successful; the subsidies were permanently eliminated and the unrest was suppressed with minimal government deaths and minimal media coverage.⁷⁵ The regime even saw its actions as a necessary “realignment” to manage the realities of a new economic landscape. This widened the state-society divide even further as

⁷⁴ Ryan, “Peace, Bread and Riots”.

⁷⁵ Ibid.

regime officials appear to believe that economic adjustment is non-negotiable and that political liberalization has essentially run its course; whereas many outside of government see economic adjustment as having gone too far already and political liberalization as only just beginning...for many in Jordanian society, the regime's policies too often sounded like a sellout.⁷⁶

This reaction to new policy, coupled with the violent imagery associated with oppressive government forces, drew a divide between the state and society in Jordan.

“Jordan First” Campaign

Although Ma’an has been discussed solely in terms of its unrest in response to the 1989 and 1996 agreements, the end of 2002 became a third major period of unrest for the restive city. The 2002 skirmishes were initiated by the Jordanian military after the assassination of an American diplomat in Amman after the army had determined that Ma’an-linked jihadi groups had been responsible. Nonetheless, clashes between the military and Ma’ani elements continued past the initial raids to encompass a similar manifestation of frustration over economic and political difficulties.⁷⁷

Following this most recent tension in Ma’an, King Abdullah, who had succeeded the throne in 1999 after the death of his father, launched his first major initiative as King to “articulate a comprehensive vision of economic and political reform” throughout the Kingdom.⁷⁸ “Jordan First”, or *al-Urdun Awalan* in Arabic, was a widespread public relations campaign promoted through billboards, pins, and other types of promotional materials, steered by a national committee appointed by the King. As the King during the launch of the campaign:

⁷⁶ Ibid.

⁷⁷ Muasher, Marwan. A Decade of Struggling Reform Efforts in Jordan: The Resilience of the Rentier System. Report. 6. Beirut: *Carnegie Endowment for International Peace*, 2011.

⁷⁸ Ibid., 7.

The programs, objectives, membership and financing of every party operating in Jordanian territory ought to be purely Jordanian...in recent decades, Jordan has given priority to Arab interests and not to its national interests...We have the right to be concerned first for our own people, as every country in the world does, which is where our “Jordan first” slogan comes from.⁷⁹

This explanation of the campaign shows how it was not aimed at mending the internal strife between societal and state actors. Instead, the palace made it a nationalist issue, underpinned by the recent decision to raid Ma’an to find the supposed jihadi elements responsible for the murder of the American diplomat. It focused on placing Jordan in a solidified, national unit falling victim to the various surrounding conflicts instead of spending its time and resources on developing the entire national economic, socially, and politically. The committee charged with drafting the core document of the campaign promised a “new social contract that would redefine the relationship between citizen and the state” but the campaign failed to live up to its expectations or carry any aura of trying to work towards mitigating domestic tension.⁸⁰

Ironically, no matter number of actual aims of the campaign, it is more interesting to study as a government reaction than as a spark of a broad social movement. The campaign was not well understood across Jordan. A few months into the campaign, 75% of Jordanians had heard of it, but only 16% understood that it was a campaign for a larger strategic effort.⁸¹ This lack of clarity around the movement further reduced the campaign to a simple slogan inevitably misinterpreted by those at all sides of the political and economic spectrum. It fell very short being a new social contract between Jordan’s government and society.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ “Iraq will be attacked; no Palestine state in three years—Center for Strategic Studies poll,” *Jordan Times*, January 15, 2003, www.jordanembassyus.org/new/mep/poll/css01152003.htm

The “Jordan First” campaign holds important for IFI-state interaction. On the surface level, the campaign shows how the government thought about mending a complex intersection of economic and political woes: it resorted to a traditional nationalist framework to try to restore a sense of unity to the country. It did this by forcing state and society onto the “same side” by speculating on the presence and influence of un-Jordanian people and ideas. The state saw the strife as an opportunity to remind Jordanians—and itself—that Jordan should come first. Yet more importantly, this campaign gives insight into Jordan’s economic growing pains and the starkly different perspectives of the state versus that of society, specifically on demographic boundaries. The “Jordan First” campaign may have been largely misunderstood by Jordanian polity, but it illustrates a weak fix the tension created by differing opinions of economic development in Jordan. The Jordanian government was the entity signing IFI agreements and setting its bureaucracy in motion to execute a number of policy changes affecting large swaths of the Jordanian population. But this part of the population did not have any direct influence into the process (and political liberalization was not seen as an important area of reform to accompany economic liberalization).⁸² One academic argued that “Jordan first” may more accurately amount to “regime security first”.⁸³ Whether this characterization carries much accuracy is largely irrelevant; instead, the “Jordan First” campaign shows how the Jordanian government’s planned path to reform came in conflict with society’s perception of the best way to move forward. Economic liberalization became seen as vehicle designed and implemented by the ruling state

⁸² This is a much larger topic that I do not have time to cover in much capacity in this paper.

⁸³ Ryan, Curtis R. ""JORDAN FIRST": JORDAN'S INTER-ARAB RELATIONS AND FOREIGN POLICY UNDER KING ABDULLAH II." *Arab Studies Quarterly* 26, no. 3 (Summer 2004): 58. Accessed April 22, 2015. University of North Carolina at Greensboro.

apparatus at the expense of the poorest, primarily Transjordanian, populations. A misunderstood campaign could not salvage this reality.

Transjordanian-Palestinian Divides

Some of the responses to and consequence of IFI policy in Jordan were not as formalized as the government's "Jordan First" campaign and instead came from cleavages among Jordan's population. These responses, while not as formalized, are in a way more significant: they illustrate how changes in regime policy had consequences beyond increased economic burdens and political frustrations. IFI policy brought to the surface deep-seated cultural, historical, and social strife embedded among various parts of the Jordanian population. Even more significantly, new economic policy fused together different divides among different cleavages of Jordanian society to create even bigger fissures. This section will explore the complex intersections between the Transjordanian and Palestinian divide with its rural/urban and public/private influences that surfaced during Jordanian-IFI interaction.

It is important to first understand the historical dimensions of Transjordanian loyalty and Palestinian existence in Jordan to fathom the impact new economic policies had on the cultural and ethnic fabric of the dynamic Jordanian population. Jordan's population is composed by Palestinian refugees, whom have arrived in large waves since 1948, and Bedouin Transjordanians who have occupied the land for hundreds of years. The Hashemite monarchy is Bedouin and has historically held unwavering, loyal support from this sect of the population. Yoav Alon argues that the structures of state relations with Bedouin tribes during British colonization had critical implication for the

development of Jordan—specifically how the Bedouin populations became initially allied with the regime.

The mandate period...created a broad base of support for the state in Jordanian society [among only Bedouin populations], something that was lacking in many Middle Eastern countries and other new states in the colonial world. By giving many tribesmen a clear stake in the existence of the state and the regime...[Jordan's authorities] created staunch supporters who proved their loyalty in times of crisis and uncertainty...by staffing the military and bureaucracy, content tribesmen controlled the corridors of power and came to defend the regime against potential and actual rivals.⁸⁴

This was undoubtedly an effective method for the Jordanian regime. In the fog of independence, new citizens of Jordan naturally looked to the state (there was really no robust private sector interaction at that point) to provide for them, protect them, and help them prosper. Jordanian authorities saw the immense value of making a deliberate effort to reach out to influential actors and families among the Bedouin populations to gain their buy-in to the new Jordanian project.

During the rapid expansion of the Jordanian state in the years following independence, state support of an important core of the tribal Bedouin population formed the basis of this loyalty as they began to staff the military and growing Jordanian bureaucracy. The strategy worked, and the Jordanian regime continued to harness the power and support of Bedouin and Transjordanian populations throughout the initial decades of its development. As Alon says, “the [modern] Jordanian power elite is small” and derives from fruitful but narrow relations initiated at Jordan’s inception. “A few dozen families — many shaykhly tribal families — which dominated Transjordanian in

⁸⁴Alon, Yoav. *The Making of Jordan: Tribes, Colonialism and the Modern State*. London: I.B. Tauris, 2007. 150.

1946 still enjoy prominent status. Now the third generation holds power.”⁸⁵ This stark imbalance about status, power, and state treatment among the Jordanian population has important implications for both our historical understanding of Jordan’s development and recent interactions with IFIs.

Over Jordan’s relatively short history, the Jordanian government’s overwhelming allegiance these populations came to be not simply the *support* of the Bedouin populations but the implicit *opposition* to other populations, namely Palestinians. The historical and perpetual support of Transjordanians challenged the notion that the regime provided for and protected *all* citizens within Jordan’s borders, though other events exacerbated this issue. In the late 1960s, after Israel’s crushing victory of joint Arab forces in the Six Day War, many new Palestinian refugees in Jordan began to radicalize in the East Bank in hopes of an eventual retaliation on Israeli targets; this marked the founding of the Palestinian Liberation Organization’s (PLO) operations in Jordan. The regime’s desire to expel the PLO took the form of not only suspicion of Palestinian, but also increased support and trust for Bedouin populations—the traditional core of what made Jordan, Jordan. By 1968, King Hussein’s regime had increasingly lost the ability to peacefully deal with the organization, which had set up military camps and recruiting facilities all across Jordan.⁸⁶

The quest to quell Palestinian influence during this formation and radicalization of the PLO speaks to the regime’s constant reliance and support of the Transjordanian

⁸⁵ Ibid., 155.

⁸⁶ "On This Day 1970: Civil War Breaks out in Jordan." *BBC News*. September 17, 1970. Accessed April 24, 2015. http://news.bbc.co.uk/onthisday/hi/dates/stories/september/17/newsid_4575000/4575159.stm.

population during the presence of “potential and actual rivals.”⁸⁷ The regime then “opted for a different military alternative that would implicitly select only Transjordanians for such service—namely, the setting up of the voluntary al-Jaysh al-Sha’bi (the Popular Army).”⁸⁸ This was an astonishing move which further divided the Transjordanian and (non-PLO) Palestinian populations. It was no secret that this voluntary military unit was almost solely to fight militarized Palestinian guerrillas. Therefore, this recruitment effort only attracted Transjordanians who *wanted* to primarily fight Palestinians. The regime encouraged this unusually nationalist call to its bases of support by issuing “explicit statements criticizing and condemning the [guerrillas], rumormongering, press campaigns (especially in the military press), and the convening of tribal conferences attended by tribal chiefs, who would be incited by government representatives.”⁸⁹ In another example of state-sponsored invigoration of the Bedouin population, a group of 200 tribal Bedouin chiefs held a conference (endorsed by the regime) to develop a strategy for how to use the intelligence apparatus (mukhabarat) to combat “those who defy Jordanian law”.⁹⁰ This display of coordination and loyalty between Bedouins and the regime in the 1960s and 1970s shows the deep ties between the two entities.

Urban-Rural

Another important divide among Jordanian population is that of tension between urban and rural residents—a divide which mirrors the binary of Transjordanian and Palestinian populations. Since Bedouins were the “first” people in Jordan’s East Bank,

⁸⁷ Alon. *The Making of Jordan*, 155.

⁸⁸ Massad, Joseph Andoni. *Colonial Effects: The Making of National Identity in Jordan*. New York: Columbia University Press, 2001. 242.

⁸⁹ *Ibid.*, 243.

⁹⁰ *Ibid.*

they had grown roots in most parts of the country. While there are substantial Bedouin/Transjordanian populations in central Jordan (near Amman), there are much higher concentrations of Bedouins in the south. Though some tribes have branches in the north of Jordan, major cities in the south like Kerak, and Ma'an are the primary centers of gravity for Jordan's Bedouin population.⁹¹

After Israeli military victories in 1948 and 1967, millions of Palestinians flooded into Jordan in search of work, shelter, and some type of new life. Palestinian refugees were inherently "more urban, more educated, and more experienced in political participation, and they had more exposure to the mass media (newspapers and radio)" and for these reasons, among others, began to settle down in Jordanian cities.⁹² This overwhelmingly occurred in the central and northern parts of the country, with the highest concentrations of Palestinian populations in the Amman Governorate, Zarqa Governorate, and Irbid Governorate, all in the central and northern parts of Jordan.⁹³ Thousands of Palestinians were funneled (and about 10% still live) in massive refugee camps in Jordan on the outskirts of major cities in these governorates.⁹⁴ But many began to settle in smaller towns that had room for them and the potential to grow.⁹⁵

While the Palestinian narrative is usually associated the large and tragic refugee crisis, analysis of Palestinians in Jordan often overlooks the impact of rich Palestinians (and their capital) on Jordan's weak economy. Based on demographics at the time, it was

⁹¹ *Palestinian National Authority. Central Bureau of Statistics. "On World Refugee Day: The Demographic Characteristics of the Palestinian Refugees." News release, June 2008. World Refugee Day. Accessed April 9, 2015. http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/FINAL%20COPY%20REFUGEE%20DAY%20Edit.pdf.*

⁹² Massad, *Colonial Effects*, 234.

⁹³ Profile: Palestinians. Report. London: *World Directory of Minorities and Indigenous Peoples*, 2005.

⁹⁴ Assessment for Palestinians in Jordan. Report. Amman, Jordan: *Minorities at Risk*, 2006.

⁹⁵ Massad, *Colonial Effects*, 234.

not rare to find wealthy Palestinians as 60% of the East Bank was Palestinian by the 1970s. Rich Palestinians settled in and around Amman and in cities in Jordan's north and began to invest in housing and the local economy. This enticed more Palestinian refugees to settle in the surrounding areas for reasons of both cultural familiarity and economic potential, disrupting the pre-1967 economic climate of the now-predominately-Palestinian governorates.⁹⁶ Soon, a general perception formed among urban Transjordanians "that the Palestinian upper and middle classes, expelled from their cities to relatively less developed small towns in Jordan, were engaging in a nation-class narrative of superiority over Transjordanians."⁹⁷ Indeed, the influx of Palestinian people and capital was a surprising and unexpected jolt which, while boosting the post-war Jordanian economy, did so while disrupting of the role of traditional economic actors and their geographic sources of economic influence.

Private-Public

Not long after the initial influx of rich Palestinian refugees (and the expulsion of the PLO to Lebanon) the increase in oil prices throughout the Gulf further widened the divide between the economic and historical characteristics of Jordan's two main populations and "establish the contours of contemporary Jordan's rentierism."⁹⁸ It did so in three ways. First, the regime had to decide what to do with its increased tax revenues. Not surprisingly, it continued a familiar pattern by transferring a good portion of the new cash directly to tribal leaders, in a "neo-patrimonial extension of the traditional practice of subsidizing" that "served to reinforce the bases of a shaykh's social power at home

⁹⁶ Al-Abed, Oroub. *Palestinian Refugees in Jordan*. Report. Amman, Jordan: Forced Migration.

⁹⁷ Massad, *Colonial Effects*, 234.

⁹⁸ Brynen. "Economic Crisis and Post-Rentier Democratization in the Arab World", 79.

whilst rendering him increasingly dependent on state resources.”⁹⁹ Palestinians did not receive any direct cash from the regime. One columnist said it is as simple as Palestinians paying the taxes and Transjordanians consuming them.¹⁰⁰

But at this point, a new economic vacuum had opened up due to the improving regional economic climate. Well-educated, middle class Palestinians that had arrived after the Six Day War had now developed roots, connections, and lives in Jordan. Secondly, as Transjordanians continued to rely on handouts and employment from the state, Palestinian entrepreneurs flourished in the trade and manufacturing sectors—no specific help from the state (outside of the regime’s general endorsement of the importance of economic growth).¹⁰¹ Lastly, the oil boom began to draw workers—primarily Palestinians—to go work in the Gulf and send sums of money back to their families in Jordan. Though often fragile, this expatriate model was very effective during oil booms.

Since many Transjordanians were so closely tied to the regime through financial support, state employment, and the military, it was much easier for business-oriented Palestinians to find new opportunities to work, such as in the Gulf, during the 1970s. The oil boom, as well as a collection of other historical factors, solidified the perception—which quite accurately mirrored reality—that Transjordanians and Bedouins largely controlled and benefited from the public sector, and Palestinians thrived while operating in the private sphere, an “ethnic division of labor”.¹⁰² Palestinians, not at all entrenched in

⁹⁹ Ibid., 80.

¹⁰⁰ Massad, *Colonial Effects*, 235.

¹⁰¹ Brynen. "Economic Crisis and Post-Rentier Democratization in the Arab World", 81.

¹⁰² Ryan, Curtis. ""We Are All Jordan"...But Who Is We?" *Middle East Research and Information Project*, July 10, 2010. http://www.merip.org/mero/mero071310?ip_login_no_cache=c4dd216f39e8cfb8bde06ac9945e9a44.

the public facets of the Jordanian economy, easily found another route—the potential of the private sector—upon which to flourish.

How IFI Policy Impacted These Divides

The above analysis explains the historical, intersecting trajectories of a number of divides among different cleavages of the Jordanian population, particularity in relation to how different groups of Jordanian citizens interacted with the state. The development of Jordan led two different populations—Transjordanians and Palestinians—to interact with the Jordanian economy and state in very different ways. Beginning in 1989, when the first agreements were signed between Jordan and IFIs, a new round of economic shocks hit the Jordanian state and population already dealing with the consequences of these divides and altered these long-standing relationships.

The regime's cooperation with and implementation of IFI policy was perceived to have reversed the intention of development of Jordan's economic and political system. Privatization, subsidy reform, and other cuts implicitly *damaged* the livelihoods of the perpetually Transjordanian population while implicitly *aiding* Palestinians who had grown roots and lives in Jordan through participation in the private sector. Furthermore, bread subsidies, generally speaking, had benefitted poorer populations in the south, almost exclusively populated by Bedouins who had relied on the financial support of the state since Jordan's independence. To the families and tribes that relied (or at least were used to) a certain, inexpensive price of bread for decades, an immediate doubling at the hand of their own government was not only an affront to economic well-being. It was a belittling of the years of unwavering allegiance between the state and Transjordanians.

Hence, elimination of state support was akin to more than an increased financial risk; subsidy eliminations magnified the political and economic struggles that had been brushed aside by a transactional relationship between Bedouin populations and the state.¹⁰³ New liberal economic policies shattered the underlying concepts of this contract. And subsidies only account for a small section of this relationship: privatization and cuts and freezes to public sector employment and wages constituted the same perceived betrayal to the Transjordanians by their state as “Transjordanians were among the first losers of the IMF-promoted reforms, which... [they felt] unilaterally violated the terms of the social contract that had maintained social stability over the past...decades.”¹⁰⁴

The impact of IFI policy on Bedouins had a positive corollary in the new opportunities for Palestinian populations due to increased economic liberalization, a strengthening economy, and general affinity (on the part of IFIs) to private sector activities over that of state bureaucracy. At the onset of the IFI agreements and the beginning of Jordan’s economic decline in the 1980s, Palestinians controlled “the bulk of wealth in Jordan’s economy” which positioned them to greatly benefit from new, market-oriented policies.¹⁰⁵ By 1989—although all of Jordan’s populations, to some extent, were suffering due to poor economic conditions—Palestinians were increasingly urban, willing and able to work abroad and send money back home, educated and skilled in business, and less dependent on the state to sustain their livelihoods.¹⁰⁶ Indeed, the very purpose of these economic liberalization policies were to make it easier for those with

¹⁰³ Red Alert in Jordan: Recurrent Unrest in Maan. Report. Amman/Brussels: International Crisis Group, 2003.

¹⁰⁴ Harrigan, El-Said, and Wang. "The IMF and the World Bank in Jordan", 269.

¹⁰⁴ Ibid.

¹⁰⁵ Ibid., 268.

¹⁰⁶ Profile: Palestinians. London: *World Directory of Minorities and Indigenous Peoples* 2006.

capital to create wealth—shifting this perceived responsibility away from the government—in order to increase the overall economic health of the country, including the lives of the poorest. Whether this worked or not is a different discussion; instead, it is important to comprehend how these new economic policies aided the part of the population not usually supported (or intensively supportive of) the regime. IFI policies threw a wrench in the entrenched historical and political trajectory in Jordan by largely inverting the transactional political economy dominant in Jordan since its independence. Ironically, as one academic argues, “those hit hardest [were] from the regime’s base of support and crucial to the state’s own self-definition.”¹⁰⁷

Due to the regime’s understandable reluctance to recognize or study the demographic divide of Palestinians and Jordanians, there is a lack of data as to the economic impact (average income, share of GDP, employment, etc.) of IFI policies on the respective populations. Published analysis of job creation and other telling economic factors are not usually broken down along historical or ethnic lines. Yet Palestinians generally benefitted from these policies, and Transjordanian—illustrated by the anger in Ma’an and cuts to state employment and budgets—did not.¹⁰⁸

Social Responses

While these impacts cannot be quantitatively evaluated due to lack of data, there is a body of research concerning the social responses to new economic policies by from Transjordanian populations. This analysis speaks as a proxy to the economic impact of IFI-state interaction by postulating on the links between Transjordanian social trends and the economically-derived reasons such trends began. By the mid-1990s, when the effects

¹⁰⁷ Baylouny, “Creating Kin”, 352.

¹⁰⁸ Ibid.

of subsidies, privatization, and other IMF-sponsored policies had come to affect the lives of millions of rural Bedouins, a trend began to develop among this population as a type of reactive response to the new financial reality. As Anne Marie Baylouny argues in *Creating Kin: New Family Associations as Welfare Providers in Liberalizing Jordan*, those affected by economic liberalization began to resort to enhanced social coping mechanisms to co-opt social and political power back from what used to be provided by the state.¹⁰⁹ This took the form of “new family associations” which were distinctively network-based, centered away from the state, and focused on employment and welfare opportunities for those most affected by new policy. Also called “kinship networks”, these were new forms of social connection in Jordan following “a change in the social rights and demarcation of duties between state and society” that came with structural adjustment.¹¹⁰

New networks filled a vacuum left vacant by the state on the provisioning of social services. Taking the form of collectively owned membership organizations formally registered as cooperatives or charities, members of these new kinship networks contributed to fund wherein leaders of the fund distribute resources to members of the network for emergencies, extraordinary expenses, medical, university, and other welfare needs.¹¹¹ As may be suspected, these networks formed among Transjordanians, the population most entrenched in Jordanian society *and* affected by economic liberalization. The chart below, adapted from Baylouny’s work, illustrates this shift:¹¹²

¹⁰⁹ Ibid.

¹¹⁰ Ibid.

¹¹¹ Ibid., 353.

¹¹² Ibid., 359. Chart adapted from “Table 2”.

Group welfare status, labor market position, and organizing outcomes

	Group	State Welfare Status Pre-1989	Labor Market Position	Formal Kin Organizing Pre-1989	Formal Kin Organizing Pre-1989
	Palestinians	None	Private sector: professional services, and regional employment	Some: inclusive	Yes: inclusive
Transjordanians	Jordanian Muslims	Complete	State employment	No	Yes: exclusive
	Rural Bedouin communities	Complete	State employment, agriculture	No	Yes: exclusive

Figure 4.1

The most telling aspect of this trend is the “post-1989” split between Palestinians and Jordanians. Palestinians simply continued their inclusive trend of using family networks to find employment and continue to assimilate to new lives and society. As one analyst has argued, “family became the means by which the Palestinians were able to respond to the conditions to the diaspora.”¹¹³ This makes sense—in every culture, especially cultures which have gone through such immense hardship and expulsion, families rely on each other for financial support, employment opportunities, and other types of support.

Conversely, the story of Transjordanians and Bedouin communities shows an immediate, correlated, and direct response to dramatic political and economic changes that occurred in Jordan in 1989. The inception of an intricate network of family associations after the first rounds of structural adjustment illustrates the complex coping mechanisms Transjordanians resorted to as a response to economic liberalization and a changing role of the state. Baylouny admits that although “kinship clearly has been a

¹¹³ Ghabra, *Palestinians in Kuwait*, 108. Interviews in Jordan and Syria, spring 1998, fall 1999–summer 2000.

major element in Jordan's history, the present phenomena...institutionalize the economic salience" of such family and network relations.¹¹⁴ Services provided by such networks are markedly and intentionally geared towards helping affected populations with anything that will help become prepared for, or gain, employment. For instance, poorer regions of Jordan saw a dramatic uptick in charitable nurseries, family-run centers where women from surrounding villages drop off their children during the day while they go to work sewing garments for export to the United States.¹¹⁵ Just in Ma'an, the number of these nurseries doubled from 1993 to 1999.¹¹⁶

More importantly, these new, economically-conscious membership networks were intentionally distanced from the state apparatus. Though previously Transjordanian populations were supported by both employment and welfare handouts from the state, new family networks were intentionally run, supported, and largely populated by members no longer able to be dependent on the state. As Baylouny argues:

Family associations are a societal trend; they...are generally little interested in the state, instead focusing on internal redistribution. The demise of state welfare services, combined with economic hardships caused by liberalization and the regional recession, produced a need and opportunity for new types of economic services and labor market connections....Political entrepreneurs used new kinship categories that could unite sufficient numbers to address both the economic goal of redistributive welfare for members and the political and social prestige desires of the leaders... demonstrating a complicated connection between economic variables and the genesis of identity institutions.¹¹⁷

The creation of these family associations is the manifestation of a much larger discussion that has been covered in this paper: how new, negative economic conditions enhanced the prevalence and importance of identity—and how identity involved allegiance to the

¹¹⁴ Baylouny, "Creating Kin", 349.

¹¹⁵ *Ibid.*, 357.

¹¹⁶ *Ibid.*

¹¹⁷ *Ibid.*, 350.

state—in Jordan. IMF policies caused an immense power shift between the state and Transjordanians populations due to a decoupling between the state and these foundations of historical support. And not only was the state perceived to “betray” certain populations with its implementation of IMF-sponsored policy; regime actors (some of which had been former government employees and victims of structural adjustment) became the vehicles by which family associations developed their effectiveness and influence. Family associations were “established by newly prominent elites...such as former parliamentary or cabinet members, bureaucrats, retired army officers, and directors in the large health services sector.”¹¹⁸ The intellect, network, and skill of former bureaucrats aided the development of this parallel source of social power.

In short, new family associations represented both a dramatic and timely response to new economic policy, but also an unexpected shift in power from the public sector to networks of familial connections. In the wake of eliminated subsidies, sliding standards of living, freezes and cuts to state employment (a key channel of Transjordanian-regime allegiance), family networks grew and changed to cope with this challenge. It is also worth noting that these new associations were not just a kneejerk reaction or “fad” to deal with the immediate consequences of structural adjustment. They had long-lasting consequences and “do not reflect *but have created* an identity movement in Jordan...[as well as] enduring lines of social mobilization and identification” (emphasis added).¹¹⁹ Furthermore, they reinforce the notion of the declining significance—and the possible delegitimization—of the national political arena which may pose a “larger threat to the

¹¹⁸ Ibid., 356.

¹¹⁹ Ibid., 362.

state's vision of a docile society.”¹²⁰ Such shifts may have long-term and so far unrealized consequences.

Significance

The dramatic shifts in economic policy and welfare provisioning in post-1989 Jordan had more than economic consequences. IMF-sponsored structural adjustment policies caused a significant array of interplaying cultural, political, geographical, and ethnic responses from both Jordanian state and society. Exemplified by imagery during government intervention during bread riots, the “Jordan First” campaign, and historical divides between Transjordanian and Palestinian populations, new economic policy had unprecedented ripple effects. The rapid expansion and role of family associations illustrate one direct response to the vacuum created by harsh IMF policies which largely affected Transjordanian populations.

This section is the second framework for this paper. It develops the thinking on the responses and sociopolitical/cultural consequences of IFI-state interaction. Coupled with our technocratic understanding developed in Framework I, this chapter offers an analysis of *what* happened—beyond economic and financial quantification—in post-1989 Jordan. The next chapter will complete the comprehensive examination of the IMF's interactions with Jordan by developing Framework II by incorporating key events, themes, and takeaways from the preceding chapters to develop a theoretical understanding of IFI-state interaction.

¹²⁰ Ibid., 363.

5. Framework III: Theories of Changes in State Development Due to Interaction with Outside Actors

Whereas frameworks I and II presented economic and academic literature on Jordan, specifically detailing *what IFIs* did while in Jordan and *how* new economic policy impacted different parts of Jordan's society and state, framework III will examine relevant theories independent of their pertinence of Jordan. While this may sound counterintuitive, the value of this paper is to suggest to forms of understanding IFI-state interaction through the specific case study of the IMF and Jordan. This framework tends to describe a certain concept "pre-1989", discussing what happened and why it changed in 1989, and suggesting how this alteration has affected post-1989 Jordan.

In the 1980s, a worsening financial crisis and economic climate initiated the Jordanian regime's agreements with the IMF and subsequent endorsement of neoliberal economic policies which targeted mostly non-Palestinian, Transjordanian populations. Due to Jordan's ethnically bifurcated historical development, this caused not only backlash from traditional bedrocks of regime support and an array of other responses to new economic liberalization, but a fundamental shift in the relationship between the Jordanian state and society. The two previous frameworks explained pertinent aspects Jordanian history, including the dramatic shift in political and economic power following the state's first agreements with IFIs in 1989. This section will take a conceptual 'step back'—but also a practical 'step forward'—to synthesize these frameworks by applying theory to understand IFI interactions with the state.

Sovereignty

We can leverage previous work sovereignty, specifically how sovereignty relates to international relations and international actors, to examine what happens when an IFI begins to heavily influence policy decision of a state through a contractual agreement. Theories on sovereignty discuss how is state is affected—territorially, economically, politically, culturally—by outside actors. This is the first and important dimension to framework III. Stephen Krasner’s seminal work, *Sovereignty: Organized Hypocrisy*, explores the role of sovereignty in an increasingly connected and globalized world by arguing that “contracts as well as conventions can include invitations for external actors to influence domestic authority structures. Rulers sign contracts because they expect to be better off as a result of some action taken by other participants.”¹²¹ He then delves into how the unique makeup of state cleavages can affect the effectiveness and such agreements, which in turn can affect state sovereignty:

Values have been contested. National political leaders have been responsive to domestic constituencies more than to international ones, and these domestic constituencies have been committed to very different principles— anti-Semitism...multiethnicity...pro-democracy...social welfare, limited government, and so on...The international system is unique. It lacks a hierarchical authority structure; the rulers of specific entities will be confronted with diverse pressures from their constituencies; power is unequally distributed.¹²²

This is a key theoretical foundation by which to understand our discussion of Jordan. In the past, outside accountability for the Jordanian regime was either involuntary or nonexistent; colonial rule was forcibly applied in Transjordan and for most Jordan’s history there had not been opportunities to enter into large-scale contracts like those with

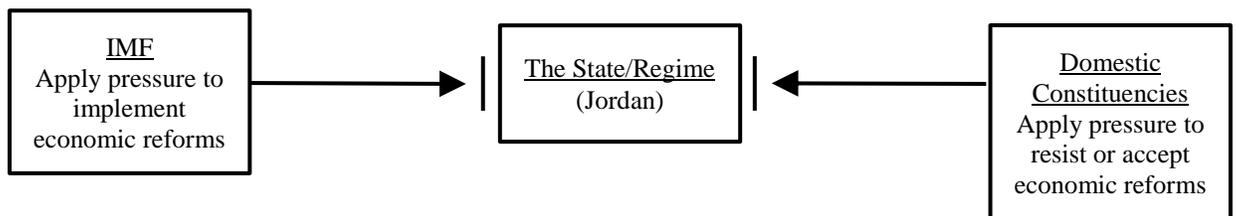
¹²¹ Krasner, Stephen D. *Sovereignty: Organized Hypocrisy*. Princeton, NJ: Princeton University Press, 1999.

¹²² *Ibid.*, 228.

the IMF. The Jordanian regime did not need, in turn, to consider the “diverse pressures” from both domestic and international constituencies for most of its history. Yet in 1989, this changed. The regime had bought its legitimacy and political security for decades though courting non-Palestinian contingencies, but Palestinians became, in the more recent decades of Jordan’s development, an important economic and cultural pillar of Jordanian society—even if the regime or regime supporters would not admit it.

Krasner’s model for understanding the implications for sovereignty in the international system serves to show how *international pressure* reignited static *domestic pressures* that the state had brushed off in the 1970s and 1980s. Preoccupied with purely ethnic and military considerations of dealing with the PLO, relations with Israel, and other Arab states, the deep divides between the social and economic statuses of Palestinians and Bedouins became perceived as nothing more than inconvenient social tensions that would eventually work themselves out. But as Krasner argues, “the international system is unique”. The beginning of IMF influence throughout the regime and policy represented a new era for the existence of the Jordanian state as it began to hang in the balance between two extremes: real considerations of the pressures brought upon by different domestic constituencies *but also* financially-induced pressure by the IMF to substantially reform the public sector and policies that affected millions of citizens. Figure 5.1 illustrates this new relationship.

Figure 5.1 *Countervailing Pressures upon the Jordanian Regime post-1989*



Post-1989 Jordan was the first time that the regime had to deal with intense, countervailing economic pressures from both internal and external sources—especially when the requests of the external source tended to inflict damage to the livelihoods of a primary internal source. The IMF’s intended goal was to aid in the economic development and prosperity of the nation so Jordan could exist independently, yet ironically, this embodied the unique challenge that arose from the name of Krasner’s book: organized hypocrisy. The IMF—part of a larger group of IFIs tasked with executing large-scale financial solutions for the world’s developing countries—acted in a way that voluntarily took sovereignty away from the debtor state in order to create a pressure sharper than that of the amalgamation of domestic constituencies. This tactic can be seen as an attempt to solidify an admittedly ambiguous “hierarchical authority structure” by transferring enough sovereignty from the state that the concerns from and the tensions between domestic constituencies were rendered subversive to the IMF’s vision of the role of neoliberal economic policies.¹²³

Alexander Cooley and Hendrik Spruyt’s *Contracting States: Sovereign Transfers in International Relations* expands on Krasner’s theory with a robust and innovative framework on “hybrid” or “partial sovereignty”.¹²⁴ Cooley and Spruyt argue that “increasingly, nation-states are entering into agreements that involve the sharing or surrendering of parts of their sovereign power and often leave the cession of authority incomplete or vague.”¹²⁵ The authors use case studies (such as the decolonization processes, military bases in foreign countries, and regional economic agreements such the

¹²³ Ibid.

¹²⁴ Cooley, Alexander, and Hendrik Spruyt. *Contracting States: Sovereign Transfers in International Relations*. Princeton: Princeton University Press, 2009.

¹²⁵ Ibid., 3.

European Union and the North American Free Trade Agreement) to illustrate how and why states do this. Since Cooley and Spruyt do not examine organizations like the IMF and their interactions with states, their work is an ideal starting point to examine, from a theoretical perspective, how sovereignty can inform our conception of IFI-state interaction. This framework on partial sovereignty can be applied Jordan pre-and post-1989 in an attempt to understand how Jordan entered into a partial sovereignty with its first interaction with the IMF.

Core to partial sovereignty are property rights, particularly “control rights” and “use rights” concerning the use of an asset.¹²⁶ Control rights allow an entity to make decisions about the use of asset (an asset in this case being regime employees, physical assets, capital, etc.) or “even destroy the asset.”¹²⁷ In contrast, use rights designate the right to “incur the costs and reap the benefits from the use of an asset, usually for a finite period of time.”¹²⁸ This is not a complex idea, but it has important implications. A division of these rights unto two parties means that the use of an asset is not associated with the consequences of using that asset. But nonetheless, Cooley and Spruyt see this division of rights as a positive force in the international arena as allows states to “both split and share sovereignty over especially sensitive or important assets or functions.”¹²⁹

In 1989, the IMF assumed command of the control rights in Jordan’s state apparatus. Though not occupying actual positions in the regime (like the British did prior to Jordan’s independence), the terms of IFI-state contracting create an immense amount

¹²⁶ Eggertson, Thrainn. *Economic Behavior and Institutions*. Cambridge: Cambridge University Press, 1990.

¹²⁷ Cooley and Spruyt, *Contracting States*, 10.

¹²⁸ Ibid.

¹²⁹ Ibid., 11.

of pressure from IFIs onto state actors to conform and implement IFI’s neoliberal policies. In essence, the cost of control rights over a nation’s assets are the cost of the loan as part of a given agreement—and the forfeiture of that loan would be catastrophic for a developing nation. So in a sense, these contracts are not completely voluntary. The IMF has been very successful with this model; it has allowed it to control decisions relating to size of the public sector, makeup of and processes of the bureaucracy, recipients of welfare payments, cuts and freezes to programs and wages, etc. with the promise of financial assistance. In short, a loan bought control rights, and control rights guaranteed massive influence on important decisions affecting the state and society.

Yet in Jordan, partial sovereignty did not result in a smooth transfer of rights to an international body. In fact, the splitting of property rights—implicit in IFI agreements with debtor states—inflated the tensions between the Jordanian state and society and between the regime and the IMF. This is because while the IMF assumed control rights, the regime maintained the use rights of the state’s assets, meaning that it had to incur the costs and deal with the ramifications of the decisions made by a *different party* with control over the asset. This chart illustrates this transferring of rights via the involvement of the IMF in 1989.

General division of asset rights pre- and post-1989

	pre-1989	post-1989
control rights	<i>Jordanian regime</i>	<i>International Monetary Fund</i>
use rights	<i>Jordanian regime</i>	<i>Jordanian regime</i>

Figure 5.2

It should be noted that the Jordanian regime's use rights post-1989 were not new. States naturally must accept responsibility for their actions. But the key change is the IMF's assumption of control rights. Though IMF took over the decision-making process, the designation of use rights did not shift away from the regime. While admittedly the regime had some say over *how* and when IMF policy was to be implemented (and did push back on some policies), control rights and use rights were decidedly split in post-1989 Jordan. The state now, somewhat bizarrely, had to incur the costs of and find solutions to the fallout from decisions it did not make with full autonomy.

This was a dramatic shift from the historical development of Jordan. Before 1989, not only did the regime possess both control and use rights (as most states do), but the control rights were heavily directed towards a preference of the Transjordanian populations. This group maintained loyalty to the state because the state used its control rights to direct a disproportionate amount of its assets (state and military jobs, welfare handouts, subsidies) to these populations. Urban Palestinians, meanwhile, faced economic discrimination by the state but did not cause a burden on the state's budget. They thrived in the private sector. In other words, the regime's possession of both control and use rights was not an issue during Jordan's development of the lack of costs associated with the biased allocation of its assets. The IMF inverted this model through policy by 1) decreasing the biased use of the regime's assets and 2) not preparing the state for skyrocketing costs associated with its use rights—namely the perceived abandonment of Bedouin allegiance and subsequent unrest. This altered the relationship between loyal populations and the state. For decades these two entities' interests had run

parallel. But post-1989, Transjordanian populations became a target for the state under pressure from the IMF. This represents an unfathomable shift in state-society relations.

There are further implications to this transfer of control and use right possession in Jordan. *Contracting States* argues that “the temporary duration of incomplete contracts can allow key domestic actors to modify their preferences” they fail to acknowledge the enormous changes a splitting of property rights can have on the development of the state.¹³⁰ Third-party allocation of control and use over assets is not a simple, tethered, and temporary change to the state. This new relationship is, in reality, a fundamental shift which deprived the regime of using its own rationale (try to appease concerned citizens with the “Jordan First” campaign) and made it challenging for it to justify its own changes. Yet it had to continue incurring the social and political costs of state policy. This discrepancy leads to a new kind of development that permanently alters the functions of the state and the perceived role of the state in development.

There could be a much lengthier discussion on how an analysis of sovereignty could inform our understanding of IFI interaction. But the ideas explored here—a changing international order and division of property rights—show the problems for states and societies when operating under partial sovereignty. States and society operate best together when states possess both control and use rights. Splitting the decisions over and costs of using an asset presents outside actors—the IMF—with perverse incentives to implement dramatic policy shifts while not enduring the costs of such actions. The increased costs are instead put on the state now with a stifled ability to make decisions over its assets.

¹³⁰ Ibid., 14.

Colonial Application

Our new conception of IFI-state interaction can also be examined through a colonial lens. It must be noted that I do not mean to draw any type of implicit or unconscious comparison between colonial powers and IFIs like the IMF. There is literature harshly critiquing IFIs, particularly IFIs on how they turn a blind eye to the negative effects of their policies. This paper is not meant to do that. It attempts to connect certain concepts of colonization (particularly how colonial power interacted with the state and societies they occupied) to their conceptual parallels to IFIs. Particularly, this section will apply Timothy Mitchell's examination of such concepts in *Colonising Egypt* and Joseph Massad's work in *Colonial Effects*. The books deliver detailed accounts of different aspects of colonial and postcolonial development in Egypt and Jordan, respectively. While Jordan is the case study presented in this paper, theory surrounding the impact of colonialism in neighboring states can still inform our understanding of the impact of IFIs.

In his work on Britain's colonial occupation of Egypt Mitchell presents an abstract but insightful framework that we can apply to Jordan and the IMF, specifically how IMF policies—though presented as sweeping changes to macroeconomic government policy—had drastic effects on individual livelihoods and crosssectional cleavages among Jordan's population. Mitchell argues that colonialism had an intense impact on Egypt: it “was itself a power that sought to colonise: to penetrate locally, spreading and establishing itself not only in the shape of cities and barracks, but in the form of classrooms, journals, and works of scholarship.”¹³¹ The IMF had a similar effect

¹³¹ Mitchell, Timothy. *Colonising Egypt*. Cambridge: Cambridge University Press, 1988. 171.

on Jordan. While not at all as physically omnipresent like British colonial officers in either Egypt or Jordan, the IMF, through the Jordanian regime, influenced local economic behaviors and represented itself through the selling and privatization of regime-owned entities. For example, much of the literature discussed in Framework I—explaining and praising IMF policies—was co-written by IMF representatives and Jordanian elites, showing how the influence of IMF ideals percolated through many avenues of the Jordanian state and society. Mitchell may argue that this is another shared success of British colonists and the IMF: they were able, “at the most local level to reproduce theaters of its order and truth.”¹³²

The core mission of the IMF is to secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.¹³³ This lofty task is undoubtedly met with a technocratic approach: the IMF, over its history, has learned from its mistakes and understandably wants to apply the lessons of past successes and failures to its future cases. Language written by and about the IMF reflects this tendency: Jordan became a “*model* of successful... economic reforms”¹³⁴, “another *success story* in the making”¹³⁵ and in 2004 the IMF’s Acting Managing Director “commended the government for being committed to prudent macroeconomic policies and far reaching *structural reforms*.”(emphasis added)¹³⁶ These

¹³² Ibid.

¹³³ "About the IMF." IMF. 2014. Accessed April 25, 2015. <http://www.imf.org/external/about.htm>.

¹³⁴ Khalaf, R. "Zoellick Criticism Sets Back Egypt Hopes on Free Trade." *Financial Times*, June 24, 2003.

¹³⁵ "JORDAN: US AMBASSADOR VISITS IRBID'S AL HASSAN INDUSTRIAL ESTATE." Info-Prod Research (Middle East), October 21, 2003. Accessed April 20, 2015. http://www.highbeam.com/doc/1G1-109051571.html?refid=easy_hf.

¹³⁶ Harrigan, El-Said, and Wang. "The IMF and the World Bank in Jordan", 264.

¹³⁶ Ibid.

initially do not sound like suspicious or insightful ideas, but Mitchell offers a new framework upon which to leverage this concept in relation to IFI-state interaction.

To colonise Egypt, to construct a modern kind of power, it would be necessary ‘to determine the plan’... [to] try and re-order Egypt to appear as a world enframed. Egypt was to be ordered up as something object-like. In other words it was to be made picture-like and legible, rendered available to political and economic calculation.”¹³⁷

Mitchell argues that Egypt, and similar colonized nations, come objectified and, in essence, a new “case” for the colonising power subject to political and economic scrutiny. It is easy to recognize how the IMF approached new nations in a similar regard. A tested, technocratic framework objectified Jordan and made it slate of new neoliberal economic policy. The IMF was intent on thoroughly understanding the quantifiable problems in Jordan, having advised the regime on fiscal policy throughout the 1980s. And by 1989, the IMF saw Jordan as an object by which it could apply new ideas through diverse and vulnerable political and economic channels. This conception of the IMF “must be understood as more than mere improvement or ‘reform’” and instead had the effect of “representing a realm of the conceptual, conjuring up for the first time the prior abstractions of progress, reason, law, discipline, history...and order.”¹³⁸ Instead of pure economic intentions, the understanding of colonial Egypt fits perfectly into the IMF’s implementation of a “modern kind of power”.¹³⁹

Mitchell’s analysis also offers powerful insight into the IMF’s role in exacerbating ethnic divides in Jordan (as explored in the previous chapter). He devotes a

¹³⁷ Mitchell, *Colonising Egypt*, 33.

¹³⁸ *Ibid.*, 179.

¹³⁹ *Ibid.*, 33.

good portion of his argument to showing how responses to colonial occupation often incorporated a sense of “othering” both neighboring nations and colonists:

The outside must be represented as negative and threatening, as the method of maintaining meaning and order within. The outside, in this sense, is an aspect of the inside. On closer inspection, moreover, the same opposition is found at work within the state...the authority and self-identity of the nation-state, like that of the city and the colonial world, are not stable, circumscribed conceptions but internal boundaries of hierarchical separation which must be constantly policed.¹⁴⁰

First, we know that the IMF was at the time a strong outside power invoking what was perceived as negative change upon society. This is how many Jordanian citizens saw and reacted to the IMF, as did the regime with the “Jordan First” campaign (a more level-headed response to general outside forces). Opposition to ‘non-Jordanian’ influences became a unifying force for both the regime and loyal supporters throughout many points of Jordan’s development.

Secondly, and more importantly, Mitchell’s outside-inside paradox parallels the complex Transjordanian-Palestinian-state relationship *inside* Jordan. Mitchell elaborates on this point in a way that will inform this relationship: “the identity of a political group is not fixed as a rigid boundary containing those inside. The inside is contingent on the designation of an exterior...therefore, [political identity always exists] as an already-divided relation of self/other.”¹⁴¹ Figure 5.3 places Jordan’s pre- and post-1989 socioeconomic development into this framework.

¹⁴⁰ Ibid., 167.

¹⁴¹ Ibid.

Existence of Regional or Domestic “Exteriors” Important to Identity Formation among Palestinians, Jordanians, and the regime

	pre-1989 “exteriors”	changes to post-1989 “exteriors”	Net change in “exteriors”
Palestinians	<i>Israel; the Hashemite regime</i>	no longer the Hashemite regime	Identity now <i>less</i> dependent on opposition to domestic groups
Transjordanians	<i>Palestinians</i>	More defined by opposition to Palestinian economic success	Identity now <i>more</i> dependent on opposition to domestic groups
Regime	<i>Palestinians</i>	shift to other regional actors	Identity now <i>less</i> dependent on opposition to domestic groups

Figure 5.3

What is impressive about Mitchell’s framework is that it allows the economic implications of IMF policy to be incorporated into an analysis of ‘finding an exterior’. In pre-1989 Jordan, the regime and its supporters united over their opposition to Palestinian interests. This was embodied by Black September but more foundationally by the symbiotic relationship between the regime and its supporters, which distinctly excluded Palestinians. As Joseph Massad argues in *Colonial Effects*, Transjordanians identity initially “saw foreign colonial powers as the other against whom they defined themselves...[but after 1970] saw Palestinian Jordanians as the *other* against whom it defined itself...for Transjordanians, the very presence of Palestinian Jordanians in Jordan had placed Jordanian national identity in jeopardy.”¹⁴² In other words, the non-Palestinian base in Jordanian was in part defined by exactly that—the fact that they were not Palestinian. Economic favoritism and political loyalty solidified this relationship.

¹⁴² Massad, *Colonial Effects*, 272.

But with the introduction of IMF policy the regime could no longer see eye-to-eye with its traditional bases of support. While lower barriers to trade, migration, and other neoliberal policies implicitly aided Palestinians (who dominated the private sector), Bedouin and Transjordanian populations began to struggle under the new IMF-endorsed state policies. King Abdullah—who “was more of a pro-market reformer than his father”—and his regime now had endorsed a pro-market, essentially *pro-Palestinian* cause with implementation of IMF policy.¹⁴³ In a sense, as the state pushed forward on these new policies, it eliminated the Palestinian economic cause as part of its “exterior” because these new policies greatly helped urban Palestinian populations.

Ironically, with this development in society-state relations, both Palestinians and the regime shifted their political identities to become *less* defined by their historical opposition to each other. As the regime and Palestinian populations became ‘more on the same page’ concerning the best route for Jordan’s development, this left the regime’s historical base of support naturally defining themselves in *opposition* to neoliberal reforms and the political groups that had historically benefitted from them. Economic liberalization, per Mitchell’s framework, “eliminated the exterior” for Palestinians and the regime, allowing both entities to push forward on a more parallel course. The regime’s traditional bases of support swung in the other direction, further defining their political identity as opposition to Palestinian success, regime betrayal, and economic liberalization. Mitchell’s framework speaks to how traditional boundaries of ethnic identity are greatly influenced by how state and facets of society approach economic policy shifts.

¹⁴³ Harrigan, El-Said, and Wang. “The IMF and the World Bank in Jordan”, 271.

Massad lays out another framework to build on this understanding. He postulates that there were a series of “moments” that every nation goes through as it is colonized which illustrate the “‘relation of forces’¹⁴⁴ whose resolutions are determinative of the outcome of political struggles.”¹⁴⁵ These moments include the colonial moment, anticolonial moment, expansion and contraction of the nation, and eventually internal implosion.¹⁴⁶ He argues that the first moment—the colonial moment—establishes a new type of state framework affecting political, administrative, and bureaucratic aspects of the original country. This moment constitutes a major shift in administrative and economic control—“a radical discontinuity with what existed before the colonial encounter.”¹⁴⁷ Next, the anticolonial moment occurs when “the struggle against colonial rule becomes...when the administrative colonial framework is adopted by the colonized and...nationalist representatives of the colonized [begin to] oversee the colonial state’s institutions.”¹⁴⁸ For both these moments, Jordan has a clear parallel *during its own colonization*—the arrival of the British in 1921 and eventual expulsion of General John Bagot Glubb, the British head of the army in 1956.¹⁴⁹

This can also inform Jordanian-IMF interaction. The “colonial moment” represents the signing of the first agreements with IMF in 1989; this immediate set a number of policy reforms into motion, creating a new type of political and administrative power over the Jordanian policy. The anticolonial moment is more difficult to quantify when examining IFI-state interaction. The expulsion of Glubb and the adoption of British

¹⁴⁴ Massad, *Colonial Effects*, 8.

¹⁴⁵ Ibid.

¹⁴⁶ Ibid.

¹⁴⁷ Ibid.

¹⁴⁸ Ibid.

¹⁴⁹ Ibid.,13

institutions into a new, independent and nationalist project could parallel Jordan's "graduation" from IFI agreements in 2004. But this does not tell the whole story. In fact, the inability to draw a tight connection between Massad's "moments" of colonialism and the entry and exit of the IMF in Jordan speaks to the alterations of the state due to interactions with a powerful outside actor. When the Jordanian monarchy gathered enough political capital to push the British out and gain independence, it did so because it was unified and had an identifiable nationalist cause. Jordanians from all echelons of society bought into the new Jordanian project which stood in *opposition* to British occupation. The undertaking "acquired immense momentum, so much so that for a time the young King Husayn was swept by its zeal."¹⁵⁰

Jordan's trajectory was different after 1989. As Mitchell showed us through the "exterior", the harsh policies of the IMF were not, due to overarching historical, ethnic, and socioeconomic fissures in Jordanian society, able to unite all of Jordan like British policy had done in the 1950s. Indeed, Jordan's population had changed dramatically since that point (with the addition of millions of Palestinians), and this has likely hindered such a common identity towards a common opposition. But in any case, there has been no definitive "anticolonial moment"—nor a conscious, organized, or common effort to revert or adopt IMF policy as Jordan's own—in post-1989 Jordan despite the unique presence of the modern "colonial moment" of the first structural adjustment policies. This shows how such interaction does not just have a temporary, contractual impact on society and state—it is more sustained and carries greater consequences than may be believed. Since Jordanians could not unite over the consequences of new economic policy, we can

¹⁵⁰ Ibid., 12.

conclude, in part, that IMF interaction with the state widened the divide between the state and different affected populations.

Bureaucratic Power and Nationalism

The last theory of discussion within framework III will explore the intersectional existence of ethnicity, nationalism, state bureaucracy, and power. The theorists presented in this section are scholars and observers of state building, state development, and how nationalism factors into these processes. I will attempt to combine the theories of a number of thinkers, almost all of whom appear in Anthony Smith's *Nationalism and Modernism*, in order to provide a narrative we can leverage to develop new ways of understanding IFI-state interaction. Anthony Smith himself, in conjunction with the work of Thomas Nairn, postulate how economic conditions affect *ethnie* (Smith's term for ethnic communities with shared history and culture) as well as how *ethnie* have a understandably need to try to influence economic conditions. This is done through a group's development and quest for ethnic nationalism. Specifically,

Economic disparities and social deprivations are placed in the service of the wider political purposes of ethnic communities, or of their elites, which the relevant state authorities have suppressed or marginalised. Similarly, the extent to which a movement can organise to press the political claims of an ethnic community, depends in turn on the political context in which it operates.¹⁵¹

Smith explains Nairn's position that ethnic communities do not development nationalism for purely cultural reasons—there is an economic dimension at work. While this suggests that in a functioning state, *ethnie* see unfair economic treatment (or a disproportionately small fraction of state welfare) as political barriers to their development as nationalist ethnic communities. We will use Nairn's general framework to suggest that ethnic

¹⁵¹ Smith, Anthony D. *Nationalism and Modernism: A Critical Survey of Recent Theories of Nations and Nationalism*. London: Routledge, 1998. 54-55.

communities have an interest in working towards improving their socioeconomic conditions *as a means to* develop their multifaceted nationalism as an *ethnie*. Other authors corroborate this framework. John Breuilly argues that nationalism is a form of politics in itself and to that end, tries to harness the “authentic and unique experience which aims to regenerate societies by uncovering and realizing their inner rhythms and energies. It does so through the rediscovery, reconstruction and appropriation of the communal past to become the basis of a vision of collective destiny.”¹⁵²

Jordan’s experience can fit into this collection of theories, especially pre-1989. As Transjordanians began to feel the pain of the declining regional economic climate in the 1980s the monarchy recognized a hardship for this population as a struggle for Jordan itself, drawing on a “communal past” as a way to find a “collective destiny”.¹⁵³ This was true in an economic sense, but also as a political framework. Economic competition between Transjordanian and other populations, namely Palestinians, throughout Jordan’s history have inspired the state to favor the Bedouin populations, seemingly because preferential economic treatment, in Nairn’s framework, amounts to a nationalist endorsement. The state rationalized such bias by arguing that Bedouin populations, in particular, represented the most ‘authentic’ part of Jordanian society. Recall the King’s statement that “it can be said that many of the characteristics of the Jordanian and Arab society are found in their strongest form in Bedouin culture...indeed, it has been said that they are the backbone of the Kingdom.”¹⁵⁴ Nairn and Breuilly’s theories help show

¹⁵² Ibid., 90.

¹⁵³ Ibid.

¹⁵⁴ "The People of Jordan." The People of Jordan. Accessed April 22, 2015. <http://www.kinghussein.gov.jo/people1.html>.

why ethnic groups place such high importance on economic conditions as well as the most historical, genuine version of their *ethnie*.

Before 1989, Palestinians did not have such a “narrative” to rely on in Jordan. Though Transjordanians understood the Palestinian cause (and remained generally anti-Israel) this did not mean that they wanted to *help* or *aid* the Palestinian populations upon their arrival and immediate participation of the Jordanian economy. Nairn’s analysis explains why: economic coordination or sympathy to Palestinians would strengthen their *ethnie*, and in turn, their nationalism. This, to Transjordanians, would amount to a nationalist threat inside their own borders. They instead relied on the state to not only continue economic favoritism but also spread the Bedouin’s authentic cultural and social history: after 1970, Massad argues, “urban and rural Palestinian Jordanians...[became more] susceptible to the state’s Bedouinization of Jordanian identity.” For example, the state used “aspects of tribal law to resolve many social disputes and to inaugurate important social occasions” even when it involved Palestinians.¹⁵⁵

Since we have developed how both Transjordanians and Palestinians fit into these theories now we can discuss how this theory can inform the changes Jordan endured in 1989. Historically, the regime provided economic safety, political power, and the fuel subsidies to Transjordanians.¹⁵⁶ This was coupled by the state’s endorsement of the ‘Bedouin experience’—implying that it embodied the true Jordanian experience. As Gellner may argue, Bedouin/Transjordanian nationalism may have even helped “invent” the nation of Jordan itself. It is this inextricable linkage that helped the Jordanian state sustain its unique relationship with its bases of support for so long. Yet in 1989, IMF

¹⁵⁵ Massad, *Colonial Effects*, 264.

¹⁵⁶ *Ibid.*

policy eliminated subsidies, private business, and shrunk the public sector by eliminating loyal bureaucrats. These changes did not have simply economic consequences.

Privatization, for instance was, not only “detrimental to the economic welfare of Transjordanians” but it also “signaled a loss of bureaucratic power, which was one of the mainstays of Transjordanian influence in the country.”¹⁵⁷ This is an important distinction between the first and third frameworks: the theories presented above show how the IMF’s elimination of welfare (mostly for Transjordanians) and shrinkage of the public sector (mostly staffed by Transjordanians) was more than just an increased economic burden. Specifically, Smith characterizes Breuille’s argument:

For Breuille, the role of sub-elites has been crucial, particularly for the important category of oppositional nationalisms in colonial territories. Under this heading, Breuille includes middle-level bureaucrats, officers, professionals, traders and intellectuals... [since] professionals and intellectuals are often thought to have played a pivotal role in nationalist movements.¹⁵⁸

This theoretical framework provides more insight into why the IMF’s harsh targeting of public sector activities in Jordan had underlying implications for the nationalist identities of the citizens populating the state. Transjordanians and Bedouins had developed a type of nationalism over their development, at least in part due to their economic security and association with the beginnings of the Jordanian project. The IMF’s policies dealt a direct blow to the very professionals—what Ernest Gellner, a thinker foundational to this entire discussion, would likely call the “high culture”¹⁵⁹—who had carried that nationalism through decades of state growth and development. These actors then diverted their *ethnie* tendencies to other outlets, such as familial kinship networks. In short, while the IMF

¹⁵⁷ Ibid., 267.

¹⁵⁸ Smith, *Nationalism and Modernism*, 86.

¹⁵⁹ Gellner, Ernest. *Nations and Nationalism*. Ithaca: Cornell University Press, 1983.

(and even some economic policy makers in the Jordanian government) would call the dramatic policy shifts a resounding success for a nation dire need of positive economic news, there are other significant cultural and nationalist consequences to rapid and intense economic liberalization. These theories detail how shifts in bureaucratic power and nationalism, along with the preceding discussions of sovereignty and colonialism, provide a comprehensive theoretical framework for further understanding IFI-state interaction.

6. A Summary and Synthesis of the Overarching Framework

Summary of Frameworks

This paper has presented three frameworks that comprise an overarching framework. In this section, I will summarize these frameworks and provide a brief synthesis on how these different bodies of literature, when analyzed together, can form new ways of understanding IFI-state interaction through the case study of Jordan's interactions with the IMF. Framework I discussed literature relating to the economic impact of IFIs. Throughout the 1970s and 1980s, Jordan's economy thrived. Booming oil prices in the Arabian Gulf aided the local economy as trade and expatriate remittances increased, helping all socioeconomic strata of Jordan's population. But as the 1980s came to a close, a subsequent drop in oil prices reversed Jordan's economic progress as the country began to slip towards recession. By 1989, Jordan could not pay its bills and signed its first contracts with IFIs in that year. When the IMF arrived in Jordan, it had a number of high-priority targets through which to curb Jordan's ballooning public sector and budget deficit. The largesse of Jordan's public sector was mainly due to complexity and size of the previous British colonial administration. Privatization was one of the main strategies the IMF used to push Jordan towards a more neoliberal economic model, and it tried to sell off numerous state-owned enterprises that the regime had owned since independence. IFIs saw this as one of the first steps to help a country modernize and lift itself out of economic peril. Subsidy reform was another primary strategy the IMF used to shrink the expenditures of the regime. Illustrated by the violence in Ma'an and other Bedouin strongholds in southern Jordan, subsidy reform was an extremely risky economic policy shift. The elimination and/or reduction in subsidies affected primarily

poorer Bedouin populations that had been traditional bases of support for the regime. The entrance of the IMF into the political economy of Jordan caused an array of new challenges for the regime and society.

Framework II investigated these problems, specifically the responses and consequences to new policy outside of the traditional realm of economic concerns. This section looked at the insights gleaned from the violence in Ma'an, as well as the government's bizarre attempt to build unity with the "Jordan First" campaign. As was discussed, this campaign was not well-received or understood and seemed more a weak attempt by the regime to 'correct' its divisive economy policy. The section then explored the tense, ethnic, geographic, and political divides omnipresent among Jordanian society—specifically how IMF policy worsened Palestinian-Transjordanian divides. These two groups essentially exist in different realms in which Transjordanians are intensely allied to and dependent on the state, and employed by the public sector and military. Palestinians, in contrast, were more urban, educated, integrated into the private sector, and distanced from the apparatus of the Jordanian regime. IMF policy exacerbated this tense divide. Transjordanians, including many bureaucrats whose jobs were eliminated from the public sector, began to form familial kinship networks as a replacement to state power and influence. For these reasons, 1989 represents a fundamental discontinuity for the Jordan's state and society—particularly the relationship between the two.

Framework III attempted to provide new ways of understanding IFI interaction by building on frameworks I and II by leveraging relevant theories and concepts not intended to inform this type of interaction. Since IFI-state interaction has not been studied at length *theoretically*, this paper draws on a number of concepts that relate to the

conceptual process of the IMF and Jordan. A discussion of sovereignty—specifically split, partial sovereignty during a period of structural adjustment—explained how control rights and use rights impacted the regime’s ability to fully support its different constituencies as it had in the past. Without associating IFIs with some of the harsh critiques of historical occupying forces, theories on colonization of Middle Eastern countries can also be applied to the case of IFI-state interaction. Mitchell provided a conceptual framework on the objectification of colonized nations and how economic and political hegemony was instrumental in creating identity and “exteriors” among colonized/affected populations. We concluded that post-1989 Transjordanian identity became further defined by its opposition to other domestic groups. Massad suggested a series of “colonial moments” that allowed a more comprehensive understanding of the evolution of state and societal relations with each other and the IMF. Finally, framework III examined theories incorporating the significance of identity and nationalism in the creation of a state. Though the most abstract of our theoretical applications, such ideas proved the importance of economic and political identity in the formation—and continuity—of ethnic communities. Conversely, these theories also illustrated the sustained and unexpected implications for forced reduction in bureaucratic power.

Synthesis

These frameworks are part of an equation that explains new approaches to understanding IFI-state interaction through the case study of the IMF and Jordan. Prior to this study, understanding of such interaction was largely categorized and led to a stifled understanding of these interactions. This paper discovered, as expected, that theoretical frameworks existent in other corners of sociology, history, and political science have

valuable applicability to the modern evaluation of international financial institutions and how they interact with states. These new approaches to understand IFI-state interaction are detailed in Framework III. These are the lynchpins to a new set of approaches to understanding IFI-state interaction. By providing the conceptual structures underpinning an interdisciplinary examination of sovereignty, colonialism, nation-building, and bureaucratic power, these theories offer unprecedented depth to the commonplace characterization of IFI existence and policy. It does not aim to develop new theories—instead, this paper has provided the basis for understanding how IFI-state interaction parallels (and can be informed by) previous work on other topics. Through a successful process of synthesizing the three frameworks presented, we are left with a robust set of approach by which to further examine IFI-state interaction.

Conclusion

Eleven years after Jordan graduated from 15 years of IMF structural adjustment policies, economic conditions, employment opportunities, and the Transjordanian-Palestinian divide continues to define the social, economic, and political dynamics of the nation. The state is indeed smaller than in the past as King Abdullah continues to be a pro-market reformer critical of the inefficiencies of his own regime. And citizens of Jordan continue to define themselves along multiple dimensions. As Massad says “Jordanian national identity (which includes in it Palestinianness and Transjordanianess) is waiting for a new definition.”¹⁶⁰

Although this paper did focus on the last few years of Jordanian history, it is worth noted that Jordanian society is once again changing dramatically. Since the Arab Spring uprising in neighboring Syria devolved into a brutal civil war, 200,000 people have been killed and 9.5 million people have been forced from their homes.¹⁶¹ Many of these 9.5 people have left Syria and many of those people have arrived in Jordan. Approximately 630,000 Syrians have registered with UNHCR, the UN’s refugee agency.¹⁶² But most Syrian refugees in Jordan are not registered; some estimates put the total number of Syrian refugees in Jordan as 1.3 million, or almost 20% of Jordan’s pre-Syrian influx population— equivalent to the United States adding a New York City every 6 months for 4 years.¹⁶³ This new societal upheaval will have consequences for Jordan in

¹⁶⁰ Massad, *Colonial Effects*, 275.

¹⁶¹ "Rapidly Unravelling." *The Economist*. November 08, 2014. Accessed April 19, 2015. <http://www.economist.com/news/middle-east-and-africa/21631200-bashar-assads-impunity-undermining-fight-against-islamic-state-rapidly>.

¹⁶² Achilli, Luigi. *Syrian Refugees in Jordan : A Reality Check*. Report. Amman: Migration Policy Centre, 2015.

¹⁶³ Johnson, Howard. "Syrian Refugee Crisis in Jordan Tests Hospitality - BBC News." *BBC News*. February 2, 2015. Accessed March 3, 2015. <http://www.bbc.com/news/business-31058351>.

the coming years. It is important to keep in mind Jordan's current situation as we analyze its past.

Jordan is a complex case of diverse populations, intricate relations between state and society, and history of economic, cultural, and political shocks. This is why it has been a valuable case for our discussion. There is no doubt that IMF involvement has—and will continue to—affect the Jordanian state and society. The new set of approaches presented in this paper provides a route to a deeper understanding of IFI-state interaction. The overarching framework will continue to prove useful in examining Jordan's altered development—as well as the altered development of other states—during an era of a more financial and globalized world.

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