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State Policy, Rent Seeking, and the Electoral Success of a Religious Party in Algeria

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The decline of the dominant party, the Front de la Libération Nationale (FLN), in Algeria has been accompanied by the electoral success of a religious party, the Front Islamique du Salut (FIS). The argument developed in this article attributes the success of the FIS to the political economy of dominant party rule in postcolonial Algeria. Rent-seeking coalitions embedded within the FLN constrained the policy options available to the FLN in a fiscal crisis. FLN response to the fiscal crisis, especially changes in the distributive and regulatory policies, led to middle-class exit from the FLN. These groups then extended their support to the FIS. Evidence for middle-class exit from FLN will be provided through an analysis of census data and election returns for 216 communes from the 1990 local elections.

INTRODUCTION

Dominant political parties that led independence movements and governed many postcolonial states since independence have been successfully challenged electorally over the past few years. In Zambia elections in 1991 brought to an end the rule of Kenneth Kaunda; the Congress Party in India appears to be losing out to a set of religious and caste-based parties; in Algeria the Front de Libération Nationale (FLN), a party that had led the struggle for Algerian independence and governed Algeria since 1962, was defeated in local elections and in the first round of national elections by a religious party—the Front Islamique du Salut (FIS). Dominant party decay is not peculiar to postcolonial states. Dominant parties have declined in other parts of the world as well—the Liberal Democratic Party in Japan, Labor in Israel, and the Social Democrats in Sweden, to name a few. Reasons for the weakening of these parties are as multifarious as the number of parties that have lost popular support (Lawson and Merkl 1988; Pempel 1990). In

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some states in the Middle East and South Asia, however, dominant party decline has been accompanied by the electoral success of fundamentalist religious parties.

This paper makes a case that economic factors are central in accounting for the electoral fortunes of religious parties. It will use Algeria as an example of how the policy response of the ruling FLN to budgetary deficits in the late 1980s led the middle classes to exit the FLN and to support the FIS. Economic development financed and regulated by the state sustained widespread endorsement of the FLN for much of the period since independence in 1962 and created interests around government expenditures and policies. FLN's use of economic policy to garner support created the possibility for an opposition party to mobilize support along economic dimensions once, facing a fiscal crisis, the FLN could no longer pursue the policies that had allowed it to draw the support of most Algerians. The sharp drop in oil prices on the international market and the accompanying fiscal crisis exacerbated conflicts over who would draw benefits from government expenditures. The FIS, seizing the opportunity that elections afforded, managed to win over voters whose interests had been systematically ignored by the FLN's response to budgetary deficits. An early indicator of the decline of the FLN and the appeal of the FIS came with the local elections of 1990. In that election, the first multiparty election held in Algeria, voters went to the polls to elect 48 provisional assemblies and 1,541 town councils. The FLN gained a majority in only 487 of the municipalities and 14 *wilayas*, or provincial governments, and received only 28.13% of the vote. The FIS emerged as the far more popular party, winning control over 853 municipalities and 32 *wilayas* and obtaining 54.25% of the votes cast (Iratni and Tahi 1991, 471). A similar trend was observed after the first round of parliamentary elections held in December 1991. The FIS polled twice as many votes (24.5%) as the FLN (12.2%) and won 188 of the 231 seats (of a total of 430 seats) which were decided at the end of that round. Fearing the FIS's ascension to power, the army canceled the second round of parliamentary elections and tightened its control over Algerian political life.

An important reason for the electoral success of the FIS in the local elections was the support the FIS obtained from those of the middle class who had previously endorsed the FLN. In particular, Algerians associated with the small business sector, low-level bureaucrats and administrators, and the educated segment of the population voted for the FIS. The FIS was able to draw the support of these groups because the postcolonial settlement, of which these groups were an integral part, proved politically unviable in the context of the fiscal and political crises of the late 1980s. The FLN responded to the fiscal crisis by signaling a partial opening up of the market and a downsizing of the public sector. The proposed liberalization, ironically, led to increased financial and political corruption and larger transaction costs for small businesses. Public sector reform, especially the dismantling of state-owned corporations, generated opposition from public sector employees. The elections of 1990 provided an opportunity to these groups to exit the FLN and extend their support to the FIS. Evidence that it was those associated

with the small business sector, public sector employees, and the educated segments of society who supported the FIS in the 1990 election will be provided by an analysis of aggregate election returns and census data.

The argument developed in this article extends earlier explanations of the FLN's decline and the success of the FIS. It has been previously argued that the success of the FIS "stems primarily from the failures of the FLN regime" (Zoubir 1992, 94); that the FIS managed to draw the support of those who were tired of the FLN (Mortimer 1991); and that the vote of June 1990 "was largely a vote against a discredited regime and the existing system" (Entelis and Arone 1992, 28). While explanations of the FLN's decline and the success of the FIS rooted in the general crisis faced by the Algerian state and the nature of state-society relations in Algeria have much merit, they do not explicitly address why it is that some social groups, especially the middle classes, supported the FIS. This article will argue that an examination of the economic policies pursued by the FLN will provide an explanation for why the small business sector, low-level administrators, and the educated segments of society defected in larger proportions than other groups.

Attributing the electoral achievements of an explicitly religious party to economic factors is at some variance from discussions on the rise of political religion in the Middle-East and South Asia. Explanations of the rise of religion as a political force have focused on the tensions associated either with modernization, an ideological or a general social crisis, and pressures emanating from changes in the international environment (Ayoob 1981; Dessouki 1982; Esposito 1980, 1984; Keddie 1988; Levine 1986; Lewis 1985; Martin and Appleby 1991, 1993; Mortimer 1991; Piscatori 1986; Rodinson 1974; Sivan 1985; Vatikiotis 1979, 1987; Vatin 1981). Arguments that focus on the role of modernization as crucial to the success of religious parties fail to address why religious parties become successful when they do. Modernization is an ongoing process, but religious parties have mobilized significant support only recently. A general social or ideological crisis and pressures emanating from the international environment can better address the issue of when it is that religious parties will become popular. These explanations are incomplete because they do not adequately address why the middle classes disproportionately supported religious parties in Algeria.

By placing the electoral success of the FIS within the context of economic considerations, this article also questions assertions that the success of religious parties in Algeria was due to the absence of economic issues from the realm of public discourse (Anderson 1991). Anderson notes that economic issues were removed from the public agenda in Algeria because the FLN did not have to rely on domestic sources for appropriating revenue. According to this account, "claims and critiques of government virtue replace[d] disputes about tax policies and government budget allocations" and as public discourse was not centered around economic issues, religious parties which emphasized noneconomic ideological positions could mobilize support (Anderson 1991, 95). But it is worth asking if economic issues were in fact

ever taken off the agenda in Algeria and whether the success of the FIS can indeed be attributed solely to its noneconomic ideological message?

The argument put forth by Anderson (1991) resonates with the perspective of rentier state, according to which the Algerian state could be considered autonomous because of its independent source of revenue—the sale of hydrocarbons (Beblawi and Luciani 1987). In this line of reasoning state autonomy is attributed solely to a state's relationship to powerful economic interests; a state could be autonomous if it did not have to rely on domestic groups to raise revenue for itself. Theories of the autonomy of the rentier state overlook the possibility that government expenditures and policies also create interests and that group conflict can and does occur over government expenditures (Ames 1987; Esping-Andersen 1985).¹ For instance, despite its independent source of revenue, the Algerian state was constrained in its policy options by the interests of groups that had directed state resources toward themselves. The lack of autonomy of the Algerian rentier state became most transparent during the fiscal crisis of the 1980s. The crisis presented the Algerian state with a set of critical choices on how it would alter its role in the economy. Changes in the role of the state were determined in large part by which groups would continue to have access to and control the resources the state dispensed. In Algeria, then, an independent source of revenue was not enough to ensure state autonomy.

The first part of the article will provide a theoretical discussion of how economic policies allowed governing parties in postcolonial states to put together settlements that enjoyed the support of most social groups. These policies could not be continued in the face of a fiscal crisis, and rent-seeking coalitions within these governing parties influenced the nature of policy responses to the fiscal crisis, which played an important role in determining which groups “exited” the postcolonial settlement.² The next section of the article will examine the Algerian case and point out the nature of the postcolonial settlement in Algeria, its gradual erosion and its final rejection by middle-class Algerians. After addressing the response of the FLN to the fiscal crisis, an explanation will be given for why the middle-class exited the FLN. The final section will provide evidence for middle-class support for the FIS from election returns and census data from 216 communes. Finally, a caveat, as far as the data is concerned: census data available includes only economic variables; the lack of data on religiosity in Algeria (either survey or aggregate) prevents a determination

¹Ames in *Political Survival* focuses on how government expenditures are a source of political conflict in Latin America. Esping-Andersen in *Politics Against Markets* details the independent influence of political factors in the creation of interests in Sweden, despite the presence of powerful domestic actors on whom the state had to rely for raising revenues.

²“Rents represent an economic value over and above what could be obtained in competitive markets” (Bates 1983, 35). A rent-seeking coalition is a coalition of interest groups that use the instruments of the state to appropriate rents.

of the independent effects of economic factors, controlling for religiosity, in explaining the success of the FIS.³

RENT-SEEKING COALITIONS IN DEVELOPMENTAL STATES, FISCAL CRISES AND DOMINANT PARTY DECLINE

The State and Postcolonial Settlement

As in many other postcolonial societies, a single party, the FLN, came to power at independence in Algeria. Because it was the party that brought independence, it drew support from large segments of Algerian society and could project itself as the only representative of Algerian national interests.⁴ Like in other post-colonial states, state intervention in the Algerian economy provided the FLN with a formidable instrument for drawing support from a wide range of economic interests. This intervention took mainly two forms: regulatory practices and distribution of resources. Many postcolonial states regulated economic activity not only by creating rents but also deciding which "producer groups" and politicians would benefit from the regulation and to what extent. In addition, state transfer of economic resources either through subsidies allocated to various sectors or through an expansive state sector that provided employment, enabled the party to draw support from other social groups as well.

This regulatory and distributive role played by the state also created conditions under which governing single parties could build and sustain larger than "minimum winning coalitions." It was in the interests of most groups to support the regime in power because political control over resources raised the costs a group would face if it dissented with the policies of the regime. A dissident group would find it more difficult to obtain either favorable regulation or distribution. These large coalitions also persisted because distributive policies pursued by the regime, through expanding budgetary transfers, ensured that support for the regime was not conceived in zero-sum terms or that the policy regime could satisfy many interests. In Algeria, for instance, the government spent vast resources on education,

³Undoubtedly, having data on religiosity would have strengthened the conclusions drawn in the article. There is almost no evidence, however, that Algerians were more religious in 1990 than any earlier time or that religiosity varies across class in Algeria. Since Algerians are not more religious, and assuming that religiosity does not vary significantly by class, controlling for religiosity may not have altered the results considerably.

⁴In a one-party state it is difficult to distinguish between the interests of the party and those of the state. There is indeed an important and significant difference between the two. In some cases, as in Zaire, the distinction between the party and the state is not clear (Callaghy 1984). There are other cases, such as Ghana, in which even in the context of a single-party state the party and the state were distinct (Coleman and Roseberg 1966). In this article an attempt is made to distinguish between party and state. State is used where state actors were the major decision makers, party in situations in which the FLN was more important, and regime for cases in which distinguishing party and state was difficult.

various subsidies (to keep the urban classes' cost of living low), and on the maintenance of a large public sector that employed many Algerians.⁵

Fiscal Crisis and Changes in Distributive Policy

With the onset of a fiscal crisis the state no longer had the resources to maintain public spending so as to meet the needs of the various economic interests that supported the regime. In the face of a fiscal crisis the preferred policy option of a regime would be to garner the extra resources necessary to continue its distributive policies. These extra resources would ensure that extant distributive policies could be maintained and the regime continue to draw support from many groups. This resource mobilization could come either through increased borrowing or deficit financing. Either of these measures would give the regime more resources to distribute and could help to minimize any perceptions of a zero-sum game as far as the disbursement of state resources to various groups was concerned. The Congress Party in India adopted this strategy following a fiscal and political crisis in the mid- to late 1960s. The government of India's average budgetary deficit as a proportion of GNP between 1970 and 1987 was more than double the average deficit between 1960 and 1970 (Chandok 1991). Much of this deficit was due to larger subsidies allocated by the central government, with the latter having doubled in this period from less than 10% (between 1960 and 1970) to almost 20% of government expenditures by 1985 (Chandok 1991).

If the preferred option of raising extra revenues is not available, a regime can decide to address a fiscal crisis by reducing the subsidies allocated to various sectors of the economy. Cuts in these subsidies could be either directed differentially—to the poor or the middle classes—or across the board. If the regime changes its distributive policies such that the disadvantaged have to bear a disproportionate share of the costs, the disadvantaged are more likely to be the chief opponents of these policy changes.⁶ On the other hand, if cuts in subsidies are directed toward the middle classes, the latter would oppose the regime. As the fiscal deficit began to mount in Pakistan, for example, in the late 1970s the Pakistan People's Party (PPP)-led government, which had come to power with the support of most Pakistanis, opted to curtail its expenditures by reducing the subsidies it provided. Cuts in subsidies were implemented differentially. The poor were cushioned from the impact of this reduction, leaving the middle classes to bear the brunt of the cuts, which in turn antagonized the middle classes (Noman 1990, 88). The cuts led

⁵The Swedish Social Democrats also maintained their dominance by pursuing policies that did not appear to be zero-sum (Esping-Andersen 1990).

⁶The poor are often likely losers in a battle over the distribution of resources by the regime for two reasons. First, the disadvantaged face all the problems of a latent group and are therefore less able to be continued beneficiaries of state largesse. Second, most regimes that are willing to alter distributive policies away from the poor are also those that are less ideologically concerned with issues of equity.

to a fall in the “real income of shopkeepers” (Noman 1990, 95), who, once supporters of the PPP, turned to an Islamic coalition—the Islami Jamoori Ittihad—to protect their interests.

To meet its fiscal obligations a regime can also decide to downsize its role in manufacturing and trading by reducing the size of the public sector. If the government decides either to privatize the public sector or to reduce its financial commitment to that sector, opposition to the regime would most likely come from public sector employees who feared unemployment. Attempts at liberalization in India during the 1980s were opposed by the public sector (Kohli 1989; Waterbury 1993) while in Russia, following the privatization of the Russian economy, most state sector employees feared dislocation and, as a result, voted for the nationalist party in the 1993 elections (*New York Times*, Dec. 30, 1993).

The Fiscal Crisis and Regulatory Policy Changes

Instead of, or in addition to, changing its distributive policies, a regime can alter its regulatory practices. Insofar as a fiscal crisis poses a political threat to the regime in power, the regime can increase government regulation to ensure its political survival. Greater government control can raise the “cost of exit” to groups, for, a group which does not support the regime, is not be able to exact favorable regulation. This increased regulation also generates extra rents, which can either be appropriated by or distributed selectively to the regime’s supporters. In such cases opposition to the regime comes from those who do not have access to the state. Take the case of Pakistan once again. The PPP regime in Pakistan in the early 1970s increased its intervention in the economy. This gathering of political power within the party led groups facing higher transaction costs on account of a lack of association with the party, to oppose it, most notably members of the middle classes (Syed 1991).

The regime could also ease its regulation of the private sector in the hope that a consequent expansion of the private sector would compensate for a slackening of the economy.⁷ The onset of liberalization does generate more opportunities for business, yet, because the state still retains the power to regulate the economy and set tariffs, liberalization occurs within limits defined by the regime. Consequently, greater economic opportunities are available only to those with direct access to the regime, and that some groups are the first to benefit from reform is largely due to their ability to capture rents in the still politically dominated market. The reform also leads state actors—politicians and bureaucrats—to use their control over the instruments of the state to grant rents in exchange for financial favors. Not surprisingly, initial benefits derived from the opening up of markets are either appropriated by or distributed selectively to the regime’s supporters. In Algeria “liberalized economic policies legalizing private accumulation of wealth, the abuse of power

⁷This pressure for deregulation can come either from external lending agencies or from within the government. For our purposes the source of the pressure is not as important as its consequences.

within the system and privileged access to foreign exchange allowed a large faction of the civil-service bourgeoisie to grow rich" (Entelis and Arone 1992, 25). Similarly, the current liberalization in Russia is marked by the bureaucracy using the regulatory power of the state to appropriate financial resources for itself (*New York Times*, Jan. 30, 1994).

State Regulation and the Small Business Sector

Increased political corruption raises transaction costs for the small business sector, which is less able than the large industrialists to capture rents. As most of the benefits from increased regulation accrue to politicians and their supporters, opposition to the state in the initial phases of liberalization comes from the small business sector. The small business sector often either does not have access to benefits associated with regulation or faces unfavorable economic conditions simply because of the increased transaction costs associated with financial corruption. In an exhaustive empirical study on the impact of regulation on independent economic activity, Soto (1989) noted that in Peru the existence of laws raised transaction costs, especially for the small business sector. These transaction costs were the impetus behind the emergence of a strong informal sector in the Peruvian economy. In addition, the Peruvian state limited access to those with political connections (Soto 1989, 204). As many in the small business sector did not have a similar level of access to the state they felt that their interests were not represented by it. In Egypt too small businessmen have not benefited from the *infatih* largely because of corruption that favors large business and those with contacts with the state. Increased costs associated with higher corruption led a Lebanese businessman to complain: "We are forced to pay thousands, or tens of thousands of dollars. . . . The corruption has wiped out many smaller businesses" (*New York Times*, Apr. 3, 1995).

In sum, the policies adopted by a regime to deal with a fiscal crisis have a strong influence in determining which groups are likely to withdraw their support for the regime and turn to favor political parties whose economic and political agendas confront the issue of economic exclusion resulting from the regulatory practices and distributive policies of the one-party state. In Algeria the FLN, in response to the nation's fiscal crisis, signaled a partial opening of the market and a downsizing of the public sector. The benefits of this privatization accrued to a few—those with contacts with state actors such as the large industrialists—while the small business sector had to face increased transaction costs. The downsizing of the public sector generated opposition to the FLN from low-level public sector workers. Senior public sector employees were generally supportive of the reform, as smaller units would give more of them increased power. Consequently, the small business sector and public sector employees exited the FLN and supported the FIS. Furthermore, the government's distributive practices protected the poor more than the middle classes, and changes in subsidy allocations, taxation, and housing also had a larger

impact on the middle classes than on other segments of Algerian society. As a result, other members of the middle classes too withdrew their support for the FLN and backed the FIS. This endorsement by the middle classes led to the electoral success of the FIS.

POSTCOLONIAL SETTLEMENT IN ALGERIA, FISCAL CRISIS AND FLN DECLINE

The Postcolonial Settlement

In Algeria one-party rule was established soon after independence, with the FLN drawing support from most groups (Knauss 1987; Lazreg 1976; Tlemcani 1986). The petite bourgeoisie, along with a small nascent capitalist class, supported the Ben Bella regime, even though emphasis was placed on state-led development, for they benefited economically by “acquir[ing] small factories or . . . establish[ing] new industrial enterprises” through their association with “influential officials and local notables” (Bennoune 1989, 162). The support of these business groups enabled the adoption of a state-led development strategy without much organized opposition from segments of society most likely to resist expansion of the role of the state in the economy. The coup that put Boumedienne in power was a response to Ben Bella’s heavy-handed treatment of the military. The coup did not lead to any other significant policy changes.

The Boumedienne regime too pursued economic policies that satisfied the interests of most segments of Algerian society. The regime continued to draw support from the small capitalist class as it protected the interests of the private sector (Bennoune 1989, 162; Ruedy 1992). Between 1966 and 1971, 930 private enterprises were established in Algeria, compared to only 245 between 1955 and 1965 (Bennoune 1989, 168). The size of the private sector, whose interests lay in downstream industry in light industrial establishments and in internal trade (128), increased by 50% between 1969 and 1977 (170). As downstream industries were dependent upon the activity of larger state enterprises, the economic interests of the capitalist class were tied to the state sector, thereby introducing a political element into the relationship between the owners of light industrial establishments and the larger state-run enterprises. Similarly, price and tariff controls introduced and enforced by the regime added a political element into internal trade as well.

Boumedienne’s regime was able to pursue this strategy of state-led industrialization in which the heavy industrial sector was controlled by the state because of the oil revenues available to the regime in this period. These oil revenues also enabled the FLN to draw support from other segments of society through expenditures on social services, especially education and food subsidies. In 1971, for instance, the FLN regime invested almost 30% of its total revenue in education and an equal sum in social services and infrastructural development. These disbursements helped the party maintain its populist and egalitarian image. The populist image of the FLN was further enhanced by the adoption of autogestion, which established a

detailed system of worker self-management and profit sharing in each enterprise. Autogestion allowed the regime to draw the support of the working class by providing it a key role in the nation's development (Ruedy 1992, 199). The organization of the socialist management enterprises and the relative security of employment in the state sector, which employed many Algerians, prevented the formation of broad social protest movements (Leca 1990, 160).

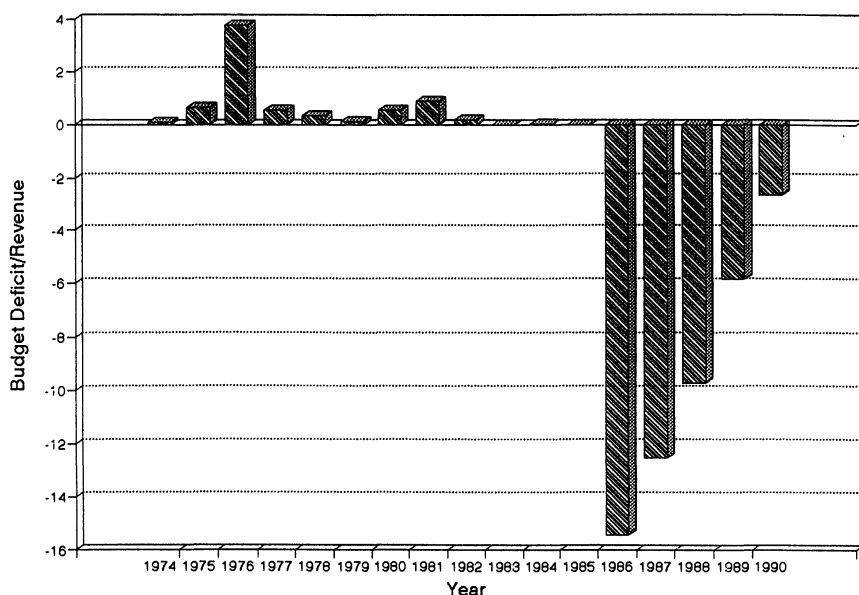
The FLN maintained its populist image among a majority of Algerians as long as it could deliver access to consumer and social goods (Lamchichi 1991, 104–5) and provide an avenue for employment through the state sector. These expenditure-driven policies were dependent on revenues from hydrocarbon sales. The latter financed employment, paid salaries, and permitted the import of consumer goods (212). As long as hydrocarbon sales generated increasing revenues, the FLN could achieve a social compromise among competing interests in Algeria: it could pursue state-led industrialization, allow private interests to develop in downstream industry, allocate subsidies for consumer goods, and provide employment in the state sector. Employment in the state sector was often extended without concern about whether such a policy of hiring was economically viable. For instance, SONATRACH (the national oil company) increased the number of workers it employed threefold, while its production levels remained stagnant (Leca 1990). Hence, the social consensus forged by the FLN was largely due to a redistributive economy, which could be successfully reproduced only in the period of increasing oil revenues. As long as the consensus could be maintained, it lent credence to the FLN's claims that it represented all Algerian interests, and the FLN could be seen as a party that, though centralized, was composed of "heterogeneous groups with different outlooks" and which represented "contradictory class interests" (Ruedy 1992, 262).

The Fiscal Crisis

A drop in oil prices in the early 1980s led to a revenue shortfall for the Algerian government. The volume of exports of crude petroleum, indexed with 1985 as the base year, fell from 188 in 1978 to 110 in 1982 and went no higher than 110 until 1990. Revenue from petroleum exports went up from 6,030 million dinars in 1973 to 17,838 million dinars and reached a high of 56,041 million dinars in 1981. As oil prices dropped, revenue from petroleum exports fell to 45,339 million dinars in 1983. Yet government expenditures kept going up in this period. In 1981 the government's recurrent expenditure was 36,195 million dinars, and in 1983, despite a shortfall in petroleum revenue, the government's recurrent expenditure rose to 50,421 million dinars. The increase in government expenditures continued through 1990, when they reached 84,000 million dinars.

Given this discrepancy between revenue and expenditure, the government incurred a budgetary deficit in the 1980s. The rise of oil prices in 1973 had allowed the government financial flexibility, and it had run a small surplus in its accounts. The drop in oil prices and the lack of fiscal discipline led to a deficit in government

FIGURE 1
BUDGET DEFICIT AS PROPORTION OF REVENUE

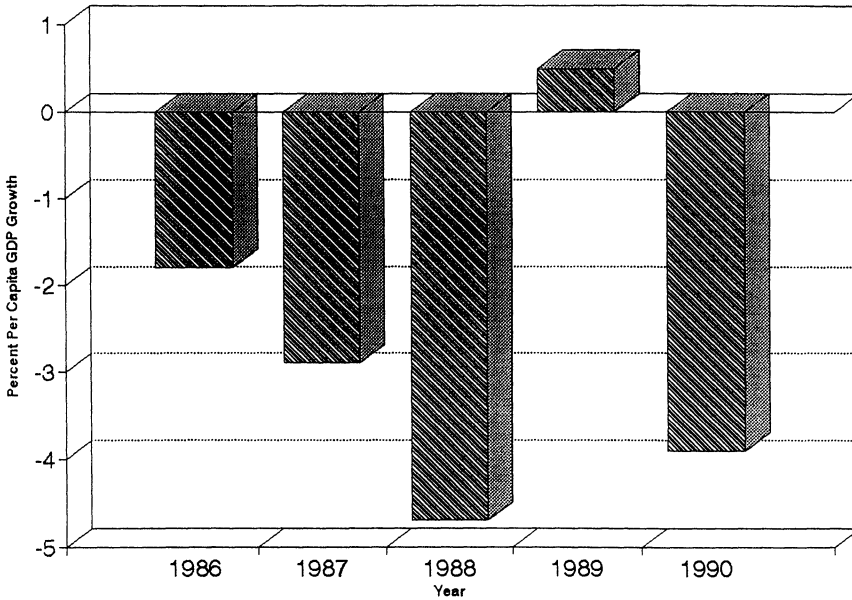


Source: EIU: Country Report, 1974–1985; EIU: Country Profile, 1986/87–1991/92.

accounts from 1986 onward (fig. 1). In this period, because of continued high levels of recurrent government expenditures, the ratio of Algeria's external debt to GNP also shot up from 32.4% of GNP in 1985 to almost 53% of GNP in 1990 (EIU Country Profile 1986/87–1991/92). The debt service ratio also increased from 26% in 1981 to 96.5% in 1988, and the national debt almost doubled from 1979 to 1987 (Bennoune 1989, 300). Not only did the national debt increase, but the real growth in per capita GDP in Algeria also fell, and during much of the five years preceding the end of the 1980s (except 1989) the Algerian economy experienced a drop in per capita GDP (fig. 2).

Regulatory Response to the Fiscal Crisis. The fiscal crisis accompanied the accession to power of Chadli Benjedid, who succeeded Boumedienne upon the latter's death in 1978. In order to deal with these high levels of recurrent expenditures and lower oil revenues the Chadli regime introduced economic reforms in the early 1980s. The reforms, which were to overturn the centralized industry-based socialist program and reorient the economy toward market-based principles, had two important components: the encouragement of private interests and a downsizing of the large public sector firms that had come to dominate Algerian society. Despite

FIGURE 2
GROWTH IN REAL PER-CAPITA GDP



Source: EIU: Country Profile, 1986/87–1992/93.

the original intentions of the government these reforms did not lead to less state intervention in the economy.

After 1979 private interests were indeed encouraged, but the development of these interests, as expected in politically dominated markets, was even more closely tied to the state, for “the new bourgeoisie [was], closely linked to conservative elements within the government, the party and the army” (Benboune 1989, 268). Most members of the bourgeoisie also sought out a “powerful protector within the regime, either through marriage alliance or through association-corruption” (270). Not surprisingly,

the so-called “liberalisation” had been accompanied by the deterioration of the political and administrative economy as a whole. Indeed, bureaucratic red tape had become so stifling that it was almost impossible for both public and private sectors to operate normally . . . [and] corruption and nepotism [became] mechanisms of the state so that private investors [were] compelled to associate with highly placed officials. (Benboune 1989, 271)

Liberalization was occurring in Algeria but through an alliance of large industrialists and state actors—an alliance based on payoffs, bribes, threats, promises, and trades (Richards and Waterbury 1990, 420).

Whatever privatization took place in Algeria was also occurring firmly within the ambit of state authority. A Chamber of Commerce was created to encourage private companies, but the "revived Chamber of Commerce [was] . . . directed by the state which employ[ed] chamber officials" (EIU Country Report 1987, 4:12). Not only was the Chamber of Commerce in state hands but every project that entailed any investment in the Algerian economy had to be approved by an official, and all private investment, even in this period of liberalization, was monitored by a government agency—the OSCIP (Office for the National Coordination of Private Investment), which was created in 1983 under the Ministry of Planning (Lamchichi 1991, 223). Given this continued regulatory role played by the state, the private sector "did not grow as rapidly as expected . . . due to the difficulty of operating in an environment dominated by massive state corporations and administrative bureaucracies" (Ruedy 1992, 234).

In addition, most of the benefits from whatever liberalization did occur were cornered by "a small coterie of businessmen and officials [who were] . . . seen to be enriching themselves on the proceeds of liberalisation" (EIU Country Report 1986, 2:12).⁸ The subsequent increase in political corruption in Algeria in the 1980s (Bennoune 1989; Dillman 1992) further raised transaction costs for members of the middle classes, who were less able to capture rents when compared to the large industrialists, largely due to their relative lack of political influence.

Public Sector Reform

Similarly, the segmentation of the public sector did not result in "decentralised decision-making" but, rather, led to making "the ministry the supreme arbiter and the co-ordinator of a chaotic situation. Instead of the announced decentralisation of decision-making, the restructuring of enterprises resulted in a creeping centralisation of power" (Bennoune 1989, 276). Not surprisingly, "efforts to restructure the private sector [were] popular with company managers and younger technocrats, but . . . received a less enthusiastic response from lower paid workers" (EIU Country Report 1988, 4:7). The dismantling of state corporations also led to rising unemployment and a drop in industrial output. As a result of these policy changes, low-level government workers no longer saw the FLN as a protector of their interests. The Algerian public sector split into two camps: the upper-level public sector managers who supported the reforms and a lower level of poorly paid public employees.⁹

In sum, despite government pronouncements about encouraging private enterprise, the Algerian economy was still characterized by a very large regulatory role played by the state. In the context of a fiscal crisis, the regulatory role of the state

⁸A former government minister suggested in 1990 that over the years party officials had garnered over \$26 billion in ill-gotten gains (EIU Country Report 1990, 2:9).

⁹See Waterbury (1993) for a prescient analysis of the conditions under which this division can emerge because of public sector reform.

limited opportunities mostly to those with access to the state, for the state no longer had the resources necessary to support the economic interests of all classes, as it had done in the past. The interests of the small business sector, because of the increasing political and financial corruption and limited avenues to the state, were isolated by the FLN-led regime. Similarly, public sector workers were not supportive of the regimes's efforts to downsize the public sector.

The Fiscal Crisis and Distributive Policies

To address the fiscal crisis the Algerian government made changes in its expenditure patterns as well. "Drastic cuts in per capita spending on health, education and housing" were introduced (Porteous 1991, 16). These cuts, in conjunction with the inflationary pressure and curbs on imports caused by the large budgetary deficit of the government, led to large price increases, up to 40% in some cases (Rummel 1992, 58). The impact of inflation, curbs on imports, and subsidy cuts were felt by most of the vulnerable segments of Algerian society, despite the government's attempts to continue to provide subsidies for most items of mass consumption. In 1985, in spite of the government's commitment "to austerity . . . it was unable to cut subsidies on education, books, cereals and other staples" (EIU Country Report 1985, 1:13). In 1986, the Minister of Finance, A Khellef, declared that subsidies on foodstuffs would remain at the current level, and that the government would not heed calls to cut these subsidies (EIU Country Report 1986, 2:11).

While the price rise affected most segments of Algerian society, the middle classes, especially the salaried sector, most of whom in Algeria are either government workers or employed by the small business sector, were most affected by these policy changes. Government policy on subsidy allocations, taxation, and housing all had an appreciable impact on the middle classes. First, as far as subsidies were concerned, the FLN regime reduced "across-the-board subsidies to producers and consumers . . . in favor of targeted subsidies to exporters and to basic needs for the poorest consumers" (Pfeifer 1992, 172). In addition, in order to raise revenue in early 1990, the government introduced new taxes. The burden of these taxes was borne differentially by the middle classes. The regime introduced an Algerian Dinar 0.25 per liter increase in super-grade petrol price, a new tax on property between 0.25% and 4% was levied, and higher taxes on consumer goods, such as satellite dishes and the sale of alcohol (EIU Country Report 1990, 1:13).

A similar trend can be observed in the housing policy adopted by the FLN regime. In the mid-1980s, facing a housing crisis, the government decided, that even if new public programs were going to be introduced, access to lodging would be limited to those families whose income did not exceed a certain prespecified ceiling (Semmoud 1986, 135). This had a differential impact on the middle classes, especially among those in the salaried class whose income was higher than the limit

set by the government, and, consequently, they could not have access to private property (Semmoud 1986).

The middle classes were then, not surprisingly, dissatisfied with the FLN, as it became quite clear that, given the regulatory policy response of the FLN to the fiscal crisis, the FLN regime was more concerned with meeting the interests of the large capitalists, the military, and the upper echelons of the bureaucracy. Changes in subsidy allocations, taxation rates and housing policy further isolated the middle classes. The benefits that a few in Algeria garnered from the liberalization program and the disproportionate impact of policy changes on the middle classes also belied any claims the FLN may have made about its egalitarian nature and its role as a representative of the concerns of all Algerians. In other words, the FLN's response to the fiscal crisis created a crisis of confidence because the regime had built its reputation on a policy of dispensing public goods to all segments of Algerian society.

FLN and the Problem of Order

The ability of the FLN to continue to project itself as the only party capable of protecting the nation and providing national integrity was undermined in the late 1980s. Price increases, brought about by attempts to improve the trade balance following a drop in oil prices through currency devaluation and reduction in imports (Entelis and Arone 1992), led to political instability in Algeria from the mid-1980s onward. Riots erupted in November 1986 in which four people were killed and 186 arrested during three days of protests over poor living conditions in Constantine (Duran 1990). In October 1988 rioting began in Algiers and spread along the Mediterranean coast; it lasted for five days during which Algerians destroyed whatever, in their eyes, represented the FLN regime: city halls, police stations, courts—even the political headquarters of the FLN (Entelis and Arone 1992).

Reactions to economic dislocation were directed against the party because the party-state had been the chief provider of economic goods. The less the party could distribute resources, the more riots over economic discontent turned into reactions against the party-state and its policies. The party became the focus of discontent given the growing sense of exasperation with arbitrary government among most Algerians and a concomitant demand for a form of government based on the rule of law (Roberts 1992, 436). Increased corruption, which had manifested itself after Boumedienne's death, led most Algerians to become "increasingly concerned with the FLN's tightened grip on power and the pervasiveness of corruption" (Dillman 1992, 36). Many

Algerians were also repulsed by the networks of patronage that granted so many benefits to those who [had] access to them, while excluding those who have no choice but to live hopeless lives. The immediate consequence[s] of such a system were . . . complete withdrawal from and disinterest in public life . . . total hatred toward the State and its symbols. (Zoubir 1992, 88)

This violence against the state undermined the ability of the FLN to project itself as the sole defender of the integrity of the Algerian nation. Consequent to these

riots, segments of society which were more concerned with the problem of order—often the educated segment of society—withdrew their support for the FLN.¹⁰

Nationalism, Free Markets, and the FIS

The FIS benefited most from this discontent with the FLN for a number of reasons. First, the FIS, because of its control over the mosques, was better organized than the FLN. The mosques aided the mobilization efforts of the FIS. By contrast, the FLN was an internally divided party. Second, the FIS had provided social services through the mosques, which, in contrast to a state that was unable to provide basic social services, made the FIS appear as a better party. Additionally, the FIS appropriated a nationalist discourse by projecting itself as the “national” party. The FIS “claimed to be the authentic progeny of the Algerian Revolution”; “moreover, in order to defeat its adversaries . . . the FIS espoused, like the FLN in November 1954, that it was the unique agent capable of saving Algerian Society” (Zoubir 1992, 95). The FIS also played up the fact that its principal leader, Abbasi Maddani, was a founding member of the FLN—credentials that were invaluable to the Islamist movement (Roberts 1992, 439). This nationalist emphasis enabled the FIS to “exploit some of the long-standing sentiments of radical nationalism” (Mortimer 1991, 584–85). The FIS’s appropriation of the FLN’s discourse continued after the party’s victory in the 1990 local elections when even Shaikh Ali Ben Hadj reiterated the failure of the FLN, which, according to Roberts, implied that the FLN had “ceased to incarnate the original ideas of the Revolution, not that these ideas were to be repudiated” (Roberts 1992, 439).

The FIS also promoted an economic message critical of a planned economy. The planned economy was seen as a source of oppression which retarded and discouraged private initiative (Al-Ahnaï, Botiveau, and Frégosi 1991, 156). The FIS advocated less state intervention in the economy, it affirmed its opposition to socialism, its support for the privatization of all sectors of the economy and a return of all nationalized property (Faath 1990).¹¹ In the area of industry the FIS was for the promotion of small and medium industry, for limited state intervention, and for protection of the private sector (Lamchichi 1992, 216; Al-Ahnaï, Botiveau, and Frégosi

¹⁰In the absence of survey data it is difficult to discern either the influence of perceptions of the “problem of order” on support for the FIS or which group feels most disaffected by the “problem of order.” In India groups most likely to perceive “order” as a problem are the educated, urban segments of society (Chhibber, Misra, and Sisson 1992).

¹¹Apart from these two major parties a number of smaller parties also contested the election. Among them the Association Populaire pour l’Unité et l’Action (APUA), the Front des Forces Socialistes (FFS), the Front Nationale du Renouveau (FNR), Mouvement pour la Démocratie en Algérie (MDA) and the Parti de l’Avant-Garde Socialiste (PAGS) wanted to continue the policy of state intervention and limit private industry. The Mouvement Démocratique pour la Renouveau Algérien (MDRA) and Parti Social-Démocratique (PSD)—centrist parties—were for privatization but, like the FLN, wanted a continued large role for the state. The other Islamic parties—the Parti Nationale Algérien (PNA) and the Parti de Renouveau Algérien (PRA), too advocated a free-market system. The Rassemblement pour la Culture et la Démocratie (RCD) represented Berber interests.

1991, 181). In the commercial sphere the FIS wanted to abolish the current monopolies and encourage competition, allow private societies to enter the financial markets such that investment would be encouraged and the property of the people would be protected. These economic policies were pursued by the FIS so that it could put in place a "bazaar" economy based on merchant interests (Lakehel 1989, 234). This is not to say that the FLN was by now not in favor of privatization but, rather that the FLN's position on liberalization was far less credible because of the general political and economic crisis faced by Algerian society under the FLN's watch.

Besides advocating less state intervention the FIS also favored the preservation of the public sector (Lamchichi 1992, 216). While this simultaneous support for the public sector and a bazaar economy has been noted to be contradictory in purely economic terms (Lamchichi 1992), the policy position of the FIS was politically rational. As public sector employees were disaffected by the FLN's policies of breaking up the public sector by adopting a policy that would preserve the public sector those employees could be mobilized to vote for the FIS. The call for an election afforded the FIS an opportunity to mobilize the support of groups disaffected with the economic policies of the FLN.

Hence, the electoral success of the FIS was made possible by the exit of specific social groups from the FLN. These groups exited the FLN because the party pursued economic policies that met the interests of rent-seeking coalitions embedded within the party. These policies, which led to increased political and financial corruption and a selective disbursement of public expenditures, excluded the interests of the middle classes. The FIS, which was better organized through its network of mosques and its delivery of social services, also incorporated economic policies, such as less state intervention and a vision of national order, which appealed to groups whose interests were no longer protected by the FLN.

Without a doubt, the FIS's electoral success was tied to its superior organization (compared to other parties that advocated religion and less state intervention, such as the Parti Nationale Algérien and the Parti du Renouveau Algérien), its ability to use the network of mosques to propagate its message, and the national appeal of its leadership. Superior organization by itself, however, cannot account for the sectional basis of the FIS's success. It was the exit of specific groups from the FLN which was necessary for the FIS's organizational skills to be translated into votes.

THE MIDDLE CLASSES AND THE FIS: 1990 LOCAL ELECTIONS

To determine whether it was the middle classes that exited the FLN and voted for the FIS, election returns from the local Algerian elections of 1990 were analyzed in conjunction with census data. Election data was available for 216 (of the 1,526) communes distributed in almost every section of the country.¹² These communes were in two *wilaya* in the northeast, three in the north/central region, four

¹²The data was collected by Dhelia Williamson and is reported in greater detail in Williamson (1993). Election returns were reported in El Moudjahid, June 19–27, 1990. The demographic data for 216 Algerian communes were drawn from Algeria (1977).

in the northwest and three that lay in the south. This distribution of communes enabled us to get voting patterns from Berber-dominated communes, wealthier urban and coastal sectors, and rural areas to the south.

From the census data those demographic data were selected which could be expected to influence voting for either the FLN or the FIS.¹³ To assess the independent impact of each of these demographic variables on the vote for the FLN and the FIS, controlling for the others, a regression model was estimated. The dependent variable was the number of seats that the FLN or the FIS won in each commune. The independent variables were log transformations of the census data on social categories. Since those associated with the small business sector and the low level government workers were more likely to exit the FLN and vote for the FIS, these two groups were combined into one category. A similar transformation was done for those between 25 and 34 (who were most likely to vote FIS) and those older than 50 (who, because of their socialization during the war of independence and the years immediately afterward we could expect to support the FLN). All other variables were kept as reported in the census. As table 1 indicates, the communes in which the FIS did significantly better than the FLN were those in which there was a high proportion of French and Arabic speakers, single people, small business sector and low-level government workers and younger people—especially between the ages of 25 and 35.

The robustness of the explanation advanced in the article that it was these groups that supported the FIS is reflected in the fact that a regression estimated with the number of seats won by the FIS and the FLN as the dependent variables and keeping the same independent variables, the signs of the regression coefficients reversed.¹⁴ The FLN did do well, as expected, in areas with more administrators and with people older than 50—communes in which the FIS did poorly. Interestingly, the proportion of those who were unemployed and with homes with electricity (a surrogate for urban areas) did not have a significant influence on support for either the FIS or the FLN.¹⁵

Middle-class support for the FIS was also noted by observers of the elections. The FIS drew support from “elements of the traditional bourgeoisie and traders” (EIU Country Report 1990, 3: 12). The FLN, too, was aware of the exit by the petite bourgeoisie from the party. In order to address this exit by the small business sector in the local elections, the FLN introduced policy changes after the elections. These changes retained government subsidies to various sectors but, in addition, introduced “reforms to the commercial register” which would “allow people to

¹³It could be argued that since the electoral data are aggregated at the commune level the analysis suffers from an “ecological fallacy.” The ecological fallacy is less troublesome, however, since the attempt is “merely to account for the cross-[commune] variance in voting patterns” (Ames 1994, 100).

¹⁴In two-party competition we could expect the signs to reverse. In Algeria, however, not only were there other parties contesting the election, but there were a large number of independent candidates in the electoral fray as well. The presence of other parties and a low correlation between the number of seats won by the FLN and the FIS makes the reversal of the signs a more robust finding.

¹⁵The correlation between levels of education and the other independent variables was around 0.4, not high enough to warrant concerns about multicollinearity.

TABLE 1
SOCIAL BASIS OF SUPPORT FOR THE FIS AND THE FLN, 1990
(ORDINARY LEAST SQUARES REGRESSION)

Social Group	FIS	FLN
French and Arabic speakers	2.09* (0.55)	-0.87* (0.35)
Uneducated	0.23 (0.29)	0.15 (0.19)
Urban dwellers	0.12 (0.18)	-0.03 (0.12)
Single	1.73* (0.72)	-0.83** (0.47)
Small business & low-level govt. workers	1.42* (0.51)	-0.55** (0.33)
Over 50	-6.88* (1.06)	2.94* (0.68)
Age 25-35	4.00* (1.38)	-0.71 (0.89)
Administrators	-1.07* (0.50)	0.59** (0.32)
(Constant)	-12.42* (2.69)	-0.22 (1.73)
<i>Regression statistics</i>		
Adjusted <i>R</i> -square	0.57	0.19
Standard error	2.25	1.45
F:	36.48	7.13
Significance of <i>F</i> :	0.00	0.00
Number of cases: 212		

Source: *El Moudjahid*, June 19-27, 1990, and Algeria, *Récensement Général de la Population et de l'habitat*, 1977.

Note: Figures are unstandardized regression coefficients; standard errors are in parentheses. The estimates were derived from separate regressions, one with the number of seats won by the FIS as the dependent variable and the other with the number of seats won by the FLN as the dependent variable. The independent variables are log transformations of the number of people in the specified social group residing in a commune.

* $p < .05$; ** $p < .10$.

enter business and stop controls on what a shopkeeper could sell" (EIU Country Report 1990, 3:21).¹⁶ Similarly, support by the educated segment for the FIS was noted in *Algérie Actualité* by journalists who visited the FIS communes in coastal towns. They found that the "new APC Presidents to be moderate and well educated professionals who professed not only Islamist values but also a firm conviction that the FIS was the only way to overcome FLN mismanagement" (EIU Country

¹⁶The commercial register controlled large areas of local business life and could be very restrictive (EIU Country Report 1990, 3:21).

Report 1990, 3:13) and that "Algeria's Islamists, in particular those supporting the FIS, [were] educated and, in some ways, moderate in their political views. Many are of middle class background . . ." (Entelis 1992, 78).

CONCLUSION

The argument developed here has attributed the electoral success of the FIS—an explicitly religious party—to the political economy of dominant party rule in postcolonial Algeria. Rent-seeking coalitions within the FLN constrained the FLN's response to a fiscal crisis, which led the middle classes to exit the FLN. This exit accounts for the electoral gains posted by the FIS in the 1990 local elections. This discussion has pointed to a definite material basis of support for religious parties. While the article is limited to Algeria, there is some evidence that the argument may be applicable to other states in the Middle East and South Asia. The electoral success of the Islami Jamoori Ittihad in Pakistan after the 1990 elections and the emergence of the Bharatiya Janata Party as the second-largest party in India following national elections in 1991 have been attributed to middle-class support for these parties (Syed 1991; Malik and Singh 1994). In both cases the party in power prior to the election—the Pakistan People's Party and the Congress Party respectively—increased state regulation of the economy to resolve a fiscal crisis (Noman 1990; Kohli 1989). Given the framework developed here it is no surprise that the middle classes in Pakistan supported the Islamic coalition in 1990 while in India they backed a Hindu religious party in the 1991 election. Similarly, the coalition that was formed in opposition to, and eventually overthrew, the Shah's regime in Iran could be understood within this political economy framework. In Iran, following a fiscal crisis, the state both increased its regulatory role and altered its distributive practices. This led both the bazaris who favored less regulation, and the disadvantaged, who preferred a larger role for the government, to oppose the Shah (Keddie 1988; Hambly 1989; MacLachlan 1989).

The argument developed here does not deal with the more complex issues of either the rise of religious revivalism or the emergence of fundamentalism. The purpose of this article was limited to providing an account of why a dominant party like the FLN could no longer retain middle-class support and why these groups supported the FIS in larger proportion than others, hence suggesting that the role of economic factors may be critical in understanding the electoral success of religious parties.

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