Rentier state theory

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How external rent influence business behavior RENTIER THEORY is a an international relations assertionthat is used in classifying states whose major portion of their economic revenue is derived from rents of trading resources with external business partners and clients. This kind of trade is often commonly used in world economies with valuable natural resources like oil and reserve currencies like United States of America, Arab nations and some other members of OPEC. Because of the nature of the trade involved in this kind of getting rent, its influence on the business behavior is also evident as discussed below.

Monopolies- overreliance on external rent always comes at a cost. The fact that these parties involved may have in abundance the resources they engage in this kind of rent acquisition in itself may lead to adverse influence on the business behavior. This may lead to monopolization of the market since these resources are highly valued. The aspect of monopoly sets in when a nation enters a trade pact with your nation thus wanting to dictate the terms of trade. They may opt to be the only supplier of the resource thus monopolizing the economy.

Trading restrictions- since the states involved are rich in certain highly valuable resources, they may decide to impose the terms of trade and even putting up some restriction measures to ensure they remain dominant. They restrict a party involved from engaging commercially with other nations.

Solicitation of aids- States involved in rentierism may engage in a mutually benefiting way. They may engage in giving aids in order to get some political influence in that particular region or over the nation. This is majorly common with the United States who subsidizes project of other nations in exchange for influence. This may impact the business behavior by influencing its dynamics.