Islam and Underdevelopment: An Old Puzzle Revisited

by

TIMUR KURAN*

The world's predominantly Muslim countries have long been underdeveloped. This paper classifies, critiques, and extends the mechanisms that have been proposed as explanations for the pattern. One mechanism involves the use of Islam to legitimize worldviews that served vested interests. Another emphasizes religious obstacles to free thinking and innovation. And still another focuses on communistist norms that dampened incentives to develop capitalist economic institutions. None of these explanations elucidates why groups without any stake in the impediments to growth failed to bring about major reforms. The missing element is the role of public discourse in keeping individuals from questioning, even noticing, social inefficiencies. (JEL: O 1, P 4, N 4)

1. Introduction

On October 29, 1923, the day Turkey was proclaimed a republic, the new regime's founder, who would eventually assume the name Atatürk, spoke to a reporter on culture and religion. The Turkish nation should remain religious, he said, explaining that religion is not necessarily inimical to progress. He added, however, that many of his fellow Turks were being held back by a "confused and artificial religion riddled with superstitions" (ATATÜRK [1923/1990, 68]). Under his leadership, Turkey would go on to abolish the Islamic caliphate and declare secularism one of its guiding principles.

Atatürk was not alone in viewing Islam, or at least popular Islam, as irrational and regressive. Many educated Muslims of his day shared his perception, as did most Westerners. To many, it seemed self-evident that Islam was inconducive to economic development, or at least less supportive of development than was the West. Muslims were overwhelmingly illiterate, whereas in the West mass education was already more than an ideal. Few Muslims appreciated, and even fewer were seeking to capitalize on, the discoveries and innovations

* For useful criticisms and suggestions, I am indebted to many individuals, especially Mathias Erlet, K. S. Jomo, Eric Jones, James Montgomery, Şevket Pamuk, James Robinson, Erich Schanze, and Quang Vuong. Tolga Köker and Murat Somer provided valuable research assistance. A draft was discussed at the 14th International Seminar on the New Institutional Economics, held in Wallerfangen, Germany, on June 12–14, 1996.

that, in the West, were transfiguring production processes, ushering in new commodities, and boosting living standards. Muslim trade with the outside world, even trade within it, was largely under the control of Europeans, whose local representatives came chiefly from religious minorities. Muslims had established few banks, and their treasuries were depleted. The contrast between Europe’s ongoing advances and the Islamic world’s backwardness was stark enough to make Islam seem antithetical to economic modernization.

Three quarters of a century later, certain heavily Muslim countries are on the World Bank’s roster of high-income countries, with others in the middle-income category. Still, the poorest countries of the world contain disproportionately many with predominantly Muslim populations. From a scientific standpoint, then, it is natural to inquire into the existence of a causal relationship between Islam and economic development. I hasten to point out that statistical correlation does not imply causation. Establishing causation requires identifying one or more mechanisms to account for the correlation.

The purpose of this essay is to classify and critique some of the proposed mechanisms and to distinguish them from the crude arguments that enjoyed currency at the time that Turkey became secular in a bid to limit Islam’s social power. At the end, I shall lay some groundwork for an integrative theory. It should be recognized that the relevant literature is remarkably small in view of Islam’s importance in global affairs. Significantly, the English-language development textbooks currently in vogue tend not to explore linkages between religion and economic development, to say nothing of addressing the economic role of Islam in particular.¹

One reason for the paucity of scientific interest in investigating the connections between Islam and development lies in the uncommonness of interdisciplinary contacts between economics and religion. Economists, even ones connected to the Islamic world, generally know little about the scientific study of religion; most have learned to ignore hard-to-quantify cultural variables and to operate as if these have no economic effects, positive or negative. For their part, scholars trained in the languages, history, or politics of the Islamic world tend to lack sophistication in economics. Another reason for the uncommonness of relevant analysis is “cultural relativism” – the inclination, which gained momentum through anthropological studies of the 1930s, to treat cultures as incomparable. In requiring every culture to be studied on its own terms, cultural relativism has discouraged comparative studies on the economic effects of cultural variables. And still another reason for the scarcity of inquiries into the

¹ See, for example, TODARO [1985] and GILLIS et al. [1992]. Todaro notes in passing that the meaning of development incorporates freedom from “dogmatic beliefs” and also that wealth offers the choice to “live a life of spiritual contemplation” (p. 87). He does not elaborate, leaving the economic role of religion unspecified.
economic impact of Islam lies in efforts to avoid emboldening groups perceived as hostile to Muslims.\footnote{Edward Said’s [1978] \textit{Orientalism} offers an influential case for thinking twice before publicizing the shortcomings of the Muslim East. See Lewis [1993b, ch. 6] for the counterargument.}

Certain findings and arguments in this paper, both some of my own and some developed by others, can doubtless be abused. But this is not a sufficient reason to avoid an honest analysis or to suppress troubling data. The principal victims of self-censorship could be the very peoples one is trying to protect. In any case, whatever the extent of current anti-Muslim prejudice, it is unlikely to disappear by ignoring potentially discomforting possibilities. On the contrary, a dispassionate analysis that dispels myths might serve as an antidote to religious prejudice.

\section*{2. Statistics and Trends That Demand Explanation}

Some evidence suggesting a possible link appears in the regressions shown in table 1, which include the 132 countries covered by the \textit{World Development Report} for 1995. In each regression, the dependent variable is the logarithm of

\begin{table}[h]
\centering
\begin{tabular}{lcc}
\hline
 & (1) & (2) \\
\hline
Constant & 3.33 & 3.55 \\
Share Muslim & $-0.41^{***}$ & $-2.07^{****}$ \\
 & ($-2.57$) & ($-2.87$) \\
Squared Share Muslim & & 1.76** \\
 & & ($2.29$) \\
OPEC member & 0.42* & \\
 & ($2.20$) & \\
Subsaharan Africa & $-0.67^{*****}$ & \\
 & ($-5.77$) & \\
$R^2$ & 0.04 & 0.34 \\
\hline
\end{tabular}
\caption{The Relationship Between Islam and Per Capita Income}
\end{table}

Notes: 132 countries were included in the regressions. Asterisks *, **, ***,***, ****, and ***** denote significance at the 0.03, 0.02, 0.01, 0.005, and 0.0000 levels, respectively. The $t$-values are shown in parentheses beneath the regression. $R^2$ is the multiple correlation coefficient adjusted for degrees of freedom. In each of the regressions the dependent variable is the logarithm of per capita income, and in the second the last two independent variables are dummies.
per capita income, drawn from the Report. The only independent variable of the first regression is the share of Muslims within total population, as provided by the Britannica Book of the Year, 1995. This regression indicates a statistically significant negative relationship between the two variables, but its fit is poor.

A considerably better fit is obtained from the second regression, which includes additional independent variables. Membership in OPEC, the oil cartel, turns out to be a significant contributor to income, and location in sub-Saharan Africa, the world’s poorest region, a highly significant depressor. The Muslim share of the population remains a very significant negative determinant of income. The positive coefficient for the square of the Muslim share of population is statistically significant, indicating that a U-shaped function fits the data better than a linear one. The curvature reflects the fact that the African, South Asian, and East Asian countries with large Muslim minorities tend to be poorer than countries with Muslim majorities located mostly in the Middle East.

A complementary indication is given by the Muslim share of global income. If in every country Muslims earned, on average, exactly the average per capita income, the data used in the previous exercise would show the Muslim share of global income to be 5.98%. As figure 1 reveals, this figure is strikingly less than the Muslim share of the global population, which is 19.22%. The assumption

![Figure 1](image_url)

The Muslim Share of World Income is Much Lower Than That of World Population

---

3 For five of the countries, including three with heavily Muslim populations, the Report omits income data. I assigned these countries incomes that placed them at the top of their income groups. For example, Saudi Arabia and Turkmenistan, which the Report treats as upper-middle income countries, were assumed to have per capita incomes at the top of the upper-middle bracket.

4 No distinction is made between practicing and non-practicing Muslims. The population shares would be lower if account were taken only of the former.

5 Most of the figures come from the “Nations of the World” section, with adjustments to those of Armenia, Azerbaijan, the Russian Federation, Ukraine, and the United Kingdom, to correct either typographical errors or official misclassifications. Where the Muslim share of the population was not reported, it was computed on the basis of information in the “Comparative National Statistics, Religion” section.

6 Adding to the independent variables the logarithm of population improves the fit slightly, but the new coefficient turns out insignificant.
that Muslims and non-Muslims have the same average income in every country is obviously unrealistic. In most of the countries where Muslims live in substantial numbers, they are generally poorer than the non-Muslims. So the reported contrast probably understates the actual discrepancy.

One could refine these statistical exercises by collecting additional data, considering further variables, and constructing a more sophisticated measure of development. But such refinements are unlikely to alter the general pattern. And, in any case, our objective here is to critique the causal mechanisms that have been proposed to account for the incontrovertible fact that Muslims tend to be relatively poor.

Few will deny that the level of economic development – whether measured by per capita income or by variables like trade, literacy, science, scholarship, and technology – has long been lower in the Islamic world than in West.\(^7\) In the mid-nineteenth century, the contrast was captured in a famous couplet by the Turkish intellectual Ziya Paşa:

I passed through the lands of the infidels, I saw cities and mansions;
I wandered in the realm of Islam, I saw nothing but ruins.\(^8\)

There is variation, however, in perceptions concerning the beginnings of the West’s economic superiority. A fashionable view, grounded in the fact that several Muslim states continued to challenge Europe militarily right up to the eighteenth century, is that the West did not achieve economic dominance until the seventeenth century, if not later.\(^9\) Whatever the exact date when the West overtook the Islamic world – regardless of how development is defined, it cannot be determined precisely – the catching up actually began much before. The Islamic world was clearly more advanced than the West around the tenth century. If it had fallen behind by the seventeenth century, the reason is that centuries earlier Europe began undergoing fundamental social transformations destined to produce huge economic payoffs.\(^10\) While Europe was laying the preconditions of the impending Industrial Revolution, Islamic civilization underwent its own transformations, of course. Moreover, the decline of the Islamic world’s relative economic position was interrupted, if not temporarily reversed, by reflooding of economic activity in Spain and Anatolia, among other places. Still, the overall trend favored the West for the better part of a millennium.

If the Islamic world was at one time economically more advanced, one reason is that it was at the forefront of scientific and technological innovation. By the thirteenth century, Islamic learning and creativity was past its peak. A telling

\(^7\) The term “West” is defined to include Western Europe as well as places, like North America, settled largely by West Europeans. It excludes Latin America.

\(^8\) The poem is reproduced in AKYÜZ [1953, 29].

\(^9\) A forceful variant of this argument belongs to HODGSON [1974].

indication lies in the temporal distribution of the great scientists included in an "encyclopedia of Muslim scientific pioneers" (Dögen [1987]) issued, significantly, by an Islamist publisher. Of the scientists it lists, 64% produced their pathbreaking works before 1250, and 36% did so between 1250 and 1750; not one lived after 1750. Although the ranks of the world's leading scientists now include Muslims, the Muslim contribution to scholarship and innovation remains small in relation to the Muslim share of the world population. In a book replete with relevant data, Pervez Hoodbhoy [1991, 34] reports that on a per capita basis Arab scientific output is a mere one percent of that of Israel. Although only 20% of all Muslims are Arabs, the comparison is roughly indicative of the Islamic world's current participation in scientific progress.

Michael Cook [1974] and Roger Owen [1981], among others, have observed that in absolute terms the Islamic world continued to grow even as it declined relatively. Their observation raises the distinction between extensive and intensive growth. Extensive growth takes place when population growth raises total income with no increase in income per capita; it has occurred since the dawn of history. By contrast, intensive growth involves increases in income per capita; much rarer, it is ordinarily driven by the technological, organizational, institutional, perceptual, and moral changes that we associate with economic development. In terms of this distinction, what is at issue here is not extensive growth in the Islamic world. Rather, it is the relatively poor record of intensive growth during a long period that began in the Middle Ages.

3. Three Theses

The explanations advanced by scholars who have reflected on the above patterns fall into three categories.

3.1 The Economic Irrelevance Thesis

In the first category, which comprises what may be called the economic irrelevance thesis, are arguments to the effect that the economic fortunes of Muslims have had nothing to do with Islam per se. The most forceful exponent of the thesis is Maxime Rodinson [1966/1973]. Although the fundamental sources of Islam contain numerous economic precepts, proposes Rodinson, none has constrained economic behavior in any significant way. In practice, he maintains, Muslims have always been able to pick and choose among them; in addition, they have found it easy to reinterpret particular precepts in the face

---

11 The temporal breakdown comes from Ölcen [1991, 69f.], who observes also that science was defined more liberally for later centuries than for earlier ones. In sharp contrast to the period before 1250, the pathbreakers who came after 1400 made no contributions to physics, chemistry, biology, or mathematics.

12 For fuller definitions, see Jones [1988].
of changing conditions. Rodinson does not deny that Islamic civilization experienced a protracted economic descent. But he rejects that the descent was driven by beliefs or values rooted in Islam. It was caused, he argues, by changes in material conditions – changes to which the worldviews and moralities of Muslims merely adapted. If at various times Muslims have appeared to resign themselves to poverty, the reason is not, in this view, that Islam counsels laziness. Rather, it is that resignation has been a rational response to the futility of resisting political obstacles to economic advancement.

The insurmountable obstacles were created, according to Rodinson, by European imperialism. This claim begs the question of why Islamic civilization succumbed to colonialism. Rodinson does not provide an answer. Instead, he infers that, because Islam posed no obstacle to capitalist development, one cannot prove that in the absence of European imperialism the Islamic world would not have developed in the manner that Europe did. As K. S. Jomo [1977] points out, neither can one prove the opposite. In any case, the fact that the Islamic world's relative economic decline began well before the onset of European imperialism suggests that its essential causes were internal rather than external.

A qualified variant of the economic irrelevance thesis belongs to Eric Jones [1988]. Every society, observes Jones, faces numerous obstacles to economic growth, all rooted in individual inclinations to better themselves at the expense of society. Ordinarily, these obstacles frustrate possibilities for intensive growth, which is why growth in per capita income has everywhere been minuscule through most of history. From this perspective, it is easy to understand why the Islamic world developed slowly after roughly the tenth century; the challenge is to explain the rapid development of Europe rather than the slower development elsewhere. Moreover, there is no reason to look for special factors that depressed the Islamic world's economic performance; one must explore, if anything, the factors that overcame Europe's own obstacles to growth. Jones adds that Islamic injunctions that may appear inimical to growth – the ban on interest, restrictions on speculation – have routinely been circumvented. At the same time, he recognizes that efforts at evasion impose social costs. They produce, he says, "a certain brake on the economy, conceivably even a lower average probability of independent growth than in, say, Christendom" (p. 97). He insists, however, that this "brake" hardly implies the impossibility of self-generated growth. His argument boils down to the view that the connection between Islam and economic development is, while not imaginary, quite weak; if material circumstances are ripe for development, the beliefs and values of Muslims will not stand in the way.

3.2 The Economic Advantage Thesis

When I return to the arguments of Jones and Rodinson, it will become clear that, although each has shortcomings, they nonetheless provide insights that
any broad synthesis must accommodate. For now, let us turn to the second
category of explanations, which form the economic advantage thesis. From a
strictly logical standpoint, this thesis, which holds that Islam supports econom-
ic development, does not conflict with the Islamic world's undeniable economic
descent. Islam's effects on growth could have been consistently positive, yet
eventually overwhelmed by other factors. One variant of such an argument is
a standard feature of Islamic economics – the school of thought that, since the
1940s, has been trying to restructure economics on the basis of Islamic teach-
ings.\textsuperscript{13} Observing that many verses of the Koran encourage effort and enrich-
ment,\textsuperscript{14} Islamic economics proposes that the economic prescriptions of Islam
– its financial regulations, contracting guidelines, distributional instruments,
and behavioral norms – provide an ideal framework for economic develop-
ment. For proof, it says, one need look only at the impressive economic record
of the first Islamic society in seventh-century Arabia.

What is known about the economic evolution of early Islamic civilization is
actually quite limited. There is no doubt, however, that during the first few
centuries of Islam regions under Muslim rule, including the Middle East, North
Africa, and Spain, flourished economically. Nor is there doubt that the com-
mercial and financial regulations introduced under the rubric of Islamic law
fueled the observed economic growth (Udovitch [1970]) or that they influenced
the economic evolution of Western Europe (Udovitch [1962]). Yet, there is no
inherent conflict between the economic successes of early Islamic civilization
and the proposition that Islam itself discourages economic development. For
one thing, the early successes could have occurred in spite of the religion's
growth-inhibiting features; the primary source of development might have
been, for example, the mixing of cultures brought about by conquests, conver-
sions, and political reorganization. For another, even if Islam promoted growth
for a while, it obviously failed to ensure quick adaptations to later opportuni-
ties. This raises the possibility that Islam is less conducive to economic growth
under certain conditions than under others.

If Islam contributed to the economic ascent of Islamic civilization, it might
have influenced the subsequent descent. Conversely, if factors other than Islam
account for the long descent, non-religious factors probably played a role in the
prior ascent. The challenge for the social sciences is to identify social mecha-
nisms that account for both the ascent and the descent. The promoters of the
economic advantage thesis typically attribute the ascent to the institutional and
moral changes brought by Islam, but the descent to forces that made Muslims
become, after a brief "Golden Age," progressively readier to pursue un-Islamic
economic activities. In this account, which resembles the Sumerian and Hebraic

\textsuperscript{13} For a recent contribution to Islamic economics, see Chapra [1992]. Kuran [1993]
critiques the literature and evaluates its practical impact.

\textsuperscript{14} For instance: "When the service of prayer is over, spread out in the land, and look
for the bounty of God" (62:10), and "Do not forget your part in this world" (28:77).
stories of man's fall from Eden, the accomplishments of Islamic civilization after the mid-seventh century – even the high Abbasid caliphate and the expanding Ottoman Empire – appear as degeneration. The account leaves unaddressed why Islamic civilization fell victim to corrupting influences. And in treating the ideal economy as static, it overlooks that civilizations decline by failing to adapt to changing circumstances.

A variant of the economic advantage thesis deals with the reality of the Islamic world's poor economic record by downplaying the West's economic achievements. In the view of Ahmad HAFFAR [1975], for example, the West's economic expansion offers little worth emulating; having spawned psychological and social problems, it should not even be called development. The key to development worthy of the name lies, Haffar maintains, in a return to the pristine simplicity of the "Golden Age."

3.3 The Economic Disadvantage Thesis

The undeniable imperfections of modernity do not negate, of course, the many improvements that have accompanied economic growth, like the near disappearance of famines and the huge extension of life spans. Thinkers whose views form our last broad category of explanations, the economic disadvantage thesis, take such improvements for granted. In contrast to Haffar, their focus is on why the Islamic world experienced a relative decline; why the decline lasted so long; why Muslims were slow to industrialize; and why the Islamic world remains, in spite of its oil wealth, relatively poor. Only some of the explanations provide clearly articulated causal mechanisms; as the next four sections will show, the simplest involves little more than an enumeration of symptoms. The more sophisticated explanations describe a social equilibrium or a dynamic process. None offers, however, a complete account of the underlying forces.

I start with the least satisfactory variant: the permanent economic disadvantage thesis.

4. Islam Itself as Permanent Barrier to Development

Before the mid-twentieth century, a frequently and openly expressed view in Western scholarship was that Islam stood for unchangeability. Under the rubric of "Orientalism," many studies treated Islam as defining and promoting a social system lacking a capacity for adaptation. Lord CROMER [1909, vol. 2, 228 f.], effectively the British governor of Egypt from 1883 to 1907, put the claim succinctly: "Islam cannot be reformed: that is to say, reformed Islam is Islam no longer; it is something else." He went on: "Little assistance in the work of reform can, therefore, be expected from the steady orthodox Moslems, who cling with unswerving fidelity to their ancient faith, and whose dislike to European civilization often increases as that civilisation advances." Accordingly, he saw Christian Egyptians as "if not the only possible, at all events the
principal agent for administering the country, except in so far as it is administered by Europeans.” A complementary view was advanced by the French scholar Ernest Renan [1883], who held that early Islam and its Arab propagators were hostile to science and philosophy. Knowledge advanced under Arab domination, he claimed, only when Persian and Hellenic influences were powerful. All religions had discouraged free inquiry, but Islam, because it extended the rule of dogma to the temporal realm, had always stood in a class by itself.

Many other such opinions can be cited; Edward Said [1978, ch. 2] reviews some of the most categorial. Curiously, they share with the economic advantage thesis that undergirds modern Islamic economics the view that Islam defines a timeless and closed socioeconomic system, differing only in their treatment of the presumed fixity as a handicap rather than a blessing. For many of today’s Islamic economists, it is a mistake for Muslims to emulate the transformations of the West; for Orientalists of Cromer and Renan’s persuasion, by contrast, the problem has been that Muslims cannot Westernize as long as they remain Muslims. Underlying these contrary positions is the common presupposition that the corpus of Islamic law (the sharīʿah) never changes. In fact, and as the exponents of the economic irrelevance thesis emphasize, it is always changing through extensions, contractions, and reconstructions. Although the Koran itself is never called into question within acceptable Islamic discourse, it does indeed get reinterpreted. As a case in point, its verses that are generally interpreted as prohibiting all forms of interest have at certain times and places been reinterpreted as excluding the non-exploitative forms.

Yet Cromer and Renan viewed Islam as a promoter of fatalism and a deterrent to experimentation. It is true, of course, that the literal meaning of Islam is submission and also that the Koran contains verses one might reasonably interpret as counseling fatalism.15 Also true, perhaps, is that individuals trained to attribute phenomena to the works of an interventionist deity are less likely to question the status quo. But no major religion is free of fatalistic elements. Besides, if the main obstacle to growth has been what Islam teaches, one needs to identify the social mechanism that made that teaching persist; neither Renan nor Cromer took that step. A related problem is their failure to accommodate variations in Muslim attitudes toward socioeconomic change. In any case, they did not seriously investigate whether commitment to Islam is associated with conservatism or lower productivity. On the basis of the economic backwardness they saw, they simply took it for granted.16 And, in the process, they general-

15 Example: “Believing men and women have no choice in a matter after God and His apostle have decided it” (33:36).
16 An empirical test of their proposition, conducted much later in rural Jordan (Sutcliffe [1975]), found that religious commitment, as measured by frequency of prayers, bears no statistical relationship to productivity or receptivity to technological change. But this test has not been replicated elsewhere. In any case, its measure of religious commitment is unduly simplistic.
ized the nadir of Islam’s economic performance into an indictment of Islamic civilization as a whole.

The tendency to treat Islam as a source of growth-inhibiting attitudes without specifying how they get produced and reproduced did not end with Cromer and Renan’s generation of commentators. The same gaps appear also in the works of modernization theorists whose heyday was the quarter-century following World War II. An influential member of the school, Daniel Lerner [1958, 405], wrote in his best-known work, *The Passing of Traditional Society*, that “the top policy problem, for three generations of Middle Eastern leaders, has been whether one must choose between ‘Mecca or mechanization’ or whether one can make them compatible.” He himself believed that Muslims faced a veritable choice—one that would ultimately get resolved in favor of “mechanization,” with “Mecca” losing much of its relevance. Lerner did not explain why “Mecca” had been, and remained, an obstacle to modernization. He simply observed that Islam, in its prevailing form, was inimical to the structural changes essential to the Islamic world’s progress.

The leading development economists of the post-war years shared the modernization theorists’ view that the Islamic world’s economic development would require, at the very least, the reinterpretation of Islam. For example, Arthur Lewis [1955, 105], in his textbook on economic growth, argued that “some religious codes are more compatible with economic growth than others. If a religion lays stress upon material values, upon work, upon thrift and productive investment, upon honesty in commercial relations, upon experimentation and risk bearing, and upon equality of opportunity, it will be helpful to growth, whereas in so far as it is hostile to these things, it tends to inhibit growth.” He did not provide an exhaustive classification of religions according to their support for development. But his examples make clear that he considered Islam a deterrent to growth. While he cites several religious minorities as having contributed to development, he mentions the “Moslems in India” as an example of an economically lethargic minority. Significantly, Lewis follows this example with commentary on how some minorities adopt precepts “hostile to economic development,” but he explains neither how such precepts arise nor why they persist. The same pattern is found in the works of Irma Adelman and Cynthia Taft Morris [1973, 38f.]. In identifying various social determinants of economic performance, they use a scale that ranks religions according to the degree to which they encourage people to control their own fate. With A+ the highest rating and D the lowest, Islam receives a B for cultivating “moderately fatalistic attitudes toward man’s capacity to alter his destiny.” The authors take such attitudes as given, however, without explaining either their origins or their diffusion.

The modernization and development theorists of the early post-World War II decades, like their Orientalist predecessors, formed their views about Islam through intellectual trends that treated religion as an intoxicant to be overcome
by human progress.\textsuperscript{17} Many of them held low opinions also of the major Eastern religions;\textsuperscript{18} and they generally supported efforts to move vast domains, including economics, outside the realm of religion. If they considered Islam less supportive of development than, say, Christianity, a basic reason was that secularization had gone further in predominantly Christian countries than in predominantly Muslim ones. And they could make essentially unsupported claims about the consequences of Islam because their readers were unlikely to pose questions.

Not that the modernization perspective was monopolized by thinkers with only superficial knowledge of Islam. It was accepted also by certain prominent students of Islamic civilization, who helped cultivate the view that the Islamic world’s economic development depended on its secularization. A case in point is Niyazi Berkes \textsuperscript{[1964]}, whose works on Turkish history link every social advance to a retreat of Islam. Ottoman citizens, Berkes observes, learned of Western scientific advances through schools run, if not established, by foreigners. The religion-based curricula of traditional schools remained essentially static until these schools were closed in the course of Atatürk’s reforms of the 1920s. Almost all the leaders who initiated the modernization campaigns of the Ottoman Empire and its successor states, Berkes goes on, had enjoyed sustained exposure to Western philosophies. Equally revealing, the novel ideas generated by the European Enlightenment reached the empire’s non-Muslim peoples before they did the Muslims.

There is much additional evidence, recorded by Berkes and others,\textsuperscript{19} that religious authorities (‘ulama) held jurisdiction in a vast array of legal, social, and educational matters. Although in principle Islam rejects priestly mediation between God and believer, in practice the religious establishment has always exercised substantial control and influence over how Muslims, including Muslim rulers, interpret Islam. Berkes is also on the mark in observing that clerics commonly took conservative positions and that successive reformers had to overcome clerical opposition.

Yet, some of Berkes’ own accounts belie the notion of an unyielding religious barrier to progress. The fact that the first printing press to serve Muslims was established as late as 1727 – almost three centuries after the Gutenberg press – is commonly attributed to resistance from clerics and scribes. Berkes \textsuperscript{[1964, 36–41]} shows that such resistance was actually minimal, although printing, when it arrived, was restricted to books without Islamic significance. The long delay resulted mainly, he finds elsewhere (Berkes \textsuperscript{[1978, 57–65]}), from a confluence of several nonreligious factors, including low demand for books, limited

\textsuperscript{17} Stark, Iannaccone and Finke \textsuperscript{[1995]} offer a critical survey of these trends, to which Compte, Marx, and Freud made major contributions.

\textsuperscript{18} In the rating scheme used by Adelman and Morris \textsuperscript{[1973]}, Hinduism and Buddhism get a C.

\textsuperscript{19} See, for example, Bernard Lewis \textsuperscript{[1968]}.
availability of paper, and lack of essential technical infrastructure. He observes, likewise, that clerics raised no major objections to the establishment of Western-type schools in engineering and medicine. Moreover, fears of Islamic resistance to innovation often proved unfounded. To avoid offending presumed Muslim sensitivities, students at the first modern medical school of the Ottoman Empire were initially taught anatomy from wax models rather than corpses. But when corpses were finally introduced into classes, no objections followed. Equally significant, the School of Medicine had little trouble recruiting Muslim students (Berkes [1964, esp. 115ff.]). The Muslims who enrolled in the school were not representative of the wider population; their ranks would not have contained individuals who came under heavy pressure to stay away from modern medicine. The episode shows, however, that Muslims wishing to get a modern education did not always face insurmountable obstacles.

Such examples from Berkes’ own publications lend some support, then, to Rodinson’s thesis that Islam alone does not account for the Islamic world’s failure to keep up with Europe economically. Like Rodinson’s observations about the ease of circumventing Islamic precepts, they thus compound the puzzle as to why the Islamic world declined so dramatically, at least in relative terms, from the heights it reached a millennium ago. Indeed, to prove that Berkes overstates his case does not negate the incontrovertible evidence of the Islamic world’s long descent; it merely raises a new set of questions. Why, if clerical resistance was not decisive, was the Islamic world slow so embrace modern medicine? Why did the Muslim demand for books grow too slowly to make the printing press an economically viable technology until the eighteenth century, when Jewish refugees from Spain began printing books for Ottoman Jews as early as 1493? One does not have to appeal to fatalism, scripture, or the religious establishment to sense that the answers to such questions must have a religious dimension.

The next two sections introduce arguments more sophisticated than those critiqued in this one. While continuing to recognize that individual perceptions and attitudes matter to economic evolution, they seek also to explain the origins of these dispositions. As such, they treat the economic effects of Islam as variable rather than fixed; they allow particular elements to support change at one time and hinder it at another. As we shall see, these new arguments hold that social circumstances raised the salience of stability-fostering religious features; and they maintain that the resulting reinterpretations of Islam helped legitimize the status quo.

5. Static Worldviews Associated With Islam

One argument starts from the observation that the overriding objective of Middle Eastern states was to keep their rulers in power. The measures taken to
meet this objective fostered some trade and production, but they also bred ideological and institutional sclerosis.

Halil İnalcık [1970], [1994, esp. 44–54] develops this perspective in his analysis of the “Ottoman economic mind.” The Ottoman rulers, he explains, sought to keep their major cities prosperous, and to this end they developed commercial centers and strove to control vital trade routes. However, being interested first and foremost in their own security, they put a premium on economic stability. Accordingly, they enforced price controls, regulated exports, established charitable foundations, kept the burden of taxation largely on the countryside, and, most importantly, restricted basic organizational changes. The system was productive enough to enable the conquest of similarly governed territories. But it proved a serious handicap once a socially transformed Europe overtook the Ottoman Empire economically and militarily. Mentally conditioned by a long history of territorial expansion to believe in the adequacy of their established social system, the Ottoman rulers could not figure out why they were falling increasingly behind.

What became a progressively critical flaw of the Ottoman economic mind was thus its focus on social stability. This focus slowed the emergence of the concept we now call economic development. Nothing in İnalcık’s account identifies religion as the driving force behind ideological and institutional inertia. He observes, however, that Islam came to support the status quo through its legitimation of policies aimed at social stability. For example, the Islamic hisba rules, originally developed by Arabs seeking religious justification for market regulations (Cahen and Talbi [1971]), were used by Ottomans to give religious cover to various anti-competitive measures, even to their overall economic philosophy. When Europe’s evolution made the Ottoman economic system increasingly inadequate, this religious significance then made major changes look like a defeat for Islam rather than a victory for Ottoman society, thus raising the obstacles to reform. Put differently, the status quo’s religious significance increased the perceived costs of change.

We will see shortly that this interpretation has its limitations. But let us move on. The economic mentality identified by İnalcık matches the dispositions that Ibn Khaldun [1379/1958, vol. 1, esp. 311–319], in his famous theory of the flowering and decay of Muslim states, attributes to the elites of states beyond their prime. Ibn Khaldun observed that Muslim states were typically founded by nomadic warriors motivated by the promise of booty and glory. The warriors would subjugate, unite, and organize sedentary populations, and then settle down themselves. Their descendants, raised in calm and comfort, would possess neither the predatory urges nor the dynamism that led to their state’s creation. Content to preserve their gains, they would make their states vulnerable to conquest by a fresh band of ambitious nomads prepared to work for a more advanced socioeconomic order. In Ibn Khaldun’s account, then, the main source of economic progress is conquest motivated by looting; without conquest, states would only decay, because they lack an internal engine for change.
The religious connection comes from the legitimacy that Islam has bestowed upon conquest: conquest played an important role in the first Islamic state's expansion, and the fundamental sources of Islam justify its use in promoting conversions. So, insofar as the emphasis on conquest discouraged the creation of new wealth, religion would have restrained intensive economic growth.

At the time Ibn Khaldun wrote, the Islamic world was more than two centuries away from the peak of its European expansion. It is amazing, therefore, that he worried about the decline of scientific learning in Muslim countries and that he expressed admiration for philosophical advances in "the land of Rome."\(^{20}\) Evidently, he sensed that an internal engine of economic development would ultimately outperform an external one based on conquest. This is not to say that his thesis fully explains the Islamic world's relative economic decline. Most critically, it leaves unexplained why the inefficiencies of Muslim states were not challenged from within. Even if one accepts his account of why the rulers of these states became lethargic, one needs to explain why their subjects produced no challengers. What, exactly, kept Muslim societies from generating the ideas, experiments, and movements necessary to keep them economically powerful vis-à-vis their outside competitors? Inalcık's observations raise similar questions. While it is easy to see that the Ottoman rulers - like rulers elsewhere - had a vested interest in political stability, it is not self-evident why the non-ruling Ottoman masses put up with the constraints on their economic advancement. One might observe that, even in its heyday, the Ottoman Empire was no stranger to mass uprisings. The Celali revolts of the sixteenth century provide a case in point.\(^{21}\) However, these uprisings were generally disorganized movements. And their participants usually sought forced redistribution rather than fundamental social reforms to promote wealth creation.

A third perspective on the static nature of the Islamic worldview focuses on the social standing of Ottoman merchants. Sabri Ülgener [1981], [1984] observes that the Ottoman craft guilds participated in efforts to legitimize their own market sharing practices and to delegitimize the competitive practices of merchants, including speculation, arbitrage, price cutting, advertising, and product improvement. There are obvious complementarities between Ülgener's observations and those of Inalcık. Stability-seeking Ottoman rulers would have preferred craftsmen to merchants because the former were stationary whereas the latter moved around. And they could expect the minimization of intraguild competition to improve political stability in the short run.

Yet, to show that certain segments of society gain from particular values does not, by itself, establish how those values spread and endured. Ülgener's account does not elucidate why the social standing of Ottoman merchants generally

---

\(^{20}\) See Ibn Khaldun [1379/1958, vol. 3, 1117f.]. The territories to which he refers are the Christian-ruled states of the northern Mediterranean.

\(^{21}\) Accounts of these revolts are given by Akdağ [1975] and Griswold [1981].
worsened over time; or why the merchants proved incapable of correcting their negative images; or why Islam came to be associated with a morality unfavorable to dynamic competition. These puzzles are compounded by the fact that the founder of Islam, the Prophet Muhammad, was himself a merchant remembered — although some of the recollections are doubtless apocryphal — to have cautioned against interfering with market competition. Given that early Islamic thought harbors certain pro-competitive traditions, it is especially puzzling that Muslim merchants, along with Muslim consumers who stood to benefit from greater competition, failed to counter the anti-competitive influences of the guilds.

In any case, the low social standing of merchants provides nowhere near a complete explanation for the Islamic world’s protracted economic descent. After all, the politically powerful treated merchants with contempt even in places that ushered in the modern economy. “The business elite in England,” observes Jack Goldstone [1987, 123] on the basis of recent studies of premodern England, “virtually never penetrated into the aristocratic elite; up to 1800 wealth gained a better lifestyle, but the daughters of the aristocracy still did not deign to marry into the business classes, and the latter remained a socially separate, and lesser, group.” A similar observation may be made with regard to the anti-competitive regulations of the guilds. As Jones [1987, 98–103] reminds us, analogous regulations existed also in Europe, where the guilds reacted just as defensively to the rise of modern industry. The difference between Europe and the Islamic world was not, then, that their guilds behaved differently but that in the former the rulers came sooner to appreciate the social costs of retaining guild privileges. Even small differences in attitudes and policies might have produced, over decades and centuries, large variations in economic performance. Likewise, over a long time span even small differences in the treatment of merchants might have produced cumulatively large effects.

A related puzzle raised by Ülgener’s thesis lies in the continuing influence of the economic morality that became associated with Islam. The foremost objective of the contemporary doctrine of Islamic economics is to replace the individualistic economic morality that has spread through contacts with the West with a communalist morality akin to that of the Medieval Middle East. As we shall see further on, a strictly individualist morality encourages people to pursue their own ends without having to consider the social consequences. By contrast, a communalist morality focuses attention on collective needs. The justifications that Islamic economics offers in support of its prescriptions — charge just prices, pay fair wages, avoid interest and speculation — always reflect a concern for balancing individual needs against those of society. The communalist economic morality of Islam has had, of course, its counterparts in other religions, including Christianity. But in the centuries leading up to the Industrial Revolution, expanding segments of Christianity moved away from communalism and

---

22 Chabara [1992, ch. 5] offers details. For critical accounts, see Kuran [1986], [1993].
toward individualism. As Ülgener and others observe, the moral transformation that accompanied the rise of European capitalism essentially bypassed the Islamic world. This observation does not, of course, explain the divergence in economic performance. Insofar as moral transformation supports economic development, studies that identify a static worldview uncover a symptom of underdevelopment, but without specifying the underlying causal mechanism. In essence, they identify stability without accounting for its source.

6. Ossification of Muslim Perceptions and Knowledge

İnalçık's observations concerning the Ottoman economic mind, like those of Ülgener, raise the further question of why this mentality long remained impervious to the mounting evidence of Ottoman decline relative to Europe. When a civilization that has enjoyed military, political, and economic dominance starts falling behind, one expects it to produce diagnoses. Indeed, in the seventeenth and eighteenth centuries increasing numbers of Muslims wrote about the reality and causes of the Islamic world's descent. Bernard Lewis [1982], [1993a, chs. 16, 27] shows that, with few exceptions, they saw Europe's advantages as consisting basically of superior weaponry. Practically none showed awareness of the new economic values and institutions that were undergirding Europe's growing military superiority. Accordingly, the major Muslim-led governments hired Westerners to provide guidance on military modernization, but for a long time they made little effort to understand Western society, culture, or economic practices. Until well into the nineteenth century, reports Lewis [1982, 196], "not a single work of economic content was translated into Arabic, Persian, or Turkish."

Not that Muslim observers of the Islamic world's decline gave no thought to economic problems. Among those they commonly identified as contributors to economic enfeeblement were corruption, favoritism, oppression, greed, and high taxes. Such problems had arisen, most felt, because the values and institutions that had supported past glories had eroded. The appropriate remedy was to rediscover, reinvigorate, and reinstitute the structures that had once proven effective. In contrast to Europe, where the incumbent social institutions were being challenged in the name of progress, until well into the nineteenth century the Islamic world produced no major movements pursuing radical social change.25

23 Rosenberg and Birdzell [1986, ch. 4] and Hirschman [1977] describe the transformation. They show that the new morality helped convince people that personal economic success does not signify character flaws inimical to salvation.

24 In 1625, for instance, the Ottoman observer Ömer Talib saw Europe's growing success in international trade as a threat to the Ottoman Empire. "The Ottoman Empire must seize the shores of Yemen and the trade passing that way," he wrote. "Otherwise before very long, the Europeans will rule over the lands of Islam" (Lewis [1968, 28]).

25 For further insights on the last point, see Goldstone [1987, 129–132].
In interpreting such findings, Lewis [1993a, 347] finds no fault with the essence of Islam. "There is nothing in Islamic doctrine," he writes, "to oppose economic progress, though there is much in the social and legal practices of Muslims that needs careful reconsideration from this point of view." He then lists a series of moral transformations that were essential for the Islamic world to regain economic dynamism: changes would have been helpful, for example, in views of generosity and meanness, in rankings of professional status, and in attitudes toward enterprise, experiment, and originality. The traditional values that Lewis treats as obstacles to development overlap with those advanced by Ülgener and İnalcık. Mistrust of novelty is central to İnalcık's explanation of economic decline, and the low status of merchants is key to Ülgener's explanation. But the thrust of Lewis' argument extends beyond the identification of growth-inhibiting values and practices. The Muslim observers of the decline generally made poor diagnoses of the ongoing trends, he observes, and they failed to identify the social structures driving Europe's economic advances.

For Lewis, then, the persistence of stabilizing structures was a symptom of decline, not a basic cause. It was rooted in an ossification of Muslim perceptions. Most Muslim observers appreciated at least some of the material products of Europe's transformation; in addition to weaponry, many took an interest in shipbuilding techniques and new medicines. But they could neither imagine major socioeconomic reforms nor appreciate the factors responsible for a steady stream of useful innovations abroad. What explains the perceptual rigidity? In particular, why did it take centuries for Muslims to recognize the limitations of their prevailing social structures in relation to the evolving ones of Europe? The main barrier, Lewis [1993a, 354–357] argues, lay in the system of education that taught people a finite set of information, rather than how to "use their own judgment, exercise their critical faculties, and decide things for themselves." More so than in Europe, schools made students memorize facts and venerate classic books, so their graduates saw knowledge as something to be acquired rather than discovered and expanded. The scientific method, which relies on observation and experiment, was essentially absent – a claim supported by the earlier-presented time trend of pathbreaking Muslim contributions to science. Also significant is the lack of curiosity about Europe, which contrasts sharply with the European curiosity about the Middle East. By the end of the eighteenth century, Lewis [1982, 296] reports, Europeans had produced 95 books on Arabic, Persian, or Turkish grammar, along with 21 dictionaries. Yet, "for an Arab, a Persian, or a Turk, not a single grammar or dictionary of any Western language existed either in manuscript or in print. It was not until well into the nineteenth century that we find any attempt to produce grammars and dictionaries of Western languages for Middle Eastern users."

Did Islam contribute to shaping the educational system that limited curiosity and innovation? Lewis [1982, 229 f.] answers in the affirmative. In early Islam, scholars, jurists, and theologians more or less freely developed answers to
problems that scripture and tradition left unresolved. Their innovations helped sustain an internal engine of growth, and they also contributed to the fluidity of Muslim worldviews. Somewhere between the ninth and eleventh centuries, however, freedom of innovation ended when it was declared that independent judgment was no longer permissible—when, in the traditional formulation, "the gate of _ijtihad_" was closed. The closure of the gate of _ijtihad_ meant that all answers were already available and that, therefore, one needed merely to follow and obey. In treating Islamic learning as having attained perfection and the Islamic world as self-sufficient, it gave legitimacy to values, attitudes, and practices that promoted stability and discouraged inquisitiveness. And it helped support an educational system that emphasized rote learning and memorization at the expense of problem solving.\(^{26}\)

Like the works of Ülgener and İnalçık, those of Lewis are rich in relevant historical observations, and they provide critical insights into the forces behind the Islamic world's economic decline. And they, too, refute Rodinson's popular thesis that this decline is attributable simply to political structures. They suggest, on the contrary, that private preferences and private knowledge, not just their politically shaped public manifestations, contributed to the observed trends. As Joel Mokyr [1990, esp. 170–176] observes, the tendency to discount the importance of desires and mentalities is common to much contemporary historical thinking on the performance of civilizations; it is hardly limited to scholarship on Islam. Yet Lewis' insights, however relevant and valuable, do not sketch a model that would satisfy a social scientist. Why was the closing of the gate of _ijtihad_ accepted? Why did the malcontents within Muslim communities—there is no doubt that, as in any society, there were always many—not see it as a source of their problems? What, precisely, is it that restrained the impulses of Muslims who stood to gain from introducing one innovation or another? Granting that the prevailing educational system must have limited inquisitiveness and innovation, it could not have extinguished new ideas and the desire for change. A full model of the obstacles to the Islamic world's quick economic recovery must explain why potential innovators, few as they may have been, were unable to overthrow the system that blocked their ambitions. It must also provide the mechanism that kept Muslims who came in contact with Western Europe from appreciating the huge transformations underway.

I shall propose some of the missing links in the essay's final section, which will attempt also to reconcile various observations discussed in earlier sections. But first I turn to an additional version of the economic disadvantage thesis, one that finds the Islamic world's relative economic decline rooted in its communalist culture.

---

\(^{26}\) Watt [1988, ch. 1] offers a similar assessment of how the closure of the gate of _ijtihad_ bred complacency with the status quo.
7. Communalism

In discussing Ülgener's argument, we encountered the observation that Islamic civilization remained largely communitarian even as Western Europe turned increasingly individualist. Ülgener is by no means the first to sense the economic implications of this cultural divergence. In the waning days of the Ottoman Empire, many reformers saw the West's individualism as the key to its dynamism and power. A leading Turkish Westernizer lauded "Anglo-Saxon culture" for its "spirit of individual liberty and enterprise," its "sense of individual authority and responsibility," and its emphasis on "the individual's dignity and integrity." For their part, the opponents of Westernization counted individualism among the Western traits to be discouraged. While tending to admire Western science, they insisted on Islam's moral, social, and political superiority. To overcome economic backwardness, they argued, Muslims needed only to regain their unity, revive their communal links, and rediscover the essence of Islam; to adopt Western individualism would be to trade a perfect religion for a human-designed, and thus inferior, moral system.

Both sides in the struggle over Westernization understood, then, that it would promote individualism at the expense of communalism. The essence of communalism is that one's rights and duties spring from one's status in the community; "good" is the common good of society, which is generally small and considered largely self-contained. By contrast, individualism provides broad personal freedoms concerning activities, occupations, beliefs, and responsibilities; and, in approving of self-determined thought and conduct, it seeks to create the conditions that maximize the enjoyment of such freedoms. Both individualism and communalism are present in every society, and many individuals feel their pull simultaneously: people who behave as individualists in market competition often act as communalists within their households. Yet, the relative powers of these moralities vary across time, across individuals, and across civilizations (Triandis [1990]). Communalism was a stronger force in Medieval France than it is in modern France; and at present it is more potent in the Middle East than in Europe.

The most rigorous attempt to explain how the moralities of communalism and individualism influence economic development has been made by Avner Greif [1994]. Greif's fundamental insight is that a society's dominant morality shapes its "cultural beliefs," which are its members' expectations with respect to actions that other members will take in specific contingencies. Individualism

---

27 As cited by Berkes [1964, 302]. Chapters 9–10 of this book contain many additional quotations in the same vein.

28 These definitions belong to Oakeshott [1958/1993, 18–21], who uses the terms "morality of individuality" and "morality of communal ties." The distinction mirrors that which Ferdinand Tönnies [1887/1957] draws between Gemeinschaft and Gesellschaft. The former concept refers to the solidarity of the face-to-face society, the latter to the modern, largely impersonal society where ties are rooted in self-interest.
and communalism give rise to different cultural beliefs and, hence, different trading patterns. In a society where communalism dominates, dishonest merchants quickly develop an unfavorable reputation because of the closeness of their interactions with other members of the community; and they endure large costs because of wide communal participation in efforts to punish them. To protect the value of their assets, they remain honest, except when the temptation to cheat is huge. By contrast, in a society where the dominant morality is individualism, merchants carry no personal responsibility for enforcing social values, and, hence, the stick of communal punishment is too light to ensure trust among merchants. The critical consequence is that established merchants are tempted to take advantage of one another under a wider set of contingencies. These differences have far-reaching implications concerning business relations. Under communalism, the prevalence of trust usually makes merchants hire one another as their partners or agents. Under individualism, they commonly hire non-merchants, even people from outside their own community. In each of these cases, the underlying cultural beliefs are self-sustaining under a broad set of conditions.

From this simple logic, Greif derives several implications that shed light on the economic evolution of two groups of medieval merchants: Genoese traders from the Latin and increasingly individualist part of the Mediterranean basin, and Maghribi traders from the Muslim-dominated and steadily communalist part. The latter group, while Jewish, shared the communalist values of the Muslims among whom they lived, which makes the contrast relevant to our concerns here. Greif’s argument would make one expect Genoese society to exhibit relatively greater upward mobility, to display greater division of labor, and to enjoy stronger incentives to refine contract law, improve the efficiency of the courts, and promote standardization.

All these implications are borne out by the surviving records. They are consistent, moreover, with the emergence of capitalism in Europe rather than in the Islamic world. The rise of European capitalism was preceded, Franz-Xaver Kaufmann [1997] observers, by several social mastertrends: a lengthening of chains of action through a growing capability to control complex networks of production, administration, research, and mass communication; the transformation of legitimate political power from absolute dominance to the rule of law; and the metamorphosis of religion through the secularization of various domains. Like many other scholars, Kaufmann traces the origins of these mastertrends to the tenth and eleventh centuries. The significance of Greif’s contribution lies in its demonstration of how the mastertrends might

---

29 Along with Triandis [1990], Greif uses the term “collectivism” to characterize what I am calling “communalism.” The former term is best reserved, as Oakeshott [1958/1993, 24–28 and part 3] explains, for a class of moralities that assign an important role to government.
have resulted from variations in commercial patterns, rooted themselves in an earlier divergence in cultural beliefs.

Generations of economic historians have noted that after the first few centuries of Islam commercial relations between Europe and the Middle East grew mainly at the initiative of the Europeans.\(^{30}\) Although recent research has discredited the extreme view that Muslims played a consistently passive role in European-Middle Eastern trade,\(^{31}\) no one seriously disputes the finding that Europeans increasingly dominated these economic relations. Trade between these two regions was conducted mostly by European companies—a pattern that holds even today. Greif's insights offer an explanation for the pattern: merchants from individualistic cultures are relatively better prepared for cross-cultural trade, because they are less dependent on communal bonds and already accustomed to forming agency relations with people outside their own social circles. Significantly, various Muslim-ruled states—Spain, Egypt, Syria, Persia, the Seljuk Sultanates, the Ottoman Empire—extended unilateral privileges to traders from European countries as early as the twelfth century. Muslim governments offered “capitulations,” as the concessions came to be known, even as they conquered European-held territories and gained control over maritime trade routes. While commentators have tended to attribute the capitulations to political considerations (İnalçık [1970, 214 f., [1971, 1179])\(^{32}\), Greif's logic would assign a more basic role to economic considerations rooted in cultural differences. Yet another fact that this logic illuminates is the contrast between regional trade patterns. Intra-European trade expanded much more rapidly than trade within the Islamic world, essentially through the support of institutions fostered by individualism. Given that trade contributes to growth, the result was a growing disparity in living standards.

The gist of Greif’s argument is that communalism constituted a handicap with respect to modern economic development. It obviously calls into question the thesis that Max Weber [1904–5/1958] developed in The Protestant Ethic and the Spirit of Capitalism. Weber's view, which traces the origins of capitalism to the ideological creativity of the Protestant Reformation, was quickly challenged. Richard Tawney [1922/1962], for example, showed that the basic institutions of capitalism were already in place by the time of Europe's great religious upheaval of the sixteenth century. While Tawney's observations have been interpreted as meaning that capitalist institutions preceded and created the capitalist spirit, Greif's argument focuses attention, once again, on the reverse causation. It differs from Weber's classic work, however, in tracing the genesis

---


\(^{31}\) See, in particular, Kafadar [1986], who demonstrates that some Turkish traders were active in Ancona and Venice until the seventeenth century.

\(^{32}\) İnalçık [1971, 1179] also cites the opportunity of obtaining “scarce goods and raw materials” and “customs revenues, the principal source of hard cash for the Treasury.” It is not obvious why such objectives could not have been met through trade conducted by Muslims.
of the capitalist spirit to a period at least half a millennium before the Reformation.

Two possible objections to this argument merit consideration. Does it not clash, one might wonder, with the important, even dominant, role that Muslims have played in building trade relations outside Europe? In fostering extensive trade networks in sub-Saharan Africa and East Asia, Muslims have indeed helped establish the institutional foundations for long-distance trade in regions economically more primitive than the Muslim-ruled Middle East. Their contributions have included the introduction of laws to regulate economic cooperation and exchange into places previously without written laws, and the spread of Arabic as a commercial lingua franca – a facilitator of communication, and thus exchange, among regions previously segregated by linguistic differences.\textsuperscript{33}

None of these observations conflict with the Islamic world’s disadvantages relative to Western Europe. Although Muslims made major contributions to the development and dissemination of individual contract law, they left the development of corporate contract law to Europe. Likewise, after instituting rules to regulate interpersonal credit, they let Western Europe develop the institutional framework for modern banking. For reasons already outlined, this cross-civilizational passing of the torch of institutional creativity put Muslims at a disadvantage in their relations with the West. However, it need not have hampered their relations with regions where economic institutions were even less developed than those of the Middle East. Just as a moderately experienced chess player might lose to a master and proceed to beat a novice, Muslim traders could succumb to competition from European traders without losing their dominance in other parts of the world.

The second possible objection concerns the social merits of civic ties. Is it not the case that the world’s economically advanced regions exhibit more participation in communal activities than do the economically impoverished ones? And might this discredit the notion than communalism constitutes an economic handicap? Robert Putnam’s [1993] work on Italy’s regional inequalities does indeed show that the civic community is more developed in the prosperous North than in the relatively backward South. It also demonstrates, however, that the Northern civic community is characterized by overlapping social networks: individuals typically belong to many associations, within each of which their interpersonal ties tend to be weak. By contrast, civic engagement is more limited in the South, where cooperation is generally based on strong kinship ties. The difference reflects the legal system’s greater effectiveness in the North than in the South, where the absence of credible state enforcement of laws and contracts sustains the Mafia.

\textsuperscript{33} Abu-Lughod [1989, esp. chs. 5–10] provides evidence on the stimulus to trade that Muslims gave to regions from China to the shores of Africa. See also Rissø [1989], who focuses on Asian maritime trade in the eighteenth century, and Ensminger [1997], who shows that, even in recent times, Islamization has been a boon to East African trade.
The most relevant implication here is that individualism promotes growth not by breaking social ties but, rather, by weakening and diversifying them. Its economic advantages work through the proliferation of associations, the generation of overlapping memberships, and the expansion of individual choice in the matter of civic participation. The limits of communalism, as evidenced by the strength of kinship ties in Southern Italy, lie in their prevention of networks of civic engagement that cut across social cleavages. Strong ties based on blood bonds sustain cooperation within small groups, whereas weak ties that link biologically unrelated people nourish wider cooperation and sustain greater social complexity.

Putnam's findings on Italy do not, then, refute Greif's argument. They do indicate, however, that the effects of individualism and communalism work through channels that extend way beyond cooperative arrangements among merchants. Despite this limitation, Greif's argument affords an explanation that is more complete than any other explanation discussed thus far. In particular, it defines two separate equilibria, one that sustains the dominant cultural belief of Western Europe, and another that preserves that of the Islamic world. It is open, of course, to the criticism that it leaves unexplained the origins of the economically potent cultural differences. But all social analysis has an essentially arbitrary starting point, and to think that the seeds of today's civilizational differences can be identified precisely would be to succumb to the fallacy of absolute priority. A more reasonable criticism is that the argument leaves unexplained why, until about a century ago, the Islamic world produced no diagnoses of the growth-retarding effects of its cultural beliefs. Why did ambitious Muslims, seeing the obstacles to their economic advancement, not recognize the ideological source of their disadvantages? Why did rulers threatened by the rise of Western Europe not recognize the economic disadvantages of their communalist cultures? Why, in the face of mounting competition from Europe, did Muslim merchants fail to generate solutions to their economic losses? The essay's final section proposes certain tentative answers.

8. Toward a Synthesis: The Key Role of Public Discourse

There is an element missing from all variants of the economic disadvantage thesis, although it is implicit in that of Bernard Lewis: the connection between, on the one hand, public discourse concerning economic institutions, policies, and possibilities, and, on the other, private understandings. To specify this connection, one must identify the social mechanisms through which public discourse gets produced and reproduced; and one must then explore how public discourse shapes individual perceptions, information, and knowledge. These steps would connect some of the diverse insights presented in previous sections. They would also make sense of why Muslims with everything to gain from
social reforms remained, for the most part and for many centuries, essentially wedded to the social status quo.

The relevant mechanisms are developed in my book, *Private Truths, Public Lies* (Kurian [1995]), though within a general context rather than the particular one of Islamic civilization. The book shows how inefficient social structures can survive indefinitely when people privately supportive of change refrain from publicizing their dispositions. The motivation for such preference falsification is the desire to avoid the punishments that commonly fall on individuals who enunciate unpopular public positions. One of its by-products is the corruption of public discourse. This is because individuals choosing to misrepresent their personal wishes will also, to keep others from seeing through the falsification, conceal their perceptions and knowledge pointing to the desirability of change. It follows that unpopular structures kept in place through preference falsification might, if the condition lasts long enough, achieve increasingly genuine acceptance. The transformation would occur partly through population renewal: in the absence of criticisms of the status quo, the society’s new members would fail to discover why change might be beneficial. The argument applies to both the privileged and the underprivileged. If public discourse treats a social structure as optimal, even the people harmed by it may fail to see how its destruction would improve their lives.

Social pressures that result in preference falsification do not necessarily harm economic growth. Such pressures can benefit growth by keeping public opinion favorable to policies and institutions supportive of production, innovation, and trade. By the same token, they might harm growth if it is people with economically sound ideas, rather than ones with economically hazardous ideas, who find it prudent to keep their thoughts to themselves. The argument does not presuppose the existence of individuals either privately or publicly committed to doing social damage. People may induce others to engage in preference falsification simply to protect their own narrow interests or out of fear that free debate would weaken social solidarity. If sufficiently many people have reasons to limit debate on a social matter, the resulting social pressures will keep others from speaking honestly; and the consequent preference falsification will then induce preference falsification on the part of others. Such a bandwagon effect can result in an equilibrium under which preferences and ideas inimical to the status quo remain unexpressed. Once established, of course, an equilibrium can outlast the individuals whose decisions to suppress their views helped put it in place. Later generations may refrain from challenging the public consensus either because the prevailing social pressures make this imprudent or because the consensus itself limits their awareness of potential improvements to the social order. Either way, individuals would help retard growth inadvertently through their support of policies and institutions that happen to be harmful to economic development.

Armed with additional concepts, let us now return to the insight that individualist societies enjoyed an advantage with respect to modern economic develop-
ment. This insight raises the question of whether the members of communalist societies understood the economic limitations of their cultures. As we saw, Bernard Lewis' work on the Muslim observers of the Islamic world's descent shows that before the nineteenth century not even the educated demonstrated much appreciation for the cultural sources of the West's unfolding strengths. Until that time, the Islamic world's communalist practices enjoyed almost total public support; although individuals routinely behaved in ways that violated certain communalist precepts, they rarely challenged the merits of communalist principles. One reason was probably that Muslims with reasons to propose cultural reforms tended to conceal their wishes, lest they be accused of harboring designs against Islam. The "closure of the gate of ijtihad" and the paucity of scientific research after the thirteenth century both point to an intellectual environment inhospitable to the open and honest exchange of ideas. Individuals opting to hide their views would, while preserving their own reputations, have impoverished public discourse. And, in the process, they would have compounded the social obstacles to seeing, let alone appreciating, alternatives to the cultural status quo.

When the once-flourishing Islamic craft guilds encountered competition from superior yet cheaper European goods, their usual response was to seek the restoration of their non-competitive, fraternal, and rather egalitarian traditions. Economic innovations thus took place initially outside the guilds, and guildsmen eager to adapt new technologies found that they could do so more easily within new economic structures (Kuran [1989]). One reason why exit became a common course of action on the part of change-oriented guildsmen is that those seeking to alter guild practices often suffered social sanctions. A result of these sanctions was to impoverish public discourse on the guilds' mounting problems, thus breeding ignorance about the possible solutions and blocking reform-oriented collective action. These observations are in line with Ülgener's observations on the persistently low social status of merchants relative to that of craftsmen. The potential beneficiaries of steps to make the social atmosphere more hospitable to merchants were in the grip of an ideology hostile to free competition. The ideology owed its durability partly to protections against public challenges. In Europe, one might note once again, the guilds behaved similarly. But there was a relevant difference: policies to protect the guilds enjoyed less public support there than they did in the Middle East.

The traditional educational system played a critical role, as the works of Berkes show, in conditioning individuals to accept the social status quo as optimal. That system could not easily be challenged, for its religious content allowed educational reform to be associated with hostility to Islam. Indeed, public discourse was highly inimical to altering the traditional curriculum; and the very rarity of dissent discouraged potential reformers from speaking up, thus reproducing the incentives against honest curricular debate. At least in relation to primary education, this equilibrium held until the twentieth century, letting foreign-established schools become the primary agents of instructional
reform. What about the delays in educational innovation in contexts more or less free of social pressures against change? Although the special economic factors that Berkes invokes were doubtless relevant, these delays could also have arisen as the by-product of an impoverished intellectual atmosphere. The very factors that kept schools wedded to memorization produced graduates with poorly developed critical faculties. Such graduates would have had a low demand for books.

The foregoing interpretation amounts to saying that the relative openness of the West's public discourse created an engine of growth that the Islamic world, because of its expressive constraints, failed to develop. This failure was noted also, as we saw, by İnalcık and Ibn Khaldun. What the present perspective adds to their insights is the identification of a mechanism to account for the delay in such an engine's emergence. The new ideas that form an engine of growth emerge in environments hospitable to free inquiry and experimentation. If it is unduly costly to put forth new ideas, they will not get expressed, making it all the more risky for other potential innovators to step forward. The hallmarks of the resulting equilibrium will thus be an apparent commitment to tradition. And a by-product of the equilibrium will be a decline in analytical and critical skills, accompanied by a fall in personal receptivity to change.

The argument of this final section does not presuppose that Islam is inherently inimical to economic development. A society's dominant interpretation of Islam can vary over time and space depending on the dynamics of the relevant public discourse. The content of public discourse can be fluid, as it was in the early centuries of Islam — a period of intercultural exchanges and intellectual vitality. It can also freeze, however, as one interpretation becomes sufficiently dominant to silence its rivals. The static worldviews promoted in the name of Islam proved remarkably durable precisely because their broad public acceptance made it risky to promote dynamic alternatives. The equilibrium in question helped keep the Islamic world from responding effectively to the challenges posed by Europe's economic ascent. And ultimately, therefore, it became self-destroying: by helping to weaken the Islamic world militarily and economically, it invited Western intervention, which, in turn, brought Muslims in steady contact with modern European thought. The old ideological equilibrium of the Islamic world has now given way to many competing visions. No one knows where the current ideological ferment will lead. It is unlikely, however, that worldviews of the kind that Renan and Cromer found so inimical to economic progress will regain dominance — except perhaps among fringe groups.

Remember that the economic irrelevance thesis rests on the observation that widely held Islamic precepts were frequently circumvented. This well-documented divergence between word and deed is a form of preference falsification. Rodinson and Jones are correct that it limited the intended effects of economically unsound religious regulations. They overlook, however, the unintended effects of pretending to approve of such regulations. Public discourse gets corrupted, making it difficult to diagnose economic problems correctly. In
Europe, the Church debated the distinctions between usury and interest, and from the twelfth century onward, the scholastic literature accepted and codified them. This recognition contributed to the growing sophistication of economic discourse; for instance, concepts such as risk and opportunity cost came to be invoked with increasing frequency (Kaufmann [1997, sect. 6]). Within Islamic discourse, meanwhile, interest generally continued to be equated with usury. While this did not stop individual Muslims from taking and giving what a modern economist would label interest, it undoubtedly stunted the development of economic thought within the Islamic world.

Another problem with the economic irrelevance thesis is that it ignores the logic of collective action. Unlike the circumvention of rules on personal behavior, that of social policies requires collective action, which the very availability of preference falsification can block. In practice, therefore, individuals can more easily circumvent rules on personal behavior than they can social policies. And rules on personal behavior get altered through internal pressures more readily than do social policies, which are more likely to require the assistance of external forces. In line with these implications, injunctions against interest were regularly circumvented; rules governing the traditional curriculum were not. The impetus for changing the educational curriculum came largely from abroad.

A full-blown account of the relationship between Islam and economic development remains to be constructed. As we have seen, however, certain components of the required research have already been undertaken. The diverse insights need to be integrated more fully, of course, than is possible within the confines of the tail-end of an article. Moreover, they need to be refined by taking account of variations across time, space, and social position in the conditions Muslims faced and the responses they made. Attention to such variations might provide additional clues to the significance of the factors that have played key roles in this article—political structure, communalism, public discourse, and Islam itself. It might suggest, moreover, how the Islamic world’s long economic decline could have been prevented.

References


ADELMAN, Irma and Cynthia Taft MORRIS [1973], *Economic Growth and Social Equity in Developing Countries*, Stanford University Press: Stanford, CA.


--- [1978], *Türkiye' de Çağdaşlaşma*, Doğu-Bati Yayınları: İstanbul.


DÖĞEN, Şaban [1987], *Muslûman İlim Öncülerî Ansiklopedisi*, Yeni Asya Yayınevi: İstanbul.


LERNER, Daniel [1958], The Passing of Traditional Society: Modernizing the Middle East, Free Press: Glencoe, IL.


LEWIS, Bernard [1968], The Emergence of Modern Turkey, 2nd ed, Oxford University Press: London


--- [1993a], Islam in History: Ideas, People, and Events in the Middle East, 2nd ed, Open Court: Chicago.


Tönnies, Ferdinand [1887/1957], *Community and Society (Gemeinschaft und Gesellschaft)*, transl. by C. P. Loomis, Michigan State University Press: East Lansing.


Professor Timur Kuran
Department of Economics
University of Southern California
University Park
Los Angeles, CA 90089-0253
U.S.A.