

CHAPTER FIVE

Economic Development and the Fabrication of the Middle East as a Eurocentric Project

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1. Introduction

Economists deserve a fair share of the blame for their contribution to Eurocentrism. Joseph Schumpeter's classic *History of Economic Analysis* (1954) taught generations of economists that there was a "Great Gap" in the development of economic thought between ancient Greece and the European Renaissance. During the "Dark Ages," he argued, there was nothing of significant intellectual contribution worth studying. Schumpeter and his followers have completely ignored the contributions made to economics by Al-Ghazali, Ibn Khaldun, Ibn Taimiyah, Ibn Qayyim, Abu Yousuf, and Ibn Sina, among many others. Several decades later, the so-called Middle East and North Africa (MENA) region is still struggling with the socioeconomic consequences of Eurocentrism.

Mainstream economics (i.e., neoclassical) focuses on uncovering the universal laws of economic behavior that apply regardless of time and space. Such laws, however, happen to be impregnated with Eurocentric notions of "economic rationality" and modernity. As such, neoclassical economics asserts that people everywhere are essentially the same, and therefore all that needs to be done is to help them (willingly or unwillingly) discover the rational way of organizing their economies. The Orientalist paradigm, however, takes the position that MENA's culture and people are special and different. Accordingly, the Middle Eastern culture including the dominant religion (i.e., Islam) creates major impediments not only to economic development, and the rise of capitalism and free enterprise, but also to the spread of democracy, and civil society. It is these two approaches to MENA that have dominated the economic analysis of the region and have driven the policy agenda for decades.

The recent revival of writings on MENA coincides with the rise of a new wave of wars from within and outside the region. The strategic importance of the region combined with the old attitudes of anti-Islamism and Orientalism led to a series of publications in Economics, as in other fields, to explain the apparent backwardness and underdevelopment of the region. However, the old Orientalist habits of thought and Eurocentric methods engulfed most of the findings of those studies and did very little to further our understanding of development and underdevelopment in the region. The list of the so-called factors of underdevelopment is long but can be summarized as: (a) lack of Western style institutions such as the legal code, and cultural barriers influenced by Islam; (b) state-oriented inward looking economic policies; (c) lack of "integration" with the world economy; (d) chilling investment climate and political instability; and (e) capital market imperfections, low levels of human capital, high population growth, and low productivity.

In this paper, we review the growth and development experience of the MENA countries with a special attention to the institutional and historical roots of underdevelopment in the region. We argue that there is a general lack of historical analysis of the current problems in the region not the least any study of the effect of Eurocentric modes of institution building. This, we believe, not only creates the wrong impression that the existing barriers to development are ahistorical, but also shadows any analysis of the intra- and interregional interactions, including the colonial and the most recent postcolonial periods. The paper concludes with an alternative agenda to undo the stronghold of Eurocentrism in the region.

2. Eurocentrism and the Fabrication of MENA as a Regional Unit

We define Eurocentrism as the presumption that Western European (and North American) social standards and values (which are assumed to be unique to Europe) are the only accepted means for evaluating the performance of other societies simply by virtue of being more "modern," "enlightened," "civilized," and "superior." Eurocentrism is a special case of Ethnocentrism, but of all the ethnocentric habits of thought Eurocentrism has been by far the most dominant one since the eighteenth century. This mode of thinking has permeated cultures across the world, the various academic disciplines in the social sciences, and inevitably legal and political institutions. Being Eurocentric does not necessarily mean that one is from the *West*, in fact the gravest form of Eurocentrism is the one adopted by the modern states and their elites in the so-called East or Orient. *Indigenous Eurocentrism* in the Orient, we argue, is the ultimate success of the Eurocentric project and was mostly achieved through coercive intrusion by colonial powers (and by domestic elites), and was later transferred to the deeply Eurocentric postcolonial authorities that continued

the modernist agenda either with a capitalist or socialist flavor. In fact, one of the most cited justifications for colonialism has been to bring civilization, modernity, and progress to the colonized world. As a result, more than half a century after the end of colonialism the Eurocentric habits of thought continue to be entrenched in the conventional wisdom:

We have been taught...that there exists an entity called the West and that one can think of this West as a society and civilization independent of and in opposition to other societies and civilizations [i.e., the East]. Many of us even grew up believing that this West has [an autonomous] genealogy according to which ancient Greece begat Rome, Rome begat Christian Europe, Christian Europe begat the Renaissance, the Renaissance the Enlightenment, the Enlightenment political democracy and the industrial revolution. Industry, crossed with democracy, in turn yielded the United States embodying the rights to life, liberty, and the pursuit of happiness... [That is] misleading, first, because it turns history into a moral success story, a race in time in which each [Western] runner of the race passes on the torch of liberty to the next relay. History is thus converted into a tale about the furtherance of virtue, about how the virtuous [i.e., the West] win out over the bad guys [the East]. (Wolf 1982, cited in Hobson 2004, p. 1)

Thus, Eurocentrism denies the contribution of non-Western societies to the collective achievements of human kind by teaching that "*the history of Europe covers the essential history of civilization*" (Du Bois 1946, p. 148). As pointed out by Frank (1998, p. 9), the myth of European exceptionalism encompasses a number of basic arguments: "(i) social development is caused by characteristics which are internal to society, (ii) the historical development of society is either an evolutionary process or a gradual decline. These arguments allow Orientalists to establish their dichotomous ideal types of Western society whose inner essence unfolds in a dynamic process towards democratic industrialism" (Turner 1986, p. 81). Accordingly, as argued by Max Weber, the Occident is characterized by a unique combination of *rationality* and *activism* (Hodgson 1993, p. 86).

Wallerstein (1996) identifies five ways in which social sciences express their Eurocentric bias: (i) a historiography that claims European scientific superiority over other cultures; (ii) the parochialism of its universalism claiming that made-in-Europe science has discovered the "laws of motion" of both nature and society, and that such laws are valid across time and space; (iii) its assumptions that the "West" is uniquely and especially "civilized"; (iv) its Orientalism (as defined in the works of Anouar Abdel-Malek and Edward Said); and (v) its attempts to impose the theory of progress (Wallerstein 1996, p. 1).

As a result, proponents of both capitalism and socialism, which Kanth (1997) described as "the twin faces of Janus," often fell into the traps

of Eurocentric ideology. Accordingly, the Left often neglects "to reflect on exactly how much of Marxism is infected with similar notions" (Kanth 1997, p. 90). The best known example is probably Marx with his Eurocentric imagination of the "*Orient where civilization was too low and the territorial extent too vast to call into life voluntary association*" (Marx 1853). In contrast, the Occident was characterized by voluntary association that led to the development of private enterprise.

The period between 1700 and 1850 clearly dates the rise of Eurocentrism as a fundamental construct of the "West" as a superior society blessed with all possible virtues and moral values that the "East" lacked. Needless to say that the geographic references to "East" and "West" in their modernist meanings are precisely the construct of the same Eurocentric imaginary. The MENA region itself is a Eurocentric fabrication aimed at essentializing the region and its people. As Halliday explains:

We should long ago have resisted the temptation to see the region as a single, integrated political or socio-economic whole [...]. One of the besetting distortions of the region, replicated by Western stereotyping and local ideology alike, is that the region's politics and history can be explained by timeless cultural features, a Middle Eastern "essence" or an "Islamic mindset." (Halliday 1999, p. 4)

For our analysis, therefore, first we need to clarify what the MENA region is, and its usefulness as a unit of analysis. Like most of the developing world, the MENA region was more of a product of strategic factors from the European point of view than anything else. As Lewis and Wigen (1997, p. 37) exposed, geographically speaking seeing Europe and Asia as parts of a single continent would have been a more accurate classification but would fall short of granting Europe the superiority that "Western Europeans" believed it deserved. By fabricating a seemingly scientific continental division between Europe and Asia, Western scholars managed to strengthen the notion of a cultural dichotomy between these two regions. Moreover, starting from the beginning the Middle East was not a region defined by cultural, historical, or geographical units but by strategic military needs. In fact, the term itself was the brainchild of the military theorist Alfred Thayer Mahan in 1902 to refer to the region neighboring the Persian Gulf (Lewis and Wigen 1997, p. 65). Furthermore, if the Middle East is in the middle from the perspective of Western Europe (and North America) then which region and countries lie in the Near East?

The most visible sign of a lack of structural basis for the fabrication of such a unit of analysis is the continuing confusion regarding the borders of this region. A quick look at the current social sciences literature reveals a lack of consensus on which countries to include in this region. The list ranges from all North Africa, some Central Asia (such as Afghanistan), Persian Gulf (i.e., Iran, Bahrain, UAE, Qatar), Asia Minor (Turkey), Mediterranean island(s) (Malta but not Cyprus for some unknown

reason), and Eastern Mediterranean (Israel, Lebanon, Palestine, Syria). It is common practice to exclude Cyprus and Malta from the classification although (according to the geographical and historical justifications used for other countries) they are part of the region. The same problem applies to the exclusion of Armenia and Azerbaijan from the list. Another visible sign of the absurdity of using MENA as a unit of analysis and the apparent difficulty of using it for comparative research is the presence of multiple classifications. To give an example, it is common to classify the countries in the region based on: oil rich/oil poor; labor rich—oil rich (Iran, Iraq)/labor poor—oil rich (Kuwait, Qatar, UAE, Bahrain, Kuwait, Oman, Libya, the United Arab Emirates, Qatar, and Saudi Arabia); labor rich—oil poor (Egypt, Turkey); oil poor—limited natural resource (Israel, Tunisia, West Bank and Gaza, Jordan, Lebanon); natural resource poor states (Sudan, Yemen); NICs (Turkey, Egypt, Tunisia); industrialized (Israel) countries (i.e., Richards and Waterbury 1996). Despite this multiplicity, still no one questions the usefulness of classifying all these countries in one group despite different economic, historical, cultural and geographical mappings. The fabricated mapping of the region has long been internalized by the region itself. In addition to the imagined existence of the region as a unit of analysis, the region also took for granted the basic tenets of modernity as defined in Europe.

As discussed by Kanth (1997) and Hobson (2004), equating Westernization with modernity presupposes geographical and cultural uniqueness and superiority of Western Europe over the rest of the world. Despite the presence of a growing body of research documenting and challenging the claim that democracy, individualism, secularism, market society and in general modernity started in Europe and is an end product of European culture, the intellectuals, academicians, the military and policy makers continue to impose an imagined version of modernity on their populations.

3. Eurocentrism and Economic Development in MENA

The Eurocentric modes of analyzing the East through economic, cultural, and geographical determinism have a long history both on the left and right side of the economics literature. According to a majority of writings from the eighteenth to the twentieth century, the Orientalists did not reach a stage to have private property, which was (and still is) seen as one of the root causes of their underdevelopment. In fact, "the absence of landed property is indeed the key to the whole of the East. Therein lies its political and religious history" (Engels 1853; Marx 1853). According to this view, since private property is the foundation of capitalism, the East remained in a subservient position to the West (Kuran 2004).

Max Weber (1905) was probably one of the most prominent initial perpetrators of the Eurocentric claim that the cultural traits of the Islamic

dynasties of the Abbasids, Mamluks, and Ottomans were less conducive to the development of the rational, predictable, and evolving legal structures that are required for the emergence of rational capitalism. He argued that the legal and political institutions of the Muslim world produced deficiencies that could not guarantee property rights whereas Europe was able to do so and therefore bring about the transition from feudalism to capitalism. When we look at the contemporary tales of underdevelopment in MENA, it is still a common practice to explain the lagged performance of the region for the last two centuries with the legacy of cultural and religious institutions and traits. On the basis of World Values Survey data, Guiso, Sapienza, and Zingales (2002) claimed that Islam is negatively correlated "with attitudes that are conducive to growth," and that compared to the other major religions, Muslims are the anti-market. Barro and McCleary (2002), however, find no empirical evidence for a link between religion and national macroeconomic performance. Their motivation for this line of research in economics is driven by a belief that religiosity enhances certain traits such as thrift, honesty, hard work, and openness to strangers, all of which according to neoclassical theory promote productivity and economic growth. Similarly, a recent empirical study by Marcus Noland (2003) refutes the Eurocentric assertion that Islam presents an impediment to economic growth. Likewise, using a cluster analysis with sixty-two countries and forty-four indicators of economic institutions, Pryor (2007) shows that Islam as a religion has relatively little influence on the economic institutions, the economic system, or the economic and social performance of a country.

Nevertheless, Kuran (2004) continues to blame (a) the Islamic *waqf* or trusts that locked capital into a dysfunctional institution, (b) Islamic inheritance law, which dispersed inheritance among multiple heirs, and (c) the individualism of Islamic law as preventing decentralized capital accumulation and the rise of private enterprise and civil society *à la* Europe. He further argues that "the commonness of autocratic rule in the region stands, then, among the continuing legacies of traditional Islamic law" (Kuran 2004, p. 87). In contrast, "in the West many social services came to be provided by self-governing and, hence, more flexible organizations. Also, the West had a *greater variety of organizational forms*, which allowed more experimentation in the delivery of services" (Kuran 2004, p. 81, emphasis added). Likewise, Landes (1969) firmly denies that Muslim "culture" can permit any technological initiative. He further argues that "if we learn anything from the history of economic development it is that culture makes all the difference" (1998, p. 516). According to Landes, only Western culture is blessed with the core prerequisites for success: "work, thrift, honesty, patience, tenacity" (Landes 1998, p. 523). According to this view, MENA's economic decline and its current political and social backwardness are due to the very nature of the Islamic culture that prevented the development of the pillars of the free market and democratic institutions.

Moreover, since political transition to democracy is seen as a stage in the development from authoritarian governments that are endemic and indigenous to the Orientals, the colonial experience is generally viewed as a positive contribution, as the first seed of enlightenment in the region (Marx 1953; Booth and Seligman 1994). For example, Paldam (1998, p. 177) argues that "Many of these countries [in Africa and Islamic/Arab world] experienced a period of colonization by a European power, which effectively ended the traditional pattern, and instilled the ideal of some type of democracy."

Yet, in fact "all attempts [. . .] to invoke pre-Modern seminal traits in the Occident can be shown to fail under close historical analysis, once other societies begin to be known as intimately as the Occident" (Hodgson 1993, p. 86). Moreover, as Inalcik (1969) emphasized, Islamic society and law "shaped themselves from the very first in accordance with the ideas and aims of a rising merchant class" (Inalcik 1969, p. 101). Furthermore, such reductionist generalization of European development experience ignores the centralized and state-led development examples of European states such as Germany. The same is true for the conflicting portrayal of the region with two opposite poles, communalism on one side and individualism on the other. Besides, the same individualism was often used to explain European exceptionalism and success *vis-à-vis* the rest of the world. In addition, the lagging performance of the region *vis-à-vis* Europe came far too recently on a historical scale to be pinned on the influence of religious (or cultural) institutions. Therefore, any attempt to explain the decline in economic performance of the region after the eighteenth century with the religious/cultural factors or institutions should also be able to explain how the same institutions could create the opposite results prior to that date.

Looking through non-Eurocentric lenses, the economic history of MENA is anything but static and can be characterized by several cycles of growth and accumulation. The region enjoyed higher levels of economic development and prosperity compared to its counterparts in Europe. The overall urbanization rate, for example, was much higher than Europe. Paris, for instance, had 125,000 inhabitants compared to Cairo with 450,000 or Istanbul with 700,000 around 1500 (Bairoch 1997, pp. 517-537). Even more surprising to the Eurocentric perceptions, in the sixteenth and seventeenth century, a city like Kayseri in Anatolia with a population of 33,000 was within the same order of magnitude as Amsterdam and Barcelona (Faroqhi 1987, p. 43).

Historically, the MENA region was a thriving center of trade both originating within the region and as a crossroads for trade routes between Europe, East Asia, and Southern Africa. The Muslim contribution to science and technology during the European dark ages ranges from surgical medical instruments and pharmaceutical products to the development of mathematics, algebra, trigonometry, optics, architecture, and astronomy. The MENA region was a thriving civilization leading the way in the

development of sciences, arts, and culture. However, the shift in the balance of power between MENA and Europe over the seventeenth and eighteenth centuries, and Europe's subsequent industrialization instituted a new pattern of trade, that which manufactures exports from Europe in return for primary products and raw materials and led to the subsequent decline and decimation of existing manufacturing and crafts production that the region had enjoyed. During this period, any attempt by the region to industrialize was forcefully prevented (most notably by Britain and France) such as the industrialization efforts by Muhammad Ali in Egypt (Issawi 1966, p. 363). This not only significantly shifted the pattern of production and trade, but also served to disrupt intra-regional trade in agriculture and manufactured goods, which had expanded under the consolidation of the region under the Ottoman rule (Owen 1993).

Furthermore, the often repeated Eurocentric claim that modern globalization began in 1500 with the European Enlightenment and geographical discoveries has been aptly challenged by Hobson (2004) who argued that the "East" had a well established global economy at least since 500 which he called the "oriental globalization" stretching from North Africa and Middle East to China, India and Korea in the East and Polynesia in the South. Hobson explains that the level of scientific and technological progress that took place in the "East" allowed for revolutionary improvements in productivity, specialization, transportation, commerce, and overall quality of life. Hobson's work shows that China had undergone an early industrial revolution in the steel industry centuries before Europe. The Arabs in the Middle East had almost absolute control over international trade by controlling the major trade routes stretching from Spain and Arabia to China and India. The claim that capitalism was strictly an invention of the European Enlightenment is also challenged by the fact that financial institutions, international clearing unions, credit, monetary contracts, and a very elaborate taxation system was already in place in the oriental global economy centuries before Adam Smith began to imagine what a capitalist system would look like.

In retrospect, the fabrication of classless Eastern (i.e., Ottoman) despotism as an antithesis to European monarchy was a product of European identity formation, especially given the presence of a vibrant merchant class, numerous and well-established religious nonprofit foundations and occupational interest groups in the form of guilds throughout MENA (Faroghi 2004, p. 591; Islamoglu-Inan 2004, p. 3; Inalcik 2005, p. 83). In this respect, the heavy emphasis on the geographical determinants of sociopolitical structures served two purposes. On the one hand, it gave the theory the halo of scientific correctness, and on the other hand, it helped reassure the distinctness of Europe from Asia. The famous though completely discredited Asiatic Mode of Production (AMP) theory of Marx and Engels was a product of this line of thinking.

The AMP theory encompassed the assumption of Oriental Despotism, which is defined as a centralized strong state (i.e., the despot) with no

vertical linkages to society through intermediate social classes with the agrarian base located at the bottom. This has important implications for the reinterpretation of the past as well as the present and future. Accordingly, the absence of any civil society and the lack of any pressure group or class to limit the absolute authority of the state are the defining characteristics of the non-European states in the East. The current research in economics and political science continues to use the so-called common sociopolitical roots of oriental despotism in explaining the relative underdevelopment of the region. Accordingly, repressive political (i.e., military and state bureaucracy) and cultural (i.e., Islamic) institutions legitimize the oppressive nature of the state that is itself a product of the historical and geographical forces. This line of analysis also serves multiple purposes for the current political order and for the Western consciousness. First, it helps free the Western world from any responsibility in the underdevelopment and the continuation of oppressive authoritarian regimes in the region. This narrative skips over the role of colonial powers in the erection of dictatorships in the region. Second, this helps justify Western interventions in the region to bring the famous trinity of "development, democracy and human rights." Accordingly, Western colonial interventions take the form of a progressive force to eradicate suppressive sociopolitical forces and liberate local populace from indigenous barriers that slow the development process. Therefore, the substitution of the Despotic state with a more humane colonial state was not a regressive development. Also, when the replacement was done through local allies, this was still a better choice than the despotic indigenous state structure (Islamoglu-Inan 2004).

4. Formation of Independent States with Jacobinist Institution Building

Upon independence, the newly formed states in the region continued the colonial habits of thought in their organization of the state apparatus. Most notably they took for granted the European explanation of the reasons behind the region's backwardness and tried to imitate European success by reshaping themselves after the European image. Moreover, the new rulers took it as one of their major targets to civilize the natives during the nation building process. During this period, the Westernization of the "East" (without adopting the institutions or economic foundations) took the form of forced cultural changes such as dress codes, changing alphabet (in the Turkish case), measurement system, closing religious NGOs and sects, and such. The forced Westernization went to such extreme that in Turkey, for instance, traditional classical music was banned from radio broadcast from 1934 to 1936. And, Article 222 of the Turkish Penal Code based on a law dating back to 1925 made it compulsory to wear a hat and required prison terms for those who violate it. To this day, the elites still

continue to see the realities of their countries through the distorted lens of the European enlightenment.

1. The Formation of Centralized State

The state-led economic policies in the region were first introduced by colonial governments in an effort to enforce the direct colonial control over resources, and through the introduction of colonial law and order. The top-down colonial policies have sterilized socioeconomic participation, eliminated any form of active political discourse, and instilled a culture of inaction from the part of the population. Consequently, the concept of governance inherited by postcolonial governments became synonymous with the role played by colonial authorities, but with a nationalist agenda aimed at modernizing the economy and "catching-up" with the West. The catching up process has been shaped by the Weberian hypothesis; therefore policies were introduced to secularize society in order to enhance capitalist development.

Accordingly, the state elites who were mostly former soldiers all agreed on the need for a strong centralized authoritarian state. As a result, despite the diversity in economic performance and resource endowments in the region, a characteristic shared by virtually all countries (including Turkey and Israel) regardless of professed ideology (i.e., socialist, republican, monarchy etc.) was until very recently (i.e., late 1980s) that they had a large public sector that led the development process (Richards and Waterbury 1996).

Also one needs to take into account the fear of neocolonialism on the behalf of postcolonial states such as Egypt, Algeria and Libya given that the former colonial powers had a profound interest in continuing their previous hegemony through the economic arena rather than by direct military confrontation. For example, regarding the independence of Egypt and the Suez problem, Tignor (1987, p. 486) argued that "webs of economic connections would keep Egypt in the British orbit" even after British forces were withdrawn from the canal base.

In this respect, the still bitter memories of the destruction of local industrial development by the colonial powers also contributed to the policy choice in favor of heavy industry based state-led growth model. Using the public sector as the engine of growth and development, the majority of the states also experienced the usual sequencing in terms of development models, going through an Import Substitution Industrialization (accompanied by land reform) which would be disrupted (usually following an economic and/or political crisis, such as Egypt 1967, 1974; Tunisia 1969; Turkey 1980) and be replaced by an outward oriented development model where the role of state is minimized through domestic and external liberalization programs.

During the ISI period the state had the responsibility for infrastructural buildup, educational and health services, industrialization and societal

transformation while engaging in a mixed relationship with the private sector. Despite the presence of a generally hostile attitude (by the state bureaucracy), the private sector in most countries benefited largely from intermediate products supplied by the state enterprises at discounted prices or from other subsidies in the form of directed credits or foreign exchange. As elsewhere, one of the characteristics of the ISI era was that during this period the accumulation process became highly dependent on politics rather than markets. Entrepreneurs relied on the state bureaucracy and the subsidies it provided, rather than exploiting the opportunities created by the market itself. The political and economic environment thus created opportunities for wide-ranging rent-seeking behavior within the business community, as businesses competed for the special set of incentives provided by the state.

2. Development Bottlenecks¹

In addition to the distortions created in the economy from a centralized, highly inefficient, untransparent, unaccountable, and mostly corrupt state structure, there are other problems that limit economic growth and development in the region (Dahi and Demir 2008). In particular, one of the most visible effects of Eurocentric ideology is in the field of human capital formation. The disproportionate weight on higher education instead of primary and secondary was a byproduct of the distorted perception of modernity through positivist lenses in the region. The newly independent states put greater emphasis on higher education for two reasons: One was the urgent need for a cadre of state bureaucracy loyal to the ideals and establishment ideology of the state. Given that a majority of educated class and military elites were perished during decades of wars, the new states started with a very low human capital base. The second reason, we think, was the belief that Western military and economic success resulted from the presence of a highly skilled technical labor force, which was interpreted as more engineers.

Regarding the first reason, following political independence the majority of MENA countries faced a daunting task to educate their population. For example, adult illiteracy around independence was 70% in Syria, 85% in Algeria, Iraq, and Libya, 90% in Sudan, 53% in Kuwait, 45% in Lebanon (Ghonemy 1998). The colonial powers had established parallel systems of education and significant discrimination in education that left the majority of population, especially in rural areas, with dilapidated and low quality (if any) public schools while the urban elites and sectors friendly to colonial powers enjoyed high quality educational establishments whose quality resembled those in Europe. For example, French authorities in Algeria allocated 20% of public expenditure on education to Muslims who were 90% of the population while the British allocated only 1.5% of the total budget on health and education combined in 1891 in Egypt. At the time of independence in 1951, Libya had only two citizens with university degrees (Ghonemy 1998).

Since the postindependence period the MENA countries have invested a high proportion of their GDP towards education and health, and have made remarkable gains on both accounts. Illiteracy has dropped from 60% in 1980 to about 43% in mid-1990s while school enrollment at all levels went up from 31 million to 56 million during the same period (UNDP 2003). However there is still widespread illiteracy among youth and adults and even higher illiteracy rates among women and the rural poor, which suggests that the performances could have been better if governments had been willing to allocate a larger share of their budgets to education.

The second reason, a side effect of the industrialization attempts by the MENA countries was a reallocation of resources towards higher education, which typically have lower social rates of return than primary education. The result has been the oddity of large numbers of unemployed highly educated workers together with large numbers of illiterate adults and youth (Richards and Waterbury 1996). In the case of Egypt, for instance, despite an illiteracy rate of around 50% more than 100,000 university graduates enter the job market every year (Weaver 1995 quoted in Lubeck 1998, p. 303).

3. Sociopolitical Conflicts and the Revival of Oriental Despotism

The region has been plagued with ongoing sociopolitical conflicts starting from the final years of the Ottoman Empire and erection of colonial regimes. Having borders drawn based on politics by the colonial powers rather than historical, cultural or ethnic backgrounds or on social consensus led to subsequent ethnic and religious civil conflicts (for a list of these conflicts, see Elbadawi 2005, pp. 306–307).

In addition, from 1948 until today the Middle East has witnessed four wars between Israel and several of its Arab neighbors, three wars with Western countries, the second longest conventional war in the twentieth century (Iran–Iraq War), the full occupation of Iraq and Palestine, and partial occupation of Egypt, Lebanon, and Syria, extended periods of economic sanctions on Syria, Iraq, Sudan, and Libya, and dozens of coups d'états instigated from within and outside the region. The persistence of ethnic, religious, and sociopolitical conflicts, continuous wars and military occupations helped strengthen authoritarian state structures and did not provide a stable environment for development. In this respect, the artificial mapping of the region with sovereign borders overlapping with different ethnic and religious groups with different historical and cultural backgrounds further fed into the authoritarian state structure with the excuse that the survival of the unity of the country is dependent on the suppression of popular demands by different groups.

On the other hand, the survival of these mostly autocratic regimes required distribution of economic rents to a wider group of supporters including labor aristocracy, landowners as well as peasantry. In this respect, what is common in the region is that a continuous flow of revenues

(e.g., from oil rents) has helped postpone economic and political reforms (excluding Turkey and to some extent Israel). Furthermore, the formation of pro-establishment interest group coalitions helped create support among the public for the survival of the existing regimes. In Arab countries, the political and economic programs of authoritarian populist regimes were designated as Arab nationalism and Arab socialism. The authoritarian populist Arab regimes as well as Turkish military governments acknowledged workers and peasants as central components of their regimes' survival. Land reform programs (despite their limited coverage) were often used as tools to increase legitimacy of the regimes (i.e., in Egypt, Syria, Iraq, Algeria, and Turkey). Increasing social spending on education and other services as well as increasing government employment might have encouraged society to tolerate undemocratic rule and human rights violations.

These processes and conflicts have had a direct impact on state structure and overall trajectory of development, as well as development strategies and choices available at any given period in time. First of all the Oriental Despot became a reality with a strong centralized state that stayed in power through the use of its military, bureaucratic and legal arms. The suppression of popular demands, ethnic/religious conflicts became the norm across the region. As a result the state structure is organized around a small state elite and the military establishment surrounded by a group of labor aristocracy, dependent private businesses and peasantry. The presence of internal and external threats to the survival of the regimes that are established without a social consensus on a landscape divided by artificial borders, did not create a stable environment for growth. Instead, the original sin of Eurocentrism and European colonialism that created artificial satellite states in the region, resulted in ever growing barriers for stability and development.

As a result (or on the pretext) of civil conflicts the mostly authoritarian regimes have devoted a sizable portion of their budgets to military spending. Average military expenditures to GDP ratio in the region was 6.6% between 1990 and 2004 with a maximum of 21.8% in Kuwait and minimum of 1.8% in Tunisia (the overall average was 5.5% in 2003). Comparatively, the averages were 1.4%, 0.5%, 2.5%, and 1.6% in Argentina, Mexico, Malaysia, and Hungary for the same period (SIPRI). Such high military spending creates a substantial potential for peace dividend in the region (Rodrik, Fischer, and Tuma 1993; Carkoglu, Eder, and Kirisci 1998).

4. The New Game in Town: Neoliberalism

As discussed in the previous sections, the Eurocentric and Orientalist state ideology that defines itself based on the *imagined other* in the form of backward, undeveloped, uncivilized and un-intellectual religious masses that comprise most of the populace, required suppression of populist demands and any opposition to the top-down nature of economic and political decision making. As a result, the whole process of structural shifts has been

accomplished under military rule in all countries in the region. This includes the initial creation and formation of nation states under the image of European states and institutions, as well as the final demise of the state-led growth model towards an outward oriented free market model based on the neoliberal economic design. For the last two decades all economic transitions to a free market model with a liberalized domestic market and a decentralized state have been achieved under dictatorships with a total ban on any popular resistance from labor unions, universities and other interest groups (e.g., Turkey, Egypt, Tunisia, and Morocco since the early 1980s).

Therefore, the same top-down nature of policy implementation is true even more so today when almost all the countries in the region follow policy advices from outside the region to imitate the Western success in development. The most common signs of this are as follows: the attempts to reorganize the state structure to reverse economic nationalism, industrially biased state development, and anti-imperialist rhetoric that will open the door for privatizing state enterprises that were seen as the symbols of postcolonial independence. Globalization and integration to the modern world this time means an unquestioning acceptance of the neoliberal economic policies. A recent example of unconditional surrender of domestic economic decision making to Western based institutions and unelected technocrats, is the appointment of Kemal Dervis, then vice president of World Bank, as the economy minister in the aftermath of the most serious economic crisis in the history of the Turkish republic in 2001.

Thus, two endemic aspects of the liberalization and the accompanying structural adjustment programs have contributed to the increasing authoritarianism and un-democratization of the countries in the region; the first one is the nature of the implementation of these programs as have been elsewhere: and what we call as "*technocratization*" of the economic life by which we refer to the increasing independent autonomous institutional units that are in charge of economic decision making in the public sphere. More and more responsibilities of the democratically elected governments have been transferred to these nontransparent units while increasing the autonomy of the already existing ones. This development, despite the textbook rhetoric of eliminating corruption, and populist decision making, has increased the already existing epidemic of non-transparency and unaccountability in the public sphere while increasing insecurity among people in society. The second development has been the collapse of the public sector finance at the same time with downsizing of the state activities in the market. Lack of any form of social safety nets has left the society without any means to provide their basic needs and has further led to increasing social tensions and instability. After all, the issues seemed to be much too important for the "*voters to be left to decide for themselves.*"

In terms of the past performance, in contrast to the neoliberal rhetoric that identifies free markets as a precursor of free societies, the economic liberalization and deregulation programs have not removed the state from the market or eliminated profligate public subsidies. "Its major impact has

been to concentrate public funds into different, but fewer hands. The state has turned resources away from agriculture, industry and the underlying problems of training and employment. It now subsidizes financiers instead of factories, speculators instead of schools" (Mitchell 1999, p. 31, also see Yeldan 2006; Demir 2004).

Furthermore, despite the implementation of comprehensive trade and financial liberalization programs along the neoliberal paradigm including tariff reductions, privatization, tax breaks and eased restrictions on foreign ownership, as well as establishment of free trade zones and other incentives to encourage Foreign Direct Investment (FDI), capital flows to the region remain minimal. The region's share of FDI fell to 0.7% in 2000 from 2.5% in 1980 (Hirata et al. 2004). On the other hand, income inequality and poverty rates have increased since the implementation of the neoliberal reform policies (Ali and Elbadawi 2002; Fergany 1998). In retrospect, poverty reduction has been one of the top priorities of the newly independent states and as a result, the region enjoyed the lowest incidence of poverty and income inequality of any region in the developing world (Adams and Page 2003). The driving force in this was not only the need to create a support base for the new regimes among the population but also the bitter memories of the colonial era. People saw a connection between the advance of European colonialism and the rise of underdevelopment and poverty in most developing countries (Davis 2001, p. 14). Even natural disasters such as "drought and famine gave foreign creditors, allied with indigenous money lenders and compradors, new opportunities to tighten control over local rural economies through debt or outright expropriation. Pauperized countryside likewise provided rich harvests of cheap plantation labor as well as missionary converts and orphans to be raised in faith" (Davis 2001, p. 91). Therefore, it was no surprise that the postcolonial states, either because of a pragmatic realization of the conditions of regime survival or genuine desire for overcoming underdevelopment, aimed at restoring economic independence while eliminating poverty. However, the slow growth coupled with neoliberal reforms, which have scaled back the role of the state, have also reversed the trend of declining inequality (Ali and Elbadawi 2002; Fergany 1998).

5. Reform from Within

Together with the repressed popular demands from the general population, as well as from different ethnic and religious groups, the biggest obstacle to reform in the region is the conflict between the elites and their interpretation of Western modernity and the local populace who feel that they must be vigilant and protect themselves against outside forces that historically dominated the region. The resistance is also against the distorted version of modernity imposed by the ruling elites. In this respect, the so-called traditionalist masses versus modernist state elites

dichotomy did actually result from the weakening of the communication channels between the state and the people through either colonial states or Eurocentric postcolonial ones; rather than from the absence of civil society or from the regressive nature of Eastern cultures or religion (Islamoglu-Inan 2004). The reorganization of state structure away from social and indigenous institutions (on the pretext that they are regressive, archaic and non-Western/non-modern) toward Western-based ones with increased undemocratic decision making (through courts, military establishment, state bureaucracy, etc.) undermined the political authority of the ruling elites and state bureaucracy. Increasing poverty, and concentration of wealth in the hands of a few and widespread corruption further widened this gap. As a result, the last century of the Ottomans witnessed hundreds of peasant revolts motivated by economic as well as political estrangement of the large sections of the society. As a result, society started seeing the current rulers and the forced Westernization as a rupture from the idealized past and took a defensive position to the newly implemented institutions and state structure. Thus, as the rulers saw their salvation in the adoption of Western culture and institutions (that they regarded as precursors of civilization and development), the society started appearing as an obstacle to be overcome. Social engineering took the form of modernist bureaucrat versus traditionalist backward society that needed to be civilized.

This had significant ramifications throughout the last three centuries in all segments of society. On the one hand, the elites saw their *easterner-ness* as a handicap limiting their achievement of full potential and therefore did everything to erase any sign of this *eastern-ness*. On the other hand, the society became traditionalist seeing the new institutions as the root cause of all evil, not to mention the forced unification and separation of the geographical landscape. The continuing Western support for local dictators and the ongoing military conflicts such as the second Iraq War on the pretext of bringing democracy also made many suspicious of real interests of former colonial powers. In retrospect, the elites' internalized habit of looking at their own societies through the distorted Eurocentric lenses perpetuate the old problems in a vicious cycle and limit any chance of reconciliation with the general public. In the case of Turkey, for example, despite the presence of overwhelming data suggesting economic conditions as the primary concern of general public, the army continues to pinpoint fundamentalist threat as the top priority. This also enables the elites and the military across the region to consolidate their power in all realms of economic and political life while eliminating any public opposition.

Given this background, the rise of ultra religious, ethnic as well as nationalistic parties may partly be explained by: (a) the historical dichotomy between the state elites and the society, especially given the latest developments in the Middle East where the state elites and the military supported the occupation of Iraq and Afghanistan while not intervening in the human tragedy in Palestine; (b) the growing income inequality;

(c) the continuing presence of autocratic regimes supported by the major powers under the pretext of securing the flow of oil to the developed countries markets; (d) the low rates of economic growth and the lack of new employment opportunities combined with high population growth; and (e) loose social consensus and forced unification/separation of the peoples of the region in artificial national borders.

The solutions to the current problems require structural changes involving the revival of civil society, which has become increasingly vocal in its criticism of the current regimes. The ability of state elites to retain their control depends on their ability to negotiate new terms for mutual existence with these opposition forces. The role of civil society is also crucial in curtailing rampant corruption which currently puts the region at the bottom of the transparency index. Furthermore, the definition of backwardness according to Eurocentric notions of Islam and the Middle East needs to be changed. This opens the door for alternative explanations for the low level of development in the region. And finally, Arab states need to increase cooperation and perhaps develop a regional union similar to the European Union. This would limit the intra-regional conflicts, increase cooperation and can prevent the use of national conflicts as a tool for power by local rulers. This would also transform the citizenship definition from ethnic-based to citizenship-based which may help solve ethnic conflicts.

6. Conclusion

The development trajectory of the MENA region that we have described above bears witness to the following Eurocentric traits: (1) an artificial fabrication of a heterogeneous geographic, cultural, ethnic, and religious entity into a single homogeneous unit defined as the Other, the non-West, the Rest, the East, the Near East; the Orient, the Middle East, and eventually MENA; (2) a systematic denial of the contributions made by non-Western civilizations to science, culture, and humanity; (3) a systematic representation of the inherent backwardness of the region based on a cultural and religious heritage that prevents the emergence of civil society, and capitalistic and democratic institutions; (4) a justifiable colonization in the name of bringing civilization, modernity, democracy, and prosperity to the region; (5) a state-led modernization strategy by authoritarian post-colonial governments coupled with the creation of an elite bourgeoisie to perpetuate a top-down political and economic domination of the indigenous population; and (6) a continuous backing of dictatorship regimes by the West to the detriment of the local population despite all the rhetoric about democracy and freedom.

This paper argued that Eurocentric thought was not just the product of the European political Right but rather also a doctrine endorsed by the Left. It was the perpetuation of the myth that the Islamic culture was non-conducive to the development of property rights that has eventually

stalled the process of growth, and continues to prevent the contemporary MENA region from reaching a level of economic development. The paper argued, however, that the major explanations of underdevelopment speculated in the economic literature have ignored the important institutional legacy of colonization which had dismantled the preexisting political, legal, cultural, and economic institutional fabric of a thriving civilization, and had replaced it by a centralized and rigid colonial structure, which was then reproduced by nondemocratic postcolonial governments, and most recently through aggressive neoliberal policies.

Undoing nearly three centuries of Eurocentric habits of thought is no easy task, but the paper nonetheless proposed an alternative agenda for economic reform, namely an inclusive and decentralized political system in which a vibrant civil society plays a vital role in the economic and political future of the region. Most importantly, however, undoing the stronghold of Eurocentrism requires an internal conscious recognition of what Eurocentrism has done to the region. Thus, recognizing that the region's culture and diversity is not a burden that needs to be cleansed is a crucial step in reviving the region's sense of self-confidence. And finally, once it is recognized that the region's diverse culture is a common asset rather than a liability, increased economic cooperation and integration within the region becomes the most viable strategy for economic prosperity, equity, and social justice. It is this ultimate battle against Eurocentric ideology that will determine the economic success of the MENA region.

Notes

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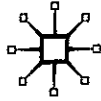
1. This section is partly based on Dahi and Demir (2008).

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