

# Is an “Islamic Political Economy” in the Making across the Middle East and North Africa?: A Path-Dependent Institutional Change Analysis

TANER AKAN\*

**ABSTRACT** *The Arab Uprisings and their transformational impact across MENA have generated immense debate about the future of the region's countries during a period of reorganizational crisis in the international political economy. At this stage of the unfolding region-wide transition in the MENA, this paper performs a two-step theoreticopractical examination of the processes between and after the Uprisings. Firstly it crystallizes the ambiguous manifestations between the theory of Islamic political economy and the praxis of these Muslim-majority countries: the high-income Arab Gulf States, upper-middle-income Tunisia, and lower-middle-income Egypt. Secondly it contextualizes the evolving continuities and*

**C**ontemporary Muslim countries were either derived from the transformation or breakup of earlier regimes, such as the Ottoman Empire, the Iranian monarchy, and the Tunisian, Moroccan, Egyptian, and other Sultanates, or built up as new territorial entities, such as Syria, Iraq, Jordan, Indonesia, Malaysia, Nigeria, and Senegal.<sup>1</sup> In the Middle East and North Africa (MENA) countries, which became independent after World War I, World War II, and up until the 1970s, three main forms of political regimes were established: elective, parliamentary, or quasi-democratic (Syria, Egypt, Iraq, Sudan); authoritarian constitutional monarchies (Jordan, Morocco, Kuwait, Bahrain) or absolutist monarchies (Saudi Arabia, Oman, Qatar, the UAE); and single-party states (Algeria, South Yemen). To institutionalize these regimes, in most cases, the civil-military political elites structured a fragmented typology of political economy (PE) primarily by boiling norm-contingent Islamic action down into the civic sphere and forming an extractive coalition with rent-seeking business circles. Over time, this fragmentation evolved through the intermingling of Islam, secularism, liberalism, socialism, nationalism, and militarism in various combinations, ranging from the adoption of state capi-

\* King's College,  
UK

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## The main debate on current transformation revolves around whether the embedded PE dynamics of the region's countries would incur a substantial change and whether the direction of this change would be towards an orthodox Islamic model

*repulsive dialectics* embedded in the institutional failures of these fragmented regimes. Further, these movements are fueled not only by the sparks of dissent amassed by countercyclical Islamic, leftist, or liberal movements across the region but also, and in fact more directly, timely, and conclusively, by the unorganized civic forces arising from each segment of the society, particularly the youth, who suffered from such endemic ills as unemployment, soaring bread and basic food prices, increasing poverty, and the lack of freedom.<sup>2</sup> During this stage, the complete overturning of or partial revisions to the formal rule of these regimes –such as in Tunisia, Yemen, Egypt, Libya, and others and as in Jordan or Kuwait, respectively- have unleashed a process of chaotic transition at the crossroads of developing a new institutional stock, revising the old establishment, or protecting the vested interests of political or economic actors.

In PE terms, what emerges from the long evolution, particularly in the 20<sup>th</sup> century, and the current praxis of Muslim nations in the region is an ongoing ambiguity among the pure theory of Islam, its practical manipulation, and restriction by the contemporary political monopolies to keep their rule afloat. There is also a blurring of the lines between the praxis of these Muslim communities in the region under the assimilative and adaptive power of national authoritarian regimes and of popular dynamics of transnational communication and exchange, and the demands of structural change in these regimes by the unorganized ordinary masses and the revivalist Islamic political movements, whose role seems to be more impelling in the reorganization of these societies. In this respect, the main debate on current transformation revolves around whether the embedded PE dynamics of the region's countries would incur a substantial change and whether the direction of this change would be towards an orthodox Islamic model.<sup>3</sup>

The objective crystallization of this contentious spiraling of Islamic theory and the flawed praxis of contemporary Muslim-majority countries requires avoiding the assumption that a theory of PE would excuse its malpractice or that

talism or socialism by the military elites in Egypt, Syria, Iraq, and Algeria to petroleum-sponsored authoritarian regimes in Saudi Arabia and the Gulf states, acquiring an ethnic component particularly with the catalyst of anti-imperialist sentiments.

In broad strokes, the Arab Uprisings can be suggested to be the upshot of the accumulated dynamics of change emanating from the *inter-*

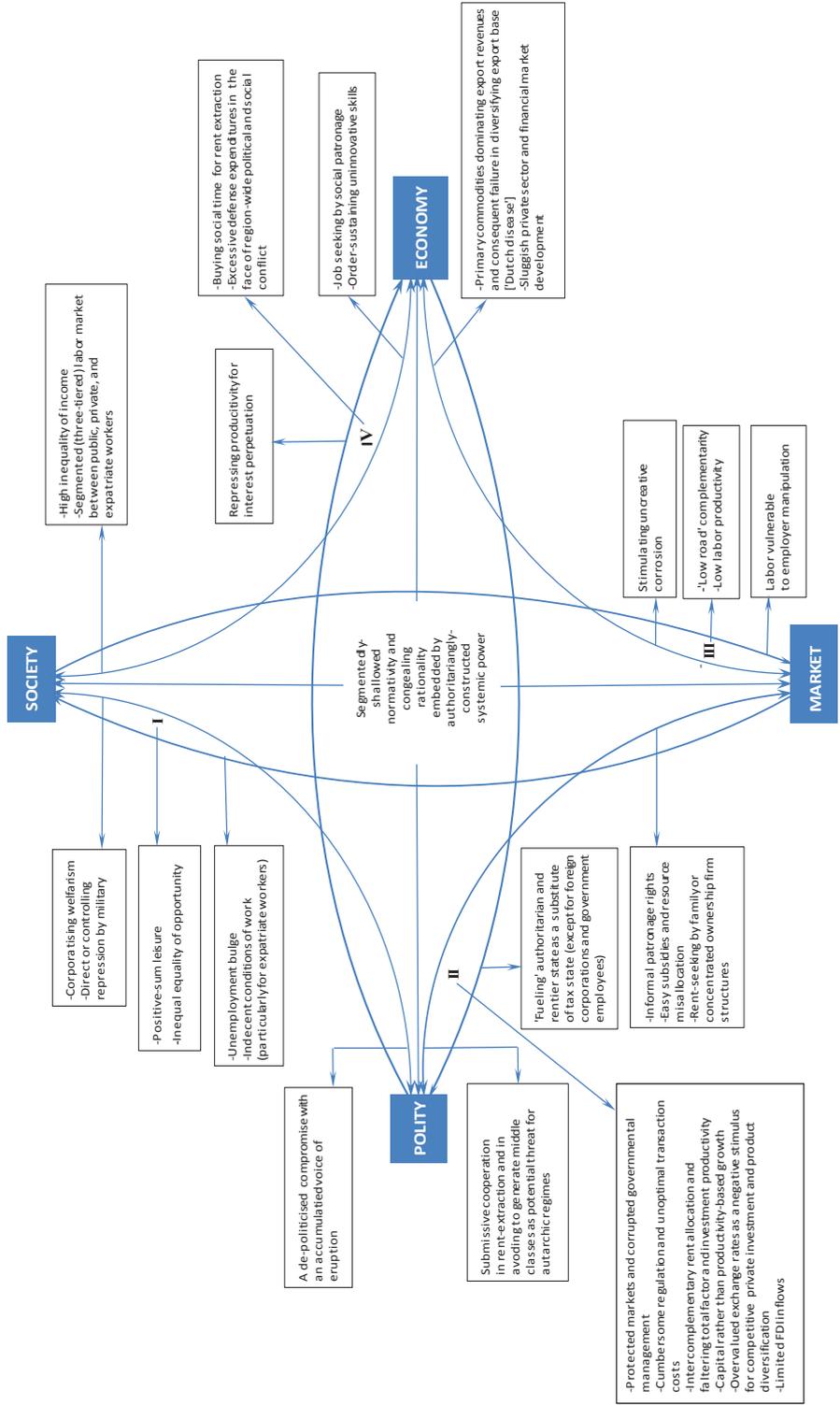
malpractice would debunk its theory. Structured upon this methodological distinction, this paper aims to clarify the above-noted ambiguities and delineate the possible trajectories in the MENA region using the case study of the high-income Gulf countries, the upper-middle income Tunisia, and the lower-middle income Egypt. To this end, the paper examines, in the first section, the current institutional stock of the case countries. In the second section, the agenda of the countercyclical Islamic factions under the aegis of the theory of Islamic PE is explained. In the third section, the continuity and discontinuities in this stock during and after the Arab Uprisings through the conceptual framework of the eight patterns of path-dependent changes that the author develops are outlined. Finally, in the concluding section, what type of path-dependent changes would be expected during the current transitional period of these countries between their institutional path-dependencies and the structural dynamics of an Islamic PE is analyzed.

A concise examination of the basic institutions of Islamic PE in the third section will enable us to pin down not only the institutional stock that underlies the PE programs or ideals of the Islamic movements or political parties in the case countries but also the institutional deficits between the theory of Islamic PE and the praxis of the Muslim communities. This allows us to contemplate the next step on the path of a potential Islamic transformation at the hands of these Islamic organizations with popular democratic support. Thus, the developments, such as the closure of the Freedom and Justice Party of Egypt, cannot outdate our analysis, as the successive parties of the Egyptian Islamic movement are likely to adapt a similar political or economic program in compliance with the building blocks of Islamic political economy. This was in fact the case for the five parties affiliated with the National Outlook Movement of Turkey. From the early 1970s to the early 2000s, the former four of these political parties were closed down by the Turkish Constitutional Court, in most cases in the aftermath of a coup d'état, but the building blocks of their programs, adapted from the basic Islamic institutions, remained the same to a great extent.

### **Muslims' Political Economy at Praxis in the Gulf Countries, Egypt, and Tunisia**

This sub-section aims to examine the institutional stock of the high-income Gulf States, upper-middle income Tunisia, and lower-middle income Egypt. Figure 1 illustrates the main institutional interactions among polity, economy, market, and society in the Gulf countries. In this sub-section, instead of delving into the context-specific nature of each institution shown in Figure 1, I concentrate on the overall systemic impact of their interactional implications. In due course, I also elaborate on the points of divergence between Egyptian and Tunisian PE from the depiction in the figure. Table 1 documents the ba-

Figure 1: A Typology of Political Economy in the Gulf States



sic national and international macroeconomic and social indicators in these countries. Where data are scarce, I give the average of one or two decades under the headings of average 1980s and 1990s, 1990s or 2000s.

Despite munitias in the architecture of legislative and executive bodies in the Gulf states, the prevalent praxis is that the ruling Emir, Sultan or King governs the country with a consultative or advisory council or a council of ministers that he can appoint, suspend, dissolve, or change. In the case of national assemblies or bicameral legislatures, as in Bahrain, Kuwait, and Oman, the ruler is predisposed to contain the council, whose members are appointed by him, and to manipulate the electoral law to prevent the oppositional groups from acquiring a majority in the selected councils.<sup>4</sup> The lack of vigorous judiciary or subversive civic movements to structurally constrain these autocratic discretions consolidates the systemic power of political monopolies.<sup>5</sup> Thus, under ordinary circumstances, the opposing ethnic, sectarian, civic or political groups, if any, are not the de facto alternative for the ruling families but are

**Table 1: Economic and Social Welfare Indicators in the Gulf Countries, Egypt, and Tunisia**

National Economic Aggregates																				
Country	Overall Govern. Index (Avrg)		Real GDP Growth (Annual change)		GDP Per Capita (Annual change)		Industry Value Added % of GDP		Service Sector Value Added as of GDP		Agriculture Value Added % of GDP		Central Government Debt % of GDP		General government balance		Consumer Price Index (Year avrg)		Real Interest Rates	
	96-'10	80-'99	00-'10	80-'99	00-'10	Avrg 80-'99	2000s	80-'99 Avrg	2000s	80-'99 Avrg	2000s	1990s	00-'10*	00-'10	80-'99 Avrg	2000s	80-'99 Avrg	2000s	00-'10	
Bahrain	0.1	3.6	6.0	0.5	-0.4	45.4	...	53.6	...	1.1	...	17.8	27.8	0.3	1.5	1.6	11.4	2.1		
Kuwait	...	...	4.2	...	...	...	...	46.8	46.2	0.4	0.4	...	15.9	28.2	3.4	3.4	8.1	0.1		
Oman	0.3	7.0	4.7	3.3	2.6	52.9	54.8	44.3	43.2	2.8	2.0	26.6	12.4	8.3	...	3.0	10.4	1.5		
Qatar	0.4	...	13.4	...	0.9	...	...	...	...	...	...	...	31.7	9.0	3.3	5.0	...	-1.0		
Saudi Arabia	-0.5	1.2	5.0	-2.4	2.3	49.2	57.9	46.1	38.5	4.7	3.7	...	46.4	10.8	0.7	2.4	...	...		
UAE	0.5	3.5	5.4	-2.3	-4.9	52.2	52.8	46.5	45.7	1.3	1.5	...	9.5	6.0	...	4.9	9.2	4.6		
Egypt	-0.5	5.1	5.1	3.1	3.2	31.2	36.0	50.3	49.0	18.5	15.0	...	88.7	-9.0	13.9	7.9	4.1	4.6		
Tunisia	-0.1	4.3	4.5	2.2	3.5	34.0	30.2	50.5	59.9	15.5	9.8	56.9	53.2	-2.2	5.9	3.3	-0.1	1.9		

International Economic Aggregates														
Country	Real Effective Exchange Rate		Current Account Balance % of GDP		Tariff rate (average)		Exports of goods and services % of GDP		Fuel exports in total exports		FDI % of GDP		R & D Expend. % of GDP	
	80-'99 Avrg	2000s	2000s	1990s	2000s	80-'99 Avrg	00-'10	80-'99 Avrg	2000s	80-'99	00-'10	80-'99	00-'10	1995-'10 Avrg
Bahrain	147.6	105.3	7.1	7.9	5.1	95.3	87.9	66.9	4.3	6.1	...	...	...	
Kuwait	...	...	31.1	...	4.0	51.1	58.6	68.6	94.5	0.1	0.1	0.1	...	
Oman	...	...	8.5	6.0	5.0	48.6	55.3	85.9	83.6	1.1	2.6	...	...	
Qatar	...	...	20.5	...	4.0	48.7	60.7	83.9	85.9	0.8	4.1	...	...	
Saudi Arabia	160.4	106.2	16.0	11.1	5.8	38.6	50.7	91.8	89.6	1.1	3.1	0.1	...	
UAE	147.3	105.1	7.5	...	4.3	...	65.9	23.8	74.7	0.1	3.3	0.3	...	
Egypt	...	...	0.8	15.4	13.2	22.0	24.7	47.2	42.4	2.0	3.7	0.2	...	
Tunisia	133.8	103.8	-3.1	26.4	19.1	39.0	45.4	23.9	12.5	1.9	3.7	0.7	...	

Social Welfare Indicators																						
Country	Population Growth		Labor force participation rate		Unemployment		Youth Unemployment		Tax revenue of GDP		Indirect/direct taxes		Subsidies and other transfers		Gini Index		Poverty headcount ratio		Human Poverty Index***		HDI Rank***	
	80-'99	00-'10	90-'99	00-'10	2000s	2000s	90-'99	00-'10	90-'99	00-'10	90-'99	00-'10	90-'10	2000s	2000s	1997	2007	70-'10	90-'10			
Bahrain	3.1	6.1	65.2	67.2	5.2	17.8	5.2	3.2	4.0	1.3	10.2	...	...	...	9.8	8	21	93				
Kuwait	3.5	4.5	64.4	67.7	...	11.3	1.0	1.1	...	...	34.7	...	...	...	13.6	4.7	48	59				
Oman	3.4	2.3	57.9	56.0	...	...	7.4	2.2	1.1	...	7.9	...	...	...	33.2	14.8	1	7				
Qatar	5.1	10.2	79.1	80.5	1.2	1.4	...	19.7	...	...	17.2	41.1	...	...	14	5	73	104				
Saudi Arabia	3.8	3.0	52.1	50.2	5.3	29.0	...	...	...	...	...	...	...	...	18.8	12	24	88				
UAE	5.7	9.7	74.7	76.8	3.4	10.1	0.7	...	16.0	...	...	...	...	...	17.6	7.7	3	2				
Egypt	2.0	1.7	46.8	47.0	9.8	27.3	16.9	14.6	13.3	21.2	23.0	30.7	21.6	33.0	...	23.4	25	28				
Tunisia	2.1	1.0	48.5	46.8	13.8	31.0	20.0	19.4	24.7	34.1	37.4	36.6	15.5	23.6	15.6	6	12					

Sources: World Development Indicators (2014); \*Total government gross debt, IMF (2005, 2011).

\*\* Simple mean applied tariff is the unweighted average of effectively applied rates for all products subject to tariffs calculated for all trade goods.

\*\*\*Arap Development Report (2011).

# SIGNING CEREMONY PREFERENTIAL TRADE AGREEMENT AND GENERAL AGREEMENT ON ADMINISTRATIVE ASSISTANCE IN CUSTOMS FIFTH SUMMIT OF DEVELOPING EIGHT (D-8) BALI, INDONESIA, 13 MAY 2006



Developing Eight (D-8), established in Istanbul in 1997 by 8 Muslim countries, aims to improve economic cooperation between member states and their position in the global economy.

AFP PHOTO /  
JEWEL SAMAD

spontaneous *voicers* of urgent socio-economic demands on sharing economic surplus. Before their overthrow, Mubarak and Ben Ali incessantly ruled Egypt and Tunisia between 1981 and 2011 and between 1987 and 2011, respectively, no more democratically than the political monopolies of the Gulf states. In Egypt, for example, certain corporatist organizations with compulsory membership, such as student unions, were founded and served as the mechanism of the state's control over the masses.

The model of PE in the Gulf states, as observed in Figure 1, was structured upon congealing a potential social uprising through *corporatist welfarism* and through direct or controlling repression by military force. *Corporatist welfarism* refers to the provision of generous social benefits and subsidies, including housing health, education, electricity, water, and fuel, to the public to buy more *submissive time*, thereby perpetuating the vested structure of *rentier states*. Indiscriminate subsidies are also easily bestowed on productive industry and agriculture in the form of capital, electricity, water, and fuel. The total amount of explicit and implicit subsidies makes up a high proportion, causing resource misallocation, particularly by distributing these subsidies through informal patronage channels.<sup>6</sup> The mainstay of corporatizing welfarism is the extremely low rates of direct or indirect taxation in all of these countries, except Qatar, along with moderate inflation. However, such passive welfare provision does not yield an equal division of labor and income.<sup>7</sup> As shown in Table 1, the Human Development Index for the region decelerated during the period of 1990-2010 compared with 1970-2010. Despite the existence of comparatively decent working conditions in the public sector, the lack of protective private

sector employment law or its ineffective implementation results in labor abuse and poor compensation.<sup>8</sup>

The budget surpluses, which are in some cases phenomenal, and the comparatively moderate level of government indebtedness with low real interest rates are the basic

macro components that empower the governments in the region to perpetuate corporatist welfarism. The consequence is '*positive-sum leisure*' or '*interlocked interests*' among polity, market, and society through which the corrupted ruling strata buys submission and obliterates the risk of the formation of massive middle classes as potential catalysts for conflictual and interrogative action. Moreover, private entrepreneurs enjoy the opportunity of non-risky investment and capital accumulation while society, to a certain extent, utilizes generous social benefits. The *positive-sum leisure* inescapably introduces the evolutionary embedding of '*low-road*' compromise under cumbersome regulation and transaction costs. The rising growth rates in the Gulf countries over the last decade fell back upon rising capital accumulation with a low gross average return out of oil revenues rather than increasing total factor productivity, which incurred significant declines in the 1980s and 1990s.<sup>9</sup> As the Arab Development Report notes, "in synthesis, oil revenues have supported a service-led pattern of economic development at the expense of the productive sectors, which renders the region the least industrialized among developing regions, including Sub-Saharan Africa."<sup>10</sup>

The share of fuel exports in export earnings is quite high for all countries in the region. Taken together with the ongoing high rate of subsidies, the patronage-based regulation of economic action stimulates an uncreative corrosion for private entrepreneurs to maintain the production of low value-added (petroleum related) primary products, such as rubber and plastic products, along with food and chemical goods, thereby discouraging them from venturing into diversifying the manufacturing export base, despite ad hoc initiatives by re-exports or developing energy-intensive industries and iron and steel products.<sup>11</sup> This mode of action is further consolidated for private entrepreneurs by the negative stimulus of overvalued exchange rates (the Dutch disease), the phenomenal current account and budgetary surpluses due to the incoming petrol or gas revenues that increase the price of non-tradeables such as housing and services compared with the price of tradeables because the latter cannot, in most cases, be imported.<sup>12</sup>

What distinguishes Egyptian PE from the Gulf countries' PE, as described in Figure 1, is the institutional presence of a presidential republican regime, a

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lower level of income per capita with a comparatively lower level of oil revenues, a strong entrepreneurial army, a certain array of politically isolated civic associations, and the dependence on foreign aid and worker remittances. The Tunisian PE has a limited amount of fuel revenue compared to the Gulf countries and Egypt, a small and politically inactive professional army, an ethnically and religiously homogenous social structure, and a comparatively more developed but not larger private sector (than the Gulf countries and Egypt) in terms of its value added to the GDP. Yet, these specifications made no substantial shift in the inculcation of a state-owned rentier structure, the socially destructive consequences of which were quenched by phenomenal social subsidies and extensive social security programs, a moderate level of tax burden, and comparatively high public sector employment.

Over the last five decades, the Egyptian state maintained its stronghold on the commanding heights of the economy and impelled private businesses to the marginal service sector and rentier opportunities, particularly the speculative trading of land consumer goods. As expected, under a strictly authoritarian regime, business ties were cemented by informal patronage channels, namely personal, family and marriage alliances. The foremost one is the ‘*extractive cooperation*’ of the Egyptian military in hollowing out social opportunities by securing patronage from the president. The Egyptian military possesses an extremely high portion of the country’s GDP, running its own hospitals, factories, clubs, and gas stations that serve its officers and soldiers as well as the ordinary public.

Egypt’s economy, although proportionally much smaller than those of the Gulf states, is dependent on the oil revenues that have the largest share in the country’s export earnings. As of 2006, the manufacturing base for Egypt’s economy consisted of fuel (23 percent), food (18), chemicals (17), textiles (12), and other sectors.<sup>13</sup> The Arab Development Report notes, “Thus, Egypt’s export structure is clearly less diversified today than many of the smaller Arab non-oil economies that looked up to it as a model for industrial development during the 1960s and 1970s.”<sup>14</sup> As observed in Table 1, the performance of the public side of the Egyptian economy in the 2000s, before the Uprisings, was alarming, with an 88.7 percent ratio of public debt, a 9 percent budget deficit, although with a moderate rate of inflation and real interest. An underlying factor was the central expenditures on subsidies and wages along with large infrastructure spending, indicating that the relatively high growth during the previous two decades was financed by debt rather than by productivity.

A heavily-controlled model of trade unionism stripped of the right to strike, associations of students, women, peasants and other professional classes such as doctors, lawyers, and journalists under the grasp of the National Union and then the Arab Socialist Union in Egypt were far from exerting a significant impact upon the status quo described above. In socio-economic terms, the con-

sequence is a high rate of youth unemployment and poverty headcount ratio (at national poverty lines) with the negative stimulus of a swiftly rising labor force, despite a declining rate of population increase.

The Tunisian economy, in broad strokes, was well aligned with a rentier economy. A factor that distinguished it from the Gulf countries and Egypt was that the non-oil manufacturing sector had a larger share due to the overvaluation of the exchange rate, making imports of capital equipment cheaper along with low tariffs on intermediate goods and capital equipment. With the rising oil revenues in the country during the 1970s, the infrastructural investment gathered speed, contributing to the consolidation of industrial diversification.<sup>15</sup> This notable performance, however, occurred at the cost of a rising current account deficit due to the rising amount of import commodities and capital goods. The limited share of private investment, producing only 14 percent of the GDP in the early 2000s due to rather high tariff rates, despite their lowering in the 2000s, did not change the uncertainty of the business environment or the limited privatization of the telecommunications, transport, and other sectors.<sup>16</sup> The overly protected Tunisian market, as expected, paved the way for the deepening of rent-seeking, an overwhelmingly political issue that retards productivity and maintains the vested division of labor among the state, market, and economy under control.

Between 1990 and 2007, the country pursued prudent macroeconomic management, accommodated by high direct government involvement in productive activities, ultimately achieving moderate growth on average. Despite curbing inflation and reducing government debt slightly, this strategy resulted in an unsustainable rate of unemployment (jobless growth) with a low rate of labor force participation (despite decelerating population growth), extremely high youth unemployment, and a high indirect/direct rate of taxation along with comparatively higher inequality of income. In this context, the extremely high subsidies and other social transfers cannot be claimed to have conclusively quenched the accumulated social tension, despite contributing to a remarkable rise and fall in human development standards and human poverty, respectively.<sup>17</sup> The fact that the Uprisings began in this country is thus unsurprising.

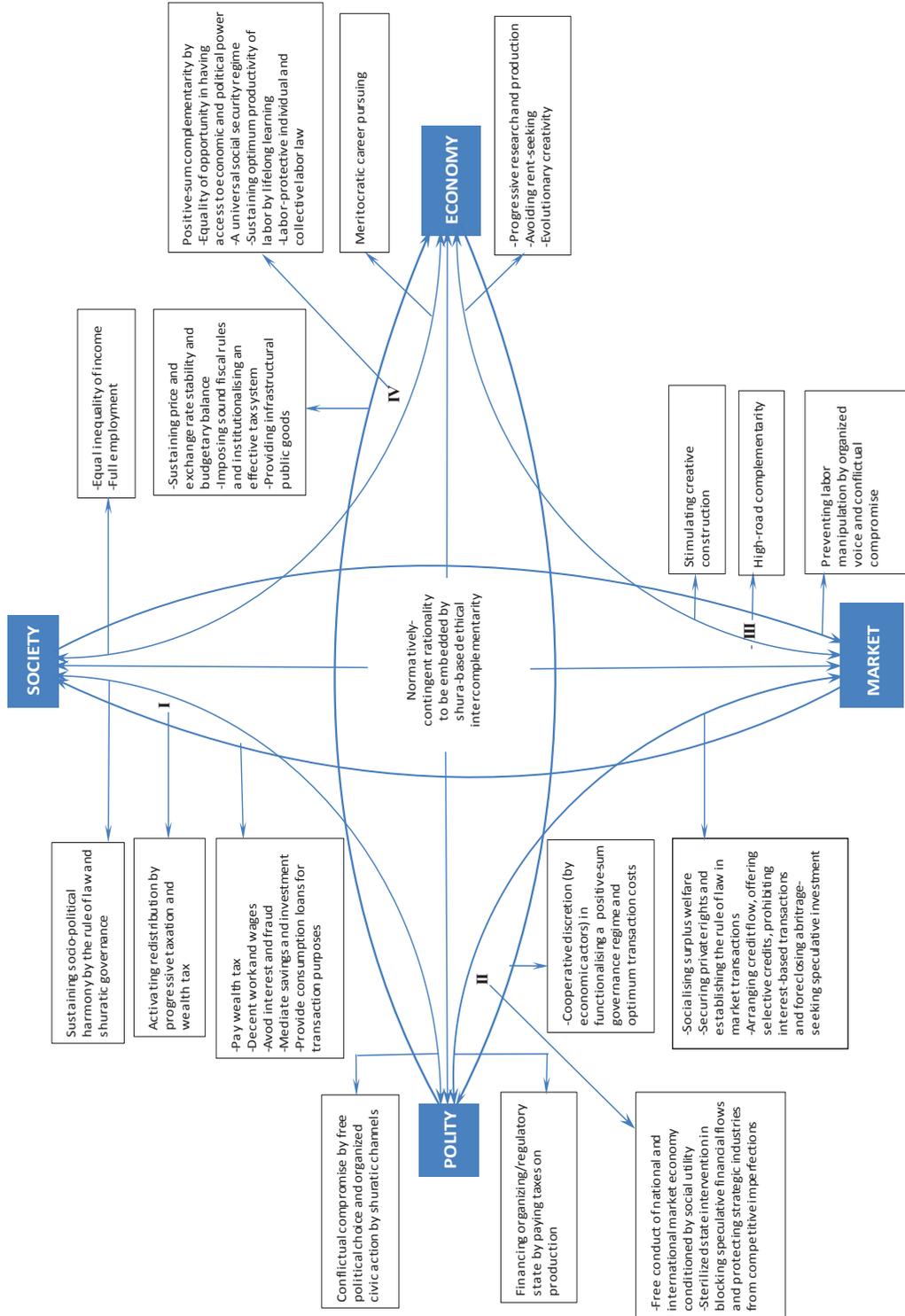


**The ultimate purpose of an Islamic state is to establish an institutional framework for the unity, harmony, and cooperation of Muslims over a certain territory**

## **The Countercyclical Actors and Their Agenda for Change**

This section examines the building blocks of an Islamic political economy and the agenda of the change agents in the case countries that predicate their

Figure 2: A Typology of Islamic Political Economy



programs or ideals on these building blocks to revolutionize the above-noted politico-economic model(s) in the case countries. At the Figure 2 can be seen the cross-institutional interactions between society, polity, economy, and the market in an Islamic social system. The arrows indicate the impact of each unit on the others. For example, the arrows at the left upper point of the upper left arch indicate the impact of polity on society. The points I, II, III, and IV illustrate the consequence(s) of the combined impact of three intersecting constituents out of the society, economy, polity, and market. 'I' shows, for example, the combined impact of polity, society, and economy.

There are, inter alia, three constitutive components of an Islamic state: Islamic law (*Sharia*), the Muslim community (*ummah*), and the *Khalifah*, the head of the Muslim community according to the *Sharia*. In terms of the interplay between polity and society, the ultimate purpose of an Islamic state is to establish an institutional framework for the unity, harmony, and cooperation of Muslims over a certain territory. Its existence is not an end in itself but a means for the execution of a just and equal order, the *Sharia*, the forestalling of injustice and unfair practices, and the establishment of freedom and dignity among human beings.<sup>18</sup> To establish and sustain this order, it is a compulsory task for the the *Khalifah*, as stipulated by the Qur'ân, to consult with the community, the *shura*, on their major actions.<sup>19</sup> *Shura* is a systemically constitutive institution in Islam insofar as it is stipulated that all social interactions at group levels, from the family to political decisions, should primarily be settled by consultation. On the basis of this governance-theoretic structuration, it is popular consent and free choice that underlie Islamic politics and require that Islamic governments be formed on the basis of election even though the institutional grounds and the style of electoral politics is not tantamount to a democratic regime in the fullest meaning of the word.<sup>20</sup>

As the other building block of an Islamic PE, Islamic economics is rooted in material advancement under the auspices of a normative background, ethics, and furnishing market actors with the source of spiritual regulation. Without the constraining role of this ethical background, material economic progress is suggested to be implausible because Islamic ethics, whose core constituent is *taqwa*, is the prime determinant of distributive equity and economic efficiency as well as the productivist and egalitarian balances between them.<sup>21</sup> Despite this ethics-based structuration of economic conduct in Islamic PE, the major economic institutions such as production, trade, commerce, profits, consumption, exchange, and surplus value are not repudiated but constrained by *social utility*. Islamic economics can further be suggested to rest upon market-oriented economic circulation, predicating that the right of property ownership and business transactions should in principle be organized and protected under the rule of law in a way free from overregulation and cumbersome state intervention. The positive rights and responsibilities of property-owners in Islam

## Activating welfare in Islamic terms is rooted in the fact that the state should develop a universal social security regime covering the whole lifetime of its citizens

are to utilize the advantages of their property to the fullest extent principally in search for progressive research and production and without adversely affecting the *high-road complementarity*: to pay *Zakât*; to spend “in the way of Allah;” to remain aloof from taking interest; and to avoid fraud in business dealings, hoarding, speculation, and monopoly.<sup>22</sup>

Accordingly, Islam also predicates the free conduct of international economic transactions and the free flow of exchange rates under supply and demand conditions unless there is a need for intervention.

In some practical cases, however, an Islamic state should have a sterilized interventionist position, the preferable policy choices of which are restrictions on trade, e.g., through tariffs and quotas; restrictions on speculative financial flows or on portfolio and foreign direct investments; protection of home (infant) industries on the condition of not feeding competitive imperfections, etc.<sup>23</sup>

In parallel with its optimizing role in the organization of production and redistribution, in macroeconomic policy, an Islamic government is expected to abide by a balanced, even surplus, budget and to utilize its reserves to maintain exchange rate stability, pay off loans and defense financing, and so on.<sup>24</sup> In this general mission, the objectives of Islamic fiscal policy are to bring surplus welfare into economic circulation (namely to socialize it), prevent it from becoming a source of speculation and ensuing economic recession, and structure a balanced distribution of income.

On the socio-economic side, it can be suggested that Islamic economics is structured upon a social justice-centered model to be enforced by progressive taxation and an activating redistributive strategy. Activating welfare in Islamic terms is rooted in the fact that the state should develop a universal social security regime covering the whole lifetime of its citizens and provide its citizens with a minimum income commensurate with human honor on condition that these people, if not disabled, must pay necessary effort in having and sustaining a professional qualification and position in tandem with the principle of meritocracy through engaging in life-long learning and training programs.<sup>25</sup> As a corollary, it is suggested that an Islamic state has the responsibility to enact labor acts, institute an effective inspection mechanism for the ordinary examination of unfair practices in labor markets, establish necessary power channels for workers to ensure their earned rights and interests with collective contracts, and determine a minimum wage. The yardstick of a just wage is not the marginal productivity of the labor but the cost of living and decent work.<sup>26</sup> Because there is always a social risk that Islamic governmental authorities or

Muslim employers would treat their employees unfairly, the trade or civil servant unions and their regional or global affiliations are confirmed to offset such inegalitarian initiatives by adopting a conflictual strategy including strikes.<sup>27</sup>

In a nutshell, Islamic political economy is structured upon the creation of a workable mutuality between efficiency, equity, and voice through the functionalizing of a positive-sum complementarity among the factors of production under a free-market environment conditioned by the state's organizing intervention.<sup>28</sup> And the basic cement of these interconnected objectives is a normatively-contingent rationality to be embedded by *Shura*-based ethical intercomplementarity among the actions of individual and organized political and economic actors.

The above-noted theoretical building blocks of Islamic PE constitute the main basis of practical change for the countercyclical Islamic movements across the region. As a well-delineated fact and symbolized by the self-immolation of Mohamed Bouazizi, a street vendor, in protest of the confiscation of his wares and harassment by a group of municipal officials, the Arab Uprisings are rooted in socio-economic problems, such as rapidly rising youth unemployment, worsening inequality of income, and receding per capita income, except in Saudi Arabia, which is facing a quadrupling rate of population and labor force growth. For Islamic movements in the form of political parties or civic associations, in addition to these above-noted corporeal socio-economic imperfections, the inevitability of the countercyclical change to the authoritarian regimes in the case countries, except for Tunisia, relies principally on the basic Islamic premise that orthodox Muslims, *ehl-i taqwa*, are responsible not only for practicing Islam's individually relevant premises but also for ensuring the systemic and incessant execution of its collective teachings regarding the polity, economy, and market.<sup>29</sup> These movements in the Arab Gulf states range from non-violent to militant, transnational to local, and Sunni to Shia, acting particularly since the late 1970s onwards. Below, I examine the examples with countercyclical potential either to make or to partake in prospective changes in the case countries.

From the 1970s onwards, as an Egypt-based social movement, the Brotherhood has become organized in civic associations, such as bar associations, press syndicates, and doctors' associations, evolutionarily feeding a collective *movemental* consciousness in the country to be morphed into a political *organization* in time.<sup>30</sup> Furthermore, this collective consciousness has a highly invasive spillover effect across the region. This outpouring of the Brotherhood's impact dates to the flight of its members from Egypt, Syria, and Iraq to Saudi Arabia and Kuwait, where they were employed in the burgeoning educational systems. Their revolutionary ideas spread across Saudi Arabia in the 1960s and 1970s. The combination of their views with the traditional Wahhabi doctrines



A general view shows a meeting of the Gulf states' oil ministers in Doha, on September 10, 2015.

AFP PHOTO /  
AL-WATAN DOHA /  
KARIM JAAFAR

generated a new movement, the Islamic Awakening, which has spearheaded the Islamic opposition against the Saudi King's authority from the early 1990s onwards.<sup>31</sup>

The Gulf regimes, except Qatar, guard against the Muslim Brotherhood, which they conjecture might export its successful, albeit interrupted, political mobilization to their countries. Qatar declares its open support of the Brotherhood and of Islamic insurgents in Syria and Libya with money, weapons, and training. Furthermore, Qatar established a close relationship with the Morsi and Jebali governments in Egypt and Tunisia, respectively. In contrast, Saudi Arabia and the UAE consider the Brotherhood a potentially revolutionary movement. In the UAE, dozens of members of the Brotherhood-affiliated Islah organization were arrested for signing a petition with the aim of raising reformist demands for the democratization of legislative power in the UAE Federal National Council. The Saudi government financially backs the oppressive Egyptian junta and shores up the Free Syrian Army in the south of the country, as a proactive initiative to fend off a potential Islamic takeover in case of the fall of the Assad regime.<sup>32</sup> This equation seems to hold across the MENA considering that, in contrast to Iran's unquestioned support of Syria, Turkey espouses Qatar's Syria policy as well as the Brotherhood's and en-Nahda's reformist initiatives.

The politico-economic view of the Brotherhood in Egypt and the en-Nahda Movement in Tunisia can be followed through their political arms, the FJPE and the en-Nahda Party (As discussed earlier, the FJPE was closed down in 2014, its successor can well be expected to adapt a similar program in structural terms). In broad strokes, as Sunni-led organizations, the FJPE and en-Nahda

## What distinguishes en-Nahda is its adoption of a more conciliatory posture between the theory of Islamic PE and the political and economic realpolitik of the country

base their politico-economic strategies on the pure Islamic model that we elaborated above.<sup>33</sup> For example, the FJPE's program includes countercyclical policy choices to de-accumulate the institutional imperfections of Egypt's PE, examined above, which include foreclosing monopolistic practices by increasing penalties; activating the role of competition protection authorities and of small and micro enterprises to promote Egypt's manufacturing sector; amending oil export agreements to obtain fair selling prices for the benefit of the country and reviewing the program of export subsidies; activating charitable work and compliance with the obligation of *Zakat*; reviewing Egypt's wages system and setting upper and lower limits; achieving equitable distribution of wealth; and focusing on the ethical perspective in the fight against corruption in the public, private, and national sectors. In this program, an explicit emphasis has been placed on the necessity of institutionalizing an electoral democracy with a rule of law, on the establishment of the separation of powers (legislative, judicial, and executive), and on the Party's abstention from founding a military or theocratic state, while the axioms of Islamic *Sharia* are suggested to be the main source of all walks of life.

What distinguishes en-Nahda, originally a Brotherhood-inspired movement, is its adoption of a more conciliatory posture between the theory of Islamic PE and the political and economic realpolitik of the country.<sup>34</sup> After the 2011 general elections, Hamadi Jebali of en-Nahda was appointed as prime minister by the president, composing a three-party coalition with center-left parties, whereas two members of the Democratic Forum of Labor and Freedom, a social democratic party, became the elected president of Tunisia and of the Constituent Assembly.<sup>35</sup> Rachid Ghannouchi, the leader of the movement, told the BBC, "We believe that all Tunisian people can survive peacefully within a moderate vision of Islam that can be compatible with democracy... In Turkey and Tunisia, there was the same movement of reconciliation between Islam and modernity." The Tunisian Constitution of 2014, which recognized basic individual and collective democratic rights, was ratified without the inclusion of *Sharia* as the political and judicial regime of the country by the compromise of all participants, including the civil and commercial organizations.<sup>36</sup> At the October 2014 general elections held under the aegis of this constitution, the "Call of Tunisia," a secular modernist party, has come to the power, receiving 37.5 of the total votes.

## After the Arab awakening, as the third notable Islamic actor in the region, Salafi organizations and political parties increased their activism across the MENA

Despite their diverse viewpoints with Sunni on theological issues, Shiite movements adopt the general principles of an Islamic PE, elaborated on in the first section. As discussed by a Shia jurist, Muhammad Bakr al-Sadr's writings on his four-volume work, "Our Economics," there is no essential disparity between the Sunni and Shia perspectives on macroeconomics, economic development, and social policy.<sup>37</sup> In politics, the main difference is that Shiite Muslims believe in the succession of political power by the Imam, a religious leader, who must be a male child from the lineage of Ali from Fatimah. Ali was the third Caliph, the ruler, succeeding the Prophet Muhammad. Fatimah was the Prophet's

daughter and Ali's wife.<sup>38</sup> In practice, this belief introduces a de facto theocratic state led by a *Faqih*, the supreme leader, as in contemporary Iran, despite the selection of the president and his cabinet through democratic elections. In Iran, a *Faqih* holds the authority to ratify the Parliament's legislation after verifying its compatibility with *Sharia* and to dismiss the president. Concerning the prospective role of Shia movements in the region, the key matter is that there is no country in the case studies where Shiite Muslims have a sufficiently overwhelming majority to establish politico-economic conduct in parallel with their political axioms. Even in Bahrain, despite their absolute majority in the population of approximately 50 percent, it seems that they would not determine the country's PE on their own given the existence of Sunnis, liberals, and leftists that make up the country's capitalist, privileged, and well-educated strata.<sup>39</sup>

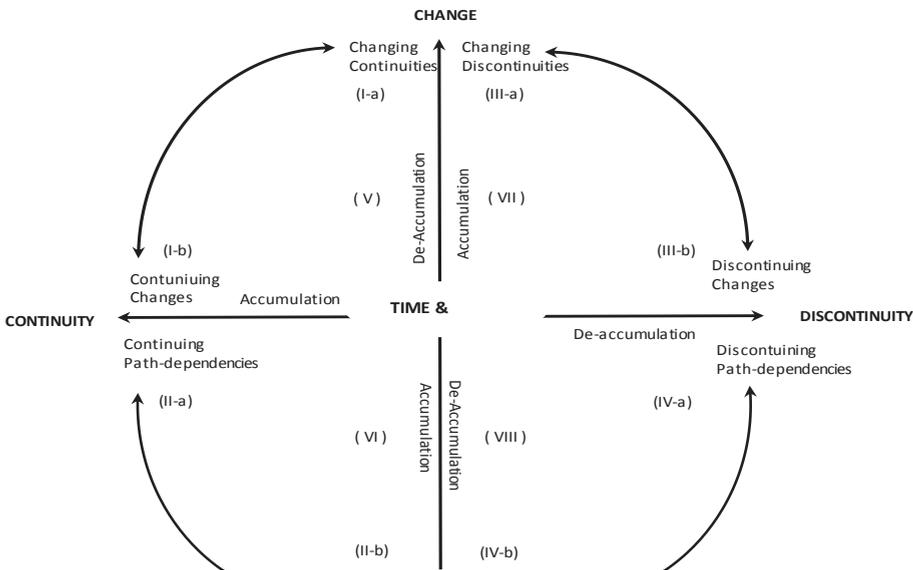
After the Arab awakening, as the third notable Islamic actor in the region, Salafi organizations and political parties increased their activism across the MENA. In particular, the Saudi and Qatari Salafi organizations play a pivotal role, financially and ideologically, in supporting the other Salafi groups around the world. Salafists essentially defend the literal, spiritual, and puritanical mode of the Sunni sect. In PE terms, this contention manifests as excessive conservatism in using rationality but adapting a static normativity. However, this theoretical posture is not free from practical pragmatism.<sup>40</sup> Salafis in Egypt, while identifying democracy with *kufir* (rejection of Islam) before the Uprisings, founded a political party, al-Nour, after the Uprisings and participated in the elections, obtaining 28 percent of the total votes in the 2011 elections for the People's Assembly of Egypt. For the second round of the presidential elections, they supported Morsi, the candidate of the Justice and Freedom Party, but then cooperated with the Military junta in overthrowing the Morsi government. The basic goals of the party's program are to apply Islamic *Sharia* to all aspects of life, to establish an Islamic state on the basis of Islamic ethics, to reject the

adoption of secular premises, and to support private property and economic competition conditioned by public interest.

### Then and Now: Between Path-Dependence and Change

In the light of the institutional stock of and the agenda of the change agents in the case countries, examined in the previous two sections, three basic options can be suggested to be underway or imminent in these countries: developing a new institutional stock, revising the old establishment, or protecting the vested interests of political or economic actors. In the following section, I will first examine what has happened until now from the inception of the Arab Uprisings and then, in the concluding sub-section, what can be expected in a near future with specific reference to the question of whether an Islamic PE is in the making across the region. Before examining the varying potential combinations of these basic options in terms of their economic, political, and sociologic manifestations, below, I discuss the patterns of path-dependent changes to place them in a systemic framework.

Figure 3: Path-Dependent Institutional Changes in Time and Space



In the model depicted at Figure 3, which I have proposed elsewhere<sup>41</sup>, path-dependence and change are considered processes of accumulation and de-accumulation. As I have elaborated in depth on the model there, I do with presenting its basic points.

Defined by continuity and discontinuity, change signifies, respectively, a process of the de-accumulation of continuities and the accumulation of disconti-

nities. And path-dependency is not only the uninterrupted continuity but also the *incremental embedding* of social institutions. It is critical not to expound a process of accumulation or de-accumulation as a change independent of path-dependence and vice versa because societies and their politico-economic structures, particularly the normatively contingent ones, ‘de-accumulate’ over time haltingly, interruptedly, and non-linearly, and a change or path-dependence is strictly bounded by these non-monolithic patterns of accumulation or de-accumulation. This point brings us to the concept of ‘*path-dependent change*,’ which I define as “the de-accumulation or gradual waning of social institutions within the confines of accumulated continuities.” The varying patterns of path-dependent changes shown in Figure 3 can be defined from the same perspective, as follows:

- (I-a) *Changing continuities* refer to continuities that de-accumulate in an uninterrupted manner.
- (I-b) *Continuing changes* denote changes that accumulate in an uninterrupted manner.
- (II-a) *Continuing path-dependencies* refer to the uninterrupted accumulation of path-dependencies.
- (II-b) *Path-dependent continuities* mean that continuities continue to accumulate in a path-dependent manner.
- (III-a) *Changing discontinuities* demonstrate that changes commence or continue to de-accumulate discontinuities.
- (III-b) *Discontinuing changes* symbolize the process of the interruption or de-accumulation of changes.
- (IV-a) *Discontinuing path-dependencies* refer to the process of the interruption or de-accumulation of path-dependencies.
- (IV-b) *Path-dependent discontinuities* symbolize the accumulation or embedding of discontinuities in a path-dependent manner.

### ***Unfolding Path-Dependent Changes during and after Uprisings***

In PE terms, the basic pattern of path-making and the sustaining strategy of the Gulf monopolies has been theoretical pragmatism, in the sense of discursive emphasis but tantalizing abstention in implementing the basics of Islamic PE in the public sphere. In Egypt and Tunisia, this strategy was executed with politico-economic secularization in the public sphere in the face of the enduring (diffused) Islamic consciousness in the civic sphere. With this functional segmentation, rather than being accepted as a model of PE, Islam has been employed by the ruling leisure classes in the case countries as a normative change-blocking cement among polity, economy, and society to cool and suppress the accumulated social tension.

Before the Uprisings, for example, in Egypt’s constitution, it was unabashedly declared that the Islamic law, *Sharia*, was the principle source of legisla-

tion. This principle was, however, confined to laws regulating personal status issues but not political or economic codes such as taxation, banking, and business, for which contemporary secular codes were adopted from the developed models. In regard to the prospect of integrating secularly or authoritarily ordered economic and political exchanges with Islamic PE premises, which would change the division of labor in these societies, the same reasoning prefers to augment the proportion of *continuing path-dependencies* of the enduring regimes through the authoritarian suppression of protesters, i.e. the Gulf monarchies. In Oman, for example, this strategy was accommodated by *changing continuities*, making manipulative changes in the continuing non-systemic pillars of the regime. In that country, along with replacing twelve ministers in the cabinet, the *Shura*, a quasi-parliament body, has been granted new powers on issues related to auditing and votes of confidence but still lacks the power of legislation.

Another option is to revitalize the *discontinuing path-dependencies* of the old regime, interrupted by the ousting of the Mubarak regime in February 2011, as the Egyptian Army did by overthrowing the democratically elected Morsi government in July 2013 and not hesitating to shoot at protesters or sentencing them to execution after a “just a few minutes trial.” In other words, the Egyptian Army’s action led to *discontinuing the changes* that the Morsi administration initiated, such as the making of a civic constitution. However, in Tunisia, the reverse is true.<sup>42</sup> In addition to discontinuing the path-dependencies of the old regime, the al-Nahda-led coalition government perpetuated *continuing changes* with the enactment of the Tunisian Constitution of 2014 and particularly by embedding a politics of reconciliation and tolerance between various factions. For example, with the outbreak of political chaos following the assassinations of two political figures, to ease the situation, the en-Nahda-led coalition government *left power* in July 2014 to a politically neutral caretaker government to take the government to general elections at the end of 2014.

With this background, the systemic gaps between the “ideals” of Islamic PE and the praxis of the case countries originate in the aforementioned segmented shallow normativity and congealing rationale embedded in authoritarian constructed political monopolies.<sup>43</sup> In systemic terms, this gap is sufficient to eviscerate the core constituent of an Islamic PE, the intercomplementarity between formal and informal institutions, as the basic cement of the “Islamic social contract.” The lack of this cement constitutes the contemporary *anomie*



## **The political economy of the Gulf countries now and the political economies of Egypt and Tunisia before the uprisings were far from being identified with an Islamic regime**

of the Muslim nations, as the foremost *path-dependent discontinuity* that has been accumulated by the old or enduring regimes and has led to the embedding of a diffused “group feeling” in the society between the Muslim “I” and the Muslim “me.” The former is the person who strives to establish a stable and sustainable shelter in the disidentifying stream of market, rent, and leisure consciousness. The *positive-sum leisure* in the Gulf states also backs and consolidates this particularistic segment of Muslim identity. The Muslim “me” stands for the diffused collective identity of contemporary Muslim societies. It floats through the evolutionary spiral that includes the manipulative and discursive repetition of Islamic worldview in public and civic sphere, respectively. It is torn between the sectarian clashes among the Sunni, Shia, and Salafi communities and the tribal or ethnic conflicts. It is suppressed by the authoritarian political regimes with their rent-seeking business allies. It is situated within the growing middle-and high-income groups consisting, inter alia, of Western-educated professionals, technocrats, and businessmen. It can fit with the social democratic, liberal, far-leftist constellations, particularly in Egypt and Tunisia. It suffers from the shallow market structures along with sluggish economic developmentalism. It is caught up in the cultural and traditional corrosion in the face of the modern or post-modern popularities as well as the inter-state power clashes across the borders.<sup>44</sup>

Underlying the strategic importance of this cement, as illustrated at Figure 2, is the fact that it not only knits together individual and civic collective action but also molds the incipience, evolution, and change of the political and economic institutions. In Egypt and Tunisia, for example, the evolutionary embedding of this fragmented structure along with the rising secularly minded business elites, middle classes, public servants, and judicial authorities created *path-dependent continuities* under the systemic control of the presidential dictatorships at the level of bureaucracy, social communication, market exchange, and university education. In the Gulf countries, despite remaining British protectorates in various parts of the 19<sup>th</sup> or 20<sup>th</sup> century, the unremitting rule of political monopolies since the mid-18th century or earlier has accumulated iron-clad *path-dependent continuities* in the sense of the imperviousness of their rule to any civic demand. The British imperial power, in essence, did not break up the accumulation of this rule but instrumentalized it for rent-extraction.<sup>45</sup> Beginning particularly with the massive outpour of oil income, these *path-dependent political continuities* have become enmeshed with economic ones, so as to fabricate the current structure of the region-wide monopolist regimes.

In this context, the political economy of the Gulf countries now and the political economies of Egypt and Tunisia before the uprisings were far from being identified with an Islamic regime. In addition to the lack of an ethics-based inter-complementarity among economic, political, social, and market institutions, the *corporatizing welfarism* and *positive-sum leisure* as a point of vol-

untary or involuntary compromise among the actors of these four units obliterated the emergence of an Islamic social optimum. The depolitization of civic, political, or economic associations rules out the effectuation of a governance (*Shura*) regime among the state, market, and civic forces, thereby stabiliz-

ing the unquestionable rule of the political despots. With the embedding of rent-seeking action in a public sector-weighted economic structure, instead of operationalizing a creative construction around high-road complementarity, private actors perpetuate *low-road complementarity* both to capitalize easy subsidies, patronage rights, and market protection, and to avoid taking the risk of failure in competitive sectors. Instead of regulating a rights-based and redistributive social policy regime, the provision of compromise-buying subsidies incapacitates human resources, depresses labor productivity, and cunningly forecloses upward social mobility.

As a result of these paradoxical dialectics, the embedded path-dependencies of such systemically flawed regimes accumulated their own change dynamics. With the "guided" role of network professionals, whom Ramadan claimed<sup>46</sup> were educated in the USA, the ordinary public initiated *discontinuing the path-dependencies* of the old regimes, as in Tunisia, Egypt, and Libya, through the eradication of vested political interests. The reason why I do not prefer the terms *old* or *ceased* instead of *discontinuing* to describe these path-dependencies is the continuing existence of their structural remnants in the sense of, for example, the ongoing pivotal role in Tunisia of the market players who accumulated their capital during the old regime and who preserve their internal and external commercial linkages or the enduring stock of public cadres who occupy their positions earned through the patronage channels of the old regime. Namely, these path-dependencies continue despite being de-accumulated.

## Is an Islamic Political Economy in the Making?

What would be the next step between the continuing path-dependencies of the case countries and potential changes initiated by the Islamic political movements across the region? Except for Tunisia, at the time of writing this article, there is no other transformed regime in the case countries, but neither is the prospect of an "Islamic PE" in these countries non-imminent. In Tunisia, for example, the proponents of the "old regime" came to power under the unifying cloak of the "Call of Tunisia." Did anyone truly predict a region-wide

## Islamic fronts will face several internal and external predicaments between continuity and discontinuity, as observed in the Tunisian and Egyptian cases

revolution? A methodological fault of social scientists has been to hasten to foreordain the future of political economy with either an adaptive or a rational expectationist perspective. However, the ongoing Great Recession in the world economy has again proved that a full prediction of the “social future” is inconceivable. Keeping this fact in mind, it would prudently be suggested that the imminence of a major revision or transformation for the case countries has rarely been stronger than today.

The cross-consolidating continuity of political monopolies across the MENA has been structurally shattered by the equiprimordial Uprisings, though rectified by military force, originating not in the conjunctural dynamics but in the exhaustion of the “old” regimes and their systemic equations. Palliative measures would hence not be expected to perpetuate the status quo forever in an age of networked societies. A *path-dependent continuity* for the Egyptian junta, in this sense, by killing or executing people following the institutionalization of a democratic regime and forbidding the FJPE from electoral competition, is not highly probable, despite continuing Saudi and USA support. It is true that the oil and gas reserves would be the main source of path-dependent continuities in the Gulf countries, sustaining the rule of political monopolies for a certain period of time. However, the Gulf monopolies, in the middle term, might well be expected to begin or continue *discontinuing (their) path-dependencies*, not to pave the way for a democratic regime but to consolidate their power. As Streeck put it,<sup>47</sup> the small *continuing changes*, though manipulative, might well accumulate in time into structural ones, *discontinuing path-dependencies*.

On the one hand, the re-incumbency of the FJPE or its successor, not a distant contingency, might create a spillover impact on at least a partial democratic transition in the Gulf countries, if not a complete transformation. Across the Gulf countries, on the other hand, the Brotherhood-affiliated organizations, such as al-Menbar in Bahrain and the Islamic Constitutional Movement in Kuwait, are political minorities.<sup>48</sup> However, as in the case of the Islamic Awakening in Saudi Arabia, they are in effect the largest and best organized non-state group, with hundreds of thousands of members, and have a strong transnational network, as observed in the 2005 municipal elections when, in most districts of the major cities, Sahwa-backed candidates won with impressive scores. Another key point is the potential areas of cooperation among dominant Islamic organizations in the region.

For example, in Saudi Arabia, over the last 10 years, a pro-democracy current has evolved with the initiative of dozens of intellectuals, Sunnis and Shiites, of Islamist and liberal backgrounds, raising their incessant demand through increasingly provocative petitions for the establishment of a constitutional monarchy in the Kingdom. The consequences have included the creation of the Kingdom's first fully independent human rights organization, the Saudi Civil

and Political Rights Association, in October 2009 and the establishment of the Kingdom's first political party, *Hizb al-Umma* (the Party of Ummah), in February 2009, continuing their activism under unremitting suppression. As observed in the relationship between the FJPE and al-Nour parties in Egypt, however, the interplay among Islamic organizations might in some cases be not wholly cooperative but dynamically conflictual.

Thus, what would happen in the event of their ascendance as political actors with popular support, in view of the Islamic organizations' cooperative and conflictual relationship as well as their agenda for change? The hallmark of path-dependent changes in social phenomena is that social structures de-accumulate *over time*. As a result, even in the case of a major revision or a fully-fledged transformation of the vested regimes, Islamic fronts will face several internal and external predicaments between continuity and discontinuity, as observed in the Tunisian and Egyptian cases.<sup>49</sup>

To institutionalize a truly Islamic PE, these actors must systemically de-accumulate their countries' *continuing path-dependencies*, a natural resource-financed or protection-sponsored leisure strategy drawn upon a corporatizing welfare regime, and accumulate a growth strategy based on stable productivity and positive-sum institutional complementarity among the factors of production as well as a governance-based pluralist political model. This pluralism would be limited, to a certain extent, in the case of the incumbence of the Shiite majority in Bahrain. In this sense, for prospective Islamic administrations, the major hurdle is to manage the delicate trade-offs between the imposing sound or austere fiscal rules (particularly for Egypt and Tunisia) by considerably cutting the overgenerous social or private sector subsidies and institutionalizing a progressive model of taxation at optimal levels. This would entail synthesizing credits and subsidies to promote productive and innovative sectors. Income inequality would be mitigated through the institutionalizing a *Zakat* (wealth tax) regime, increasing the quality and extending the coverage of the education system, eradicating patronage-based recruitment, and instituting universal social security. Further, setting up a minimum wage regime and implementing effective individual and collective labor laws that would enable private, public, or foreign workers to organize and seek their earned rights with the power to manage a process of conflictual compromise with their employers would help

**Even if a single-party could come to power, it would be hardly possible for it to mobilize the majority of organized actors and citizens to contribute to the politico-economic development in the face of the above-noted sectarian, ideological, and interest clashes**

**And this, in most cases, preconditions deregulating economic and financial regimes, developing pragmatic and flexible international coalitions in commerce and finance, transferring know-how and technology necessary for industrial development, etc.**

rational renormativization of individual and collective politico-economic action with a trade-off between the pragmatic/material fluidity of praxis and the eternal stability of Islamic theory. In other words, the norm-contingent action that emboldens Islamic movements to manifest themselves in the political sphere should be accumulated into a motivating factor, at least among their proponents, to unleash innovative research, high-value-added production, meritocratic career pursuit, and a democratic political regime. For example, Islamic administrations will have to erect a productivist solidarity in the market through the institution of an ethical constraint to urge businessmen to avoid interest, fraud, and speculative (portfolio) investment and therefore to motivate them toward progressive research and productive real investment rather than to pursue rent-seeking opportunities.<sup>50</sup>

First and foremost, such a society-wide process of *discontinuing path-dependencies* entails the de-accumulation of social diffusion between the Muslim “I” and the Muslim “me,” thereby building up a collective and solidarist consciousness. What might considerably restrain this transformation are the continuing path-dependence of the conflicts among orthodox Muslims (as observed in Egypt between the Sunni and Salafi parties), secularists, Arab nationalists, liberals, leftists, tribal and sectarian political and economic interests under the grasp of the transnational market exchange and the informational influx of popular culture, particularly through electronic networks/social media.<sup>51</sup> In Tunisia, for example, the institutional entente among various segments has redounded to the benefit of politico-economic stabilization thanks to their agreement not to adopt Islamic PE as a systemic regime, despite the lack of a secularly motivated powerful military. A tenuous but critical detail is the management of this process through the participation of major civic and interest organizations, including the Tunisian national union of workers, the Chamber of Commerce, the Lawyers’ Union and the Tunisian League for the Defense of Human Rights. The overthrown Morsi government, to a great ex-

to form a strong middle class. Finally, establishing a level-playing field for access to investment credit and political channels would bolster entrepreneurship and diversify the commercial sector, thus creating economic growth.

In Islamic terms, firstly, this process of systemic de-accumulation would not be phased out merely through the rapid disestablishment of the formal institutional system by “a coup de main” but through the ra-

tent, was grounded on constitutional regulation, the major purpose of which was to make Islam the unique source of overall politico-economic restructuring. For the Gulf countries, such a process of discontinuing "socio-political" path-dependencies in erecting a democratic political regime enmeshed with Islamic premises would be phased out more smoothly, though non-linearly, than in Egypt and Tunisia, in that they did not experience any systemic process of secularization at the macro PE level.

Secondly, the dialectical tension in the political realm between the prospective Islamic governments, established bureaucratic structures and the businessmen in the case countries could cause the destabilization of an overall reform process and therefore impede the incremental optimization of these countries' institutional stocks under the pressure of their diffused politico-economic identities or rent-seeking coalitions. And the establishment of a *Shuratic* or democratic system, contrary to the expectations, may not mitigate this conflictual tension. Because the fragmented political landscapes in the case countries would not be expected, at least in the short-run, to provide a single party with the necessary majority to come to power. Even if a single-party could come to power, it would be hardly possible for it to mobilize the majority of organized actors and citizens to contribute to the politico-economic development in the face of the above-noted sectarian, ideological, and interest clashes. Thus, this dialectical tension would be expected to create a deadlock that could refrain prospective Islamic administrations from discontinuing the path-dependencies of established regimes in systemic terms.

In Turkey, for example, after a development process that had continued since the early 1950s, the largest capital-owner of the country, Koc Holding, a secularly-sensitive group, which cultivated its capital through undertaking public sector projects thanks to its ideological convergence with the prevailing bureaucratic and political classes, announced in 2013 that "a local automobile branch will be a commercial suicide." Instead, the Koc Holding chose to run a local assembly line for the American Ford and Italian Fiat companies. When Turkey initiated entry into the Customs Union in 1995, it was the same Koc Holding that fiercely opposed to tariff rate reductions. In 2012, for example, the Turkish economy had a 6.1 percent current account deficit in proportion to the GDP, primarily due to heavy dependence on imported intermediate goods, as in Tunisia. The emergence of an Islamically motivated single-party government out of a political tradition that defends a similar politico-economic program to the *En-Nahda* since late 2002 has not made an essential change in this respect. As a consequence, the proportion of Turkey's high technology products in total exports was the same in 2002 and 2011, 1.8 percent. This proportion was 3.7 and 5.6, respectively, for Tunisia, even under the hand of an authoritarian despot.

This fact, *inter alia*, proves the alarming impact of path-dependence when there is no intercomplementarity-based governance structure in the public and private sector. Since 2002, TUSIAD, a secularly sensitive business organization founded in 1972, whose members run the big industrial complexes, has been in a dialectical tension, if not a direct political conflict, with the incumbent Justice and Development Party (AK Party) of Turkey. This conflict prevents the establishment of an effective system of economic governance that would contribute to both the optimization of long-run transaction costs and a planned diversification of the industrial structure from primary to sophisticated products. Apparently, the same risk exists between the prospective governments to be founded by political parties of orthodox Muslims and the private sector groups, who have cultivated their capital through formal or informal patronage channels with the political monopolies in the Gulf countries, Egypt, or Tunisia.

Thirdly, the prospective Islamic administrations will have to manage another dialectical tension in the economic realm between engaging in an international politico-economic exchange with a purposive-rational mindset and seeking *conservative exchanges* among the Muslim-majority nations with a value-rational mindset: namely either to ride with the tide of global capitalism or to initiate counter-cyclical attempts. The Developing Eight (D-8), is an example of this type of initiative. The D-8 was founded in 1997, among the eight Muslim-majority countries, mainly to counter-maneuver the imperialist occidental countries (Necmettin Erbakan, its founding figure and former Prime Minister of Turkey, had dedicated his life to establish such a project defending the eradication of the world capitalist system). The former choice is a must for the case countries, as they are in an urgent need of deepening their industrial sophistication particularly by way of attracting the FDI in high-tech areas. And this, in most cases, preconditions deregulating economic and financial regimes, developing pragmatic and flexible international coalitions in commerce and finance, transferring know-how and technology necessary for industrial development, *etc.* On the other hand, they must institute an endogenous culture of technology creation and innovation through the mobilization of a progressive Islamic consciousness in cooperation with their Muslim allies, thereby gaining a systemic power to surpass culturally assimilative and economically exploitative consequences of global capitalism. This dialectic will apparently expose prospective Islamic administrations in the region to a strategic dilemma: either to continue the path-dependencies of underdeveloped economic structures in the case countries or to discontinue Islam's unchangeable politico-economic path-dependencies.

In the formerly social democratic European countries, the Third Way has come out as a result of a similar dilemma for the social democrats<sup>52</sup> whose major economic ideals are not systemically different at the level of theory, ex-

cluding some policy tools such as interest, from the Muslims.<sup>53</sup> The social democrats *allegedly* faced this dilemma: either to discontinue the main path-dependencies of social democracy (a strategy of economic policy for achieving full employment and a universal social welfare) under the pressure of neoliberal status quo or to grapple with the adverse consequences of an overloaded state and lose competitive power in international markets. The Third Way stands for the transformation of orthodox social democracy towards supply-side economics and *workfare state*. Given that the levels of industrial sophistication, economic development, and international competitiveness in our case countries lag far behind these European countries, it can be predicted that the prospective Islamic administrations will face much harder challenges in implementing their economic ideals under the assimilative pressure of the capitalist world system. For example, Morsi government's economic performance became grounds for the military's coup d'état and for anti-Morsi forces to initiate anti-government protests.



## **A stable Islamic social system can be established and sustained only through social equity**

Fourthly, the prospective Islamic governments will also have to strike a trade-off between economic efficiency and social equity. As Ibn-i Khaldun put it, a stable Islamic social system can be established and sustained only through social equity.<sup>54</sup> Because, otherwise, the "group feeling" necessary to generate knowledge, continue productive activities, and sustain a workable political regime cannot be formed and protected in an Islamic fashion. In this sense, given that no country has the chance of isolating itself from international economic exchange, Muslim (public and private) entrepreneurs will face two options. The first is to discontinue an unchangeable path-dependence of an Islamic PE, a social justice-first economic development strategy, in the face of the continuing path-dependencies or the vested interests in the established regimes of the case countries. Alternatively, to accumulate this unchangeable path-dependence of Islamic PE, the second is to unleash a transformation from a patronage-based structure to a competitive free market by stimulating a creative construction on the basis of *high-road complementarity* among polity, market, and society.<sup>55</sup> The intensity of this challenge can be understood better when it is taken into consideration with what triggered the above-noted transformation of social democracy towards the Third Way is the dissolution of '*productivist solidarity*,' the group feeling of social democrats. The *productivist solidarity* was a point of compromise between state, employers, and employees of the trade-off between efficiency, equity, and voice.<sup>56</sup>

For the high-income Gulf countries with relatively high HDI scores, despite rising population growth and high youth unemployment, this challenge of

systemically *discontinuing the path-dependencies* of the old regimes' social economics would be more tenable in the short term because of the comparatively lower level of central government debt and accruing oil or gas revenues would leave more budget space to cope with such a transitional period between efficiency and equity. However, for upper-middle income Tunisia and particularly for low-middle income Egypt, this tension would pose a formidable challenge to the stability of Islamically organized political regimes. This is particularly true due to the high public sector indebtedness of these countries, their extremely high rate of youth unemployment, as well as their highly limited labor force participation. Their HDI rank is far lower than that of the Gulf countries.<sup>57</sup>

All in all, the key variations of a systemic transformation, if any, from the case countries' political economies, depicted at Figure 1, to an Islamic PE, depicted at Figure 2, are bound to be quite conflictual and complicated between path-dependence and change. What I have tried to do is just to explain the prospective varieties of these complications keeping in mind the fact that the social future cannot be analyzed with a determinist methodology of any kind but with a systemic exploration of the structural intersections between economy, polity, society, and market.

## Conclusion

In a nutshell, it should be noted that among the case countries, the complete changes to the Tunisian and Egyptian regimes occurred not in a few months in 2011 but over decades during which these change dynamics accumulated through the institutional imperfections of these countries' politico-economic models. The same change dynamics have accumulated across the Gulf countries for several decades, and their effectuation at a turning point is not imminent. What is evident is that the process of de-accumulation of these regimes' path-dependencies will unfold in time along a non-linear and interrupted pathway, ebbing and flowing among the eight patterns of path-dependent changes in various sequences, as shown in Figure 3. While the incipience of this de-accumulation might rest with the insurrectionary discretion to be undertaken by the civic masses of the case countries, its sustainability depends on the systemic effectuation of a norm and a socially contingent progressive rationality, as predicated in the theory of Islamic PE. However, this transformation requires a society-wide mobilization that the Muslim communities have failed to initiate for at least the last two centuries. I am not in a position to unhesitatingly claim that an Islamic PE is in the making, but to dispense with suggesting that the prospective changes towards an Islamic model would inevitably unfold *cross-path-dependently* ebbing and flowing through the intersections of sociological, political, and economic institutions in time. ■

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