
The Economics of the Middle East:

A Comparative Approach

By James E. Rauch

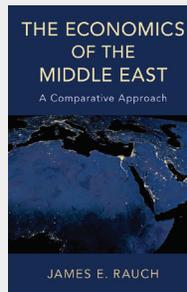
Oxford University Press, 2019, 312 Pages, £22.99, ISBN: 9780190879198

Reviewed by Erhan Akkaş, Ağrı İbrahim Çeçen University and Durham University

The Economics of the Middle East: A Comparative Approach is a seminal work by James E. Rauch on the regional economics of the Arab countries, Iran, and Turkey. Rauch sets out a broad comparison of the Middle East's economics in ten informative chapters that cover micro, macro, and political economics, as well as development perspectives. Rauch scrutinizes the historical perspectives of human development, focusing on issues of education, health, demographics and gender, and presents each sample country's macro performance.

To start with, Rauch provides geographical and conceptual definitions (e.g., Iran as the other fuel-endowed country and Turkey as the other Mediterranean), and explains the scope of the book. Rauch defines the issue of intensive and extensive growth through the use of secondary data. In this part, the Middle East countries are categorized as developed and developing in terms of their intensive or extensive growth trajectories. Based on this division, the backwardness of the Arab countries is attributed to their inability to industrialize. Therefore, for the author, insufficient education and health service have prevailed in the Arab region as oil became an essential source of income for the fuel-endowed Arab countries after World War II (p. 52).

In a similar vein, the book presents some descriptive information on the Middle East



and North Africa (MENA) region's intensive growth by referring to international trade, foreign direct investment, rents, and total natural resources in the following sections. Rauch notes that intensive growth in Turkey, Egypt, and Morocco began with industrialization, whereas in most countries in the Arab

world it began with tourism and fuel exports (p. 56).

Rauch accentuates the region's human capital by linking education with economic growth. He argues that education in the Arab countries, Iran, and Turkey is quite successful in terms of quantity but not quality (p. 92). In addition to education, Rauch affiliates demographic transition with economic growth, noting that it is too early to define a positive transmission in this region's demography in terms of contributing to economic growth (p. 119).

Giving a detailed discussion of the equalities in Middle Eastern societies, Rauch analyzes the gender gap in education and labor force participation between women and men in the region. According to secondary data, he finds that except for Sub-Saharan African countries, girls catch up with boys in terms of school enrollment, but women's labor force participation is still far behind that of men (p. 121). Based on this finding, Rauch states that the contribution of women to economic growth in the region is limited. However, he

anticipates that educated women will lead the next generation to be more educated (p. 132). Although other reasons for women's low participation in the labor force are mentioned in this section, Rauch mainly attributes the disparity to religion (p. 128). However, social and cultural factors, which are almost equal to the religious factor in the Middle East, appear to be underestimated.

Rauch discusses financial inequality, income, poverty, migration, and unemployment, mainly focusing on the Gulf Cooperation Council countries, which are at the top in per capita income and host an excessive number of foreign workers. These workers send remittances to their home countries, which contribute to poverty reduction there (p. 152). In this section, Rauch emphasizes the importance of *zakat* and Islamic banks in alleviating poverty in the region (p. 164). However, it is essential to state that Islamic banks are ontologically different from *zakat* practice and that they lead to increased debt, similar to the capitalist banking system. Therefore, the banking system, whether it is Islamic or conventional, does not lead to a decrease in poverty due to the institutional logic of capitalism.

The Economics of the Middle East also addresses humanitarian and environmental concerns, such as air pollution and lack of access to water, both of which are crucial issues for the arid region and carries the discussion from environmental-oriented issues to government expenditures to urban infrastructure, energy subsidies, and the military. Rauch argues that the MENA region governments increased their infrastructure expenditures when the infrastructure in the cities

started to become inadequate due to the increase of urbanization (p. 198). Furthermore, Rauch states that the increase in energy demand has made it necessary for governments to subsidize energy, as the production cost is higher than the cost of consumption (p. 204).

Rauch approaches Tunisia and Egypt's corruption from a political economy angle, focusing on politically connected companies in Egypt and Tunisia. Lastly, the book summarizes that despite pressures from the politically engaged business sector, it is difficult for governments in the MENA region to introduce fair regulation and taxation (p. 249). The conclusion offers some policy recommendations to Middle East governments, with references to relevant details in each chapter.

Overall, Rauch's book contributes to the literature on the Middle East's economics from a broad perspective. However, some tables, such as those related to migration, are not up to date, as more recent data is available. Also, some comparisons face the problem of being superficial because the Middle East countries cover a very large geography, making the gap between countries relatively high. Furthermore, although the book covers the entire Middle East, only Egypt and Tunisia are examined as case studies in the political economy discussion. Finally, the book overestimates the role of Islamic banks in reducing poverty, in fact, the institutional logic of capitalism prevents considering Islamic banks as significantly different from conventional banks in these policies. In general, despite these minor criticisms, *The Economics of the Middle East* provides a helpful introductory source for students and scholars interested in Middle East economics.