According to practically all global indices of political performance, the Middle East, which is defined here to include the Arab world plus Iran and Turkey, stands out as a poor performer. Transparency International ratings indicate that corruption is much more prevalent in the Middle East than in the OECD, the club of economically advanced democracies. The Middle East also scores low in the World Bank’s rule of law index, and in the civil liberties index of Freedom House (Table 1).

There are variations within the Middle East, which are themselves intriguing. Turkey’s ratings stand roughly mid-way between the weighted averages for the OECD, to which it belongs, and the strikingly low rankings of Iran and the Arab League. With respect to the rest of the Middle East, Turkey looks politically advanced; by the OECD gold standard, it looks corrupt, misgoverned, and repressive. Turkey’s intermediate status reflects the progress it has made in recent years (Figure 1); until even a decade ago, in terms of political performance it looked more similar to Iran and the Arab League than to the OECD.

This improvement in relative performance provides room for optimism concerning the future political trajectories of Iran and the Arab world. It also provides an analytical reason for lumping Turkey with Iran and the Arab world in


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studies involving historical political transformations. Notwithstanding Turkey’s recent transformation, each member of the trio is a laggard with respect to political development.

**Links between Political Performance and Islam**

In all members of the Arab League, as in Iran and Turkey, the majority of the population consists of practicing Muslims (Pew Research Center 2012). On that basis, many interpreters both outside and within the region attribute the political deficiencies captured by global political indices to Islam. But numerous others reject this inference. We need not go beyond the statistics in Table 1 to see one reason for doubt. The governance problems observed in the Middle East are replicated in places where Islam is not a major factor. China’s political record is just as poor as that of the Middle East.

*Table 1*

**Comparative indicators of political performance, 2011-12**

(0 (worst) to 10 (best), standardized and population weighted)

<table>
<thead>
<tr>
<th>Region, Country, or Country Grouping</th>
<th>Lack of Corruption</th>
<th>Rule of Law</th>
<th>Civil Liberties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa (non-Arab)</td>
<td>2.7</td>
<td>2.9</td>
<td>5.8</td>
</tr>
<tr>
<td>India</td>
<td>3.1</td>
<td>4.9</td>
<td>7.0</td>
</tr>
<tr>
<td>China</td>
<td>3.6</td>
<td>4.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Middle East</td>
<td>3.0</td>
<td>3.7</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Arab League</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Iran</td>
<td>2.7</td>
<td>2.8</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Turkey</strong></td>
<td>4.2</td>
<td>5.3</td>
<td>7.0</td>
</tr>
<tr>
<td>OECD (except Turkey)</td>
<td>6.6</td>
<td>8.0</td>
<td>8.6</td>
</tr>
</tbody>
</table>

*Note:* The population figures used in the averages are for 2005.

There are also historical reasons to reject the linkage in question. Although there exist Islamic philosophical traditions associated with social or political repression, over the ages these have competed with traditions supportive of political checks and balances, which are central to democracy and individual liberties. In the Middle Ages Islamic philosophy grappled with the challenge of subjecting rulers to the law. On that basis Noah Feldman (2008) holds that rule of law in the Middle East is weak in spite of Islam, not as its consequence.

Additional reasons for skepticism emerge when we compare, in any one component of the region, political performance under regimes committed to Islamization with the records of more or less secular regimes. Iran’s theocracy has a dismal political record, but the preceding secular monarchy was also notoriously repressive. In the Arab world, the political records of particular regimes have been no better than those of regimes that derive legitimacy from Islam. Persecuting opponents, they cling to power using vast intelligence and security networks. The three North African dictators toppled in 2011 through popular uprisings had been in power cumulatively for 96 years. Each denied Islamists political freedoms and excluded them from his governing coalition (Diamond 2010). Turkey’s recent political history offers further evidence in this vein. Since political power passed in 2002 from secular parties to the AKP (Justice and Development Party), which has Islamist roots and has sought to give Islam a greater public role in governance, basic political indices have improved, not worsened. Figure 1 provides the time paths for two indices that go back at least fifteen years. They both indicate an improvement in Turkey’s political performance in both absolute and relative terms during the past decade.

Nevertheless, there are good reasons to explore the alleged links between Islam and the Middle East’s political underdevelopment. Eric Chaney (2012a, 2012b) has found that countries whose land mass was conquered by Arab armies before 1100 and which remained under Islamic rule from then until at least the colonial era, are significantly less democratic today than the rest of the world. Chaney’s finding obviously raises the question of whether distinctly Islamic institutions contributed to this pattern. Several articles suggest that regions under Islamic rule were held back both economically and politically because of the high degree to which political authorities derived legitimacy and power from religious authorities (Platteau 2008; Coşgel, Miceli, and Ahmed 2009; Rubin 2011). Lisa Blaydes and Chaney himself (2013) observe that after 700 CE, as political stability increased in Europe as measured by the tenure of monarchs,
the Middle East remained unstable. They attribute the divergence in question to differences in military recruitment, a factor unrelated to religion per se. Whereas executive constraints emerged under the feudal structures that served as the basis for military recruitment by European monarchs, Muslim armies relied on slaves imported from non-Muslim territories. Dependence on slave armies limited the bargaining strength of local elites vis-à-vis the sultan, hindering the development of political checks and balances.

The focus here is the common economic legacy that the region acquired through specific Islamic laws that were enforced widely until the modern era. I have shown elsewhere that these delayed the Middle East’s economic modernization through several mutually reinforcing mechanisms (Kuran 2011). Extending that thesis, I argue that the region’s economic trajectory would have influenced its political trajectory as well. Political development would have followed a different path than in Western Europe, which led the transition to the impersonal economy of the modern world.

The rest of the paper identifies the mechanisms through which Islam’s traditional economic institutions produced identifiable consequences. A key claim is that the political legacy of the economic system defined by Islamic law constrains all modern regimes of the Middle East, irrespective of their particular agendas. In particular, it limits the political performance of secular Middle Eastern governments as surely as it constrains Islamist governments. It weakens rule of law, fuels corruption, and depresses civil liberties regardless of whether the politicians in power are promoting secular or religious lifestyles.

This is not to say that the religious orientation of the governing coalition is irrelevant to the governed. It determines who enjoys political freedoms and who gets repressed. Under Turkey’s secular regimes from the 1920s onward, Islamists were denied political freedoms and subjected to persecution. The tables have now turned, and it is vocal secularists who are being singled out as outlaws. More than a hundred generals have been jailed, all committed secularists; as of early 2012 more than 70 journalists were in prison; almost all belong to the secular end of the Turkish political spectrum (Turam 2012). In Ben Ali’s Tunisia, Islamists were excluded from positions of power. The post-revolutionary government has favored Islamists, and secular-minded Tunisians have been purged from government ministries and agencies (Bahloul 2012).
Economic institutions critical to the Islamic political legacy

Figure 1. Time paths of the lack of corruption (top) and civil liberties indices. The vertical shadings give the standard deviations for the OECD and Arab League; each vertical bar represents the population-weighted average standard deviation for the year in question. Sources: Transparency International, Corruption Perceptions Index, 1996-2010; Freedom House, Civil Liberties Index, 1972-2010. Note: For each index, data collection procedures as well as definitions have changed over the years. However, in any given year the same procedures and definitions applied to all countries measured.
Until the early twentieth century, in principle and in many respects also in practice, the law of the land was Islamic law, or the sharia, throughout the Middle East. Several elements of Islamic law helped to shape the region’s political development. They include the Islamic system of taxation, Islam’s distinct form of trust, the Islamic inheritance system, and the Islamic law of contracts. Through several mutually supportive mechanisms, these institutions hindered the development of governmental checks and balances, keeping non-governmental organizations from translating economic resources into political power. They also delayed, if not blocked, the advancement of individual liberties. A quick preview of the argument will be helpful.

At the rise of Islam, in the early-seventh century, an attempt was made to cap taxation and make it both progressive and predictable. Due to exemptions granted to wealthy constituencies, the Quran-based tax system became irrelevant to governance, and it ceased to constrain government takings. Over the next few centuries Islamic tax practices evolved without reference to Islam’s initial tax system. Nor were notable efforts made to place alternative fiscal constraints on the state.

Instead, the political elites of the early Muslim empires developed an institution to shelter private wealth from taxation. This institution was the waqf, which is a type of trust based on pre-existing Byzantine and Persian models. The waqf served also as a device to provide public goods through resources exempt from taxation and generally immune to confiscation. By design, waqfs were politically powerless. For all the resources placed that they controlled, they thus failed to generate political checks and balances.

Meanwhile, Islam’s relatively egalitarian inheritance system fragmented the estates of successful businessmen, and it also discouraged the pooling of capital in large and perpetual business ventures. The private business sector thus consisted of atomistic and ephemeral companies, making it difficult for merchants and financiers to form coalitions capable of bargaining effectively with the state.

The upshot is that the Middle East reached modern times without an effective civil society. Although institutions transplanted to the region since the nineteenth century have given individuals and groups new political capabilities, the past continues to limit the political performance of each country in identifiable ways. The three institutions that played critical roles are described in greater detail in sections ahead, which also lay out the mechanisms whereby they delayed the rise of civil society and the emergence of political checks and balances.
Islam’s original tax system and its rapid degeneration

The holy book of Islam, the Quran, emerged in the early-seventh century, through verses that Muhammad articulated in stages. Remarkably, it established a system of predictable taxation to finance public expenses. Called zakat, it grew out of the tithing practices of earlier religions. It stands out, though, in its specificity (Kuran 2002; Zysow 2002). The Quran spells out eight categories of public expenditure to be financed through zakat revenue. Although it leaves open the rates at which people must pay into the system, customary rates emerged quickly for common sources of income in seventh-century Arabia, such as farming, and common forms of wealth, such as precious metals and animal herds.

Except for the poorest, all Muslims were required to contribute to the financing of public expenses under the rubric of zakat. The rates were mildly progressive and low in comparison to the typical rates of antiquity. Most critical for our purposes, they were meant to be fixed. A wealthy Muslim knew what percent of his gold hoard he needed to turn over, annually, to the communal treasure. Likewise, a camel dealer knew how many camels he had to give the state each year.

In fixing the contributions of Muslims to their community’s governance, the system also capped their obligations. In effect, it tied the emerging Islamic state’s hands with regard to taxation. As such, zakat might have provided the doctrinal foundation of a social contract involving equity in taxation, predictable taxation, and limited government. Instead it lost significance, and the reason has to do with Islam’s very quick transformation from an Arabian faith to a world religion.

Islam spread meteorically within Arabia, to what is now the wider Arab land mass, and to areas beyond in Asia, Africa, and Europe. By the early part of the eighth century, places as far as Spain and Uzbekistan were under Islamic rule (Lapidus 1988, chap. 3). Outside of Arabia the economic base differed from that to which the zakat system was geared. To maintain its progressivity as a tax system, the traditional zakat rates would have had to be revised with an eye toward covering sources of income and forms of wealth unknown in Arabia during Islam’s initial few decades. However, the coverage of zakat on the collection side did not broaden; if anything it got narrower.

Although the sequence of developments cannot be identified precisely, the surviving recollections of the first century provide a general idea. Initially influential groups in Arabia, and as the conquests unfolded elites in captured
territories, demanded exemptions of one kind or another. Rulers met their demands, undoubtedly to build alliances and pacify threatening groups. The tax code associated with zakat began to look like the modern American tax code: riddled with holes and substantially regressive at the upper end of the income scale.

Having curtailed the coverage of zakat taxation, these wealthy and influential groups then began to treat as sacred, and hence unmodifiable, the specifics of the restricted tax code, rather than the principles of taxpayer equity, predictable taxation, and limited government on which the original code rested. In the process, they choked off the capacity to raise revenue through zakat. States ruling in the name of Islam came to depend, for survival, on other taxes (Løkkegaard 1950; Darling 1996). The goal of capping taxation, and making it predictable, gave way, among politically dominant groups, to concerns with advancing the interests of states or, more specifically, those of rulers.

One might expect the beneficiaries of zakat spending to have defended the Quranic fiscal system in the name of religion. This was challenging in practice, because the Quran is subject to multiple interpretations on the relevant matters. Consider its verses that discourage the hoarding of wealth. In isolation, these could be used, and were used frequently, to justify arbitrary taxation. Another problem is that the principles of limited and predictable taxation are not self-evident; they require interpreting verses within the contexts in which they emerged. Passages that appear contradictory when taken at face value often reflect differences in background conditions. Verses that treat zakat as a tax belong to a period when the Muslim community was growing explosively through the conquest of Arabia; there are other verses, from Islam’s earliest years when the community probably numbered at most in the hundreds, that treat it as a voluntary payment—as charity provided out of religious devotion, rather than as a state-enforced obligation (Hurgronje 1882/1957, pp. 157-60). Yet one would not know this from reading the Quran from start to finish, because in its canonical form its suras, or chapters, are not laid out in their order of emergence; disregarding chronology, they are laid out in order of length, from longest to shortest.

The upshot is that within mere decades the zakat system ceased to constrain rulers governing under Islamic law on either taxation or the reach of government. Before long Islamic taxation turned out to be whatever the state could get away with. And rulers took to making spending decisions without regard to the eight expenditure categories of the Quran. The earlier-mentioned philosophical
discourses focused on binding the state testifies to the failure of first Islamic state to put in place a sustainable fiscal system conducive to strong property rights.

The lack of effective constraints on predation benefited certain rulers, who responded to crises through arbitrary taxation or confiscation. By the same token, it harmed the Middle East’s political development. Governments never gained the trust of people to be able to borrow internally at low cost, as European governments eventually did.

This interpretation of why sustainable constraints on government predation did not emerge through Islam in the seventh century does not explain, of course, why they did not emerge later. Other Islamic institutions account for why the victims of predation remained perpetually unorganized, and thus incapable of advancing the rule of law.

Provision of public goods through waqfs

The elites who effectively destroyed the zakat system through loopholes found themselves without protection against arbitrary takings. Like elites in other times and places, they would have looked for a new institution to protect their assets. In fact, a century after the emergence of Islam, Islamic law saw the appearance of a distinctly Islamic form of trust, which responded to the need in question. As with a modern trust, a waqf consists of an endowment established to provide a designated service. In this case the endowment’s income is to serve the waqf’s chosen function in perpetuity. A madrasa, or Islamic college, was typically founded as a waqf. The madrasa’s construction would be financed through part of the established endowment; and the remainder of the endowment would be used, in principle forever, to produce the income needed for its maintenance (Kuran 200, pp. 841-48).

Just as the canonical zakat rates protected property by capping taxation, so the waqf shielded property through the common belief that waqf assets are sacred. This belief made rulers reluctant to confiscate waqf assets, lest they develop a reputation for impiety. How this belief got absorbed into the Muslim cosmology is unknown. A key source of inspiration was probably the Eastern Roman custom of treating as sacred the trusts of churches and monasteries. Whatever the range of influences, by the eighth century Muslims were extending protection to all endowments, including those serving economic and social functions. The assets of a waqf supporting a water fountain would share the sacredness, and thus the protection from confiscation, of the endowment supporting a congregational mosque.
The sacredness of waqf properties served, then, as a vehicle for rulers to make a credible commitment to respect the inviolability of endowed assets. For the political elites of the eighth century the most important forms of property consisted of agricultural land and commercial buildings. It is probably no coincidence, then, that the traditional waqf law required the endowment of a waqf to consist of immovables. The law favored political elites, who acquired vast lands following conquests, over merchants and artisans, whose wealth tended to consist of movable commercial goods and movable stores of value, namely, money and precious metals. Hence, in substituting for zakat as a protector of private assets, waqf law also altered the beneficiaries of the protection. Under the canonical zakat system the owners of large camel herds and hoarders of gold and silver ranked among the favored group; the capping of their obligations gave them material security. By contrast, under waqf law, animals and precious metals were explicitly denied protection (Kuran 2001, pp. 844-48; Kuran 2003, pp. 276-80). This shift in the tax burden is consistent with the transfer of the Arab Empire’s seat of governance from western Arabia to what would come to be known as the Levant. The Arab-dominated Islamic Empire was ruled by the Umayyad dynasty based in Damascus, Syria from 661 to 750, and then by the Abbasid dynasty based in Baghdad, Iraq from 750 to 1258. These dynasties benefited from the establishment of waqfs whose social services provided employment, supported economic activity, and, probably most important, diminished expectations of state-provided public goods.

It is not self-evident why private wealth holders placed private assets in organizations committed to serving communal needs. Insofar as they sought to shelter private wealth, why would they have relinquished control and usufruct rights voluntarily? The catch is that waqf regulations allowed them to maintain some control over the assets and also to pass those rights onto designated descendants. Although the motives to found a waqf included piety and social status, such pecuniary returns were generally as least as significant. As a caretaker, a waqf founder could receive fees out of the revenue; he could also appoint employees and designate descendants as successors. In sum, some of the income generated by endowed assets accrued to founders, their families, and their descendants.

On account of their wealth-sheltering function, over the millennium preceding the modern era waqfs attracted a huge share of privately held real estate. Since waqfs were established in perpetuity, the share of real estate under waqf control grew over time. By the nineteenth century, depending on the area of
the Middle East, 15 to 50 percent of income-producing real estate was included within the corpus of a waqf (Kuran 2001, pp. 849-52).

The waqf’s emergence in the Middle East coincides with that of the corporation in Western Europe. In contrast to the waqf, which is required to follow the directives of its founder, as recorded in its deed, the corporation is a self-governing organization. Both the trust and the corporation were present in Justinian’s sixth-century codification of Roman law, which was known to both Arab and European policy makers of the seventh and eighth centuries. Europeans transplanted and developed both organizational forms, and most of the largest non-governmental associations were established as a corporation. Thus, the churches, cities, and craft guilds of medieval Europe typically organized themselves within a corporation. Meanwhile, their Middle Eastern counterparts all operated through organizations lacking self-governance. Indeed, mosques and urban services were financed through waqfs. Like European guilds, Middle Eastern guilds were perpetual organizations. But they were controlled, in some measure, by the state. Not until the twentieth century did Middle Eastern states recognize the corporation and develop a legal infrastructure conducive to its widespread use (Berman 1983, chaps. 1-2; Kuran 2005, pp. 789-99).

This difference in institutional choice reflects a critical difference in state capabilities. During the eighth to the tenth centuries, the Middle East had relatively strong states capable of enforcing Islamic law over wide territories. Precisely because of this strength, the Umayyad, Abbasid, and Fatimid dynasties were able to prey on residents over large territories. As noted above, zakat was long eclipsed as a wealth shield. With Middle Eastern elites feeling a need for material protection from their strong states, the waqf supplied the need. Meanwhile, in the West the states formed after the demise of the Western Roman Empire were too weak to secure law and order. Through the corporate form of organization, communities could develop legal systems on a small scale to regulate their internal affairs. The corporation supplied the means of self-governance in an environment lacking an outside party able to secure the peace (Kuran 2011, pp. 102-10).

Given that waqfs came to control vast resources securely, and that they served broad constituencies—the users of fountains, inns, coup kitchens, mosques—they had the potential to become powerful political players. In principle, they could have used their resources partly to resist trends harmful to their constituencies and to constrain the state. The resulting decentralization of power might have placed the Middle East on the road to democratization. In Western Europe,
cities, guilds, and universities organized as corporations set in motion just such a political dynamic. In limiting the powers of central governments, they became agents of democratization.

Alas, in spite of their immense wealth, waqfs remained politically powerless. Several factors kept them persistently weak. First of all, they lacked the flexibility to reallocate resources to campaigns aimed at protecting their constituents. The requirement to follow the founder’s instructions explicitly limited their responsiveness to political threats. Had they possessed corporate rights, they would have had the necessary flexibility. Second, they lacked legal personhood, implying that they had no standing in court as organizations. Whereas in 1300 the city of Heidelberg could put its corporate weight behind a campaign to protect its water supply, faced with an analogous threat, a Damascus waqf supplying a neighborhood’s water could be defended only by its caretaker, who might appeal to a judge as an individual authorized to enforce a deed. The third factor concerns the accountability of officials. The constituents of a corporation could replace a poorly performing leader; for instance, the residents of a city could replace an unsatisfactory mayor. By contrast, the constituents of a waqf had no say over the caretaker, and he was not accountable to them. If he was monitored at all, it was by the state. Finally, and perhaps most critical, by law waqfs were barred from participating in politics. Whereas an incorporated European city was permitted, indeed expected, to use its resources to influence political conflicts, waqfs could not do so legitimately.

The upshot is that in the pre-modern Middle East the suppliers of social services did not constrain rulers as their counterparts in western Europe did. One manifestation of this difference is that, over more than a millennium, waqfs did not foster political movements or ideologies. The contrast with western Europe is particularly salient here. Many European cities, churches, and guilds were politically active and vocal. They played important roles in struggles over the division of powers between central and local governments; in the uprisings that ended, through the Protestant Reformation, the near-monopoly of the Roman Church over interpreting the Bible; and in the development of worker’s rights. The civil society that they formed collectively limited the powers of monarchs. In the process they helped to develop ideologies that would justify the curtailment and containment of central rulers’ rights and privileges.
Civil society and its persistent weakness

The term civil society is being used here in sense of Alexis de Tocqueville (1835-40/2000), the great French writer who attributed the resilience of nineteenth-century American democracy to the vitality of its intermediate associations—its organizations standing between the state and the individual. These associations served as a barrier to despotism. They ensured that if an American administration trampled on some liberty, opposition would arise from already organized groups beyond the control of the state. Cognizant of the potential for resistance, the administration would avoid going too far in the first place.

The factors that strengthen a country’s civil society have long been a subject of scholarly inquiry. Three are especially relevant here. First, there must exist the freedom to found non-governmental organizations of one’s choice. This is a freedom that the law of waqfs provided. The owners of private property were free, in principle and often also in practice, to choose the functions of waqfs that they opted to found. They could endow a soup kitchen, or a park, or a school, for example; the beneficiaries would differ, of course, depending on a founder’s selection. A founder who made himself his waqf’s first caretaker was free also to choose its employees.

The second factor relevant to the strength of civil society is organizational autonomy. Non-governmental organizations must have the capacity to act and react in their own interest. The rules of the waqf tightly restricted this capacity. In principle, and usually in practice as well, the fixing of waqf objectives and procedures through its founding deed tied the hands of successive caretakers. Unlike corporations, waqfs lacked self-governance.

Finally, there is representative administration. The constituents of non-governmental organizations must in some meaningful sense have control over the officials acting on their behalf. Although they could object to a caretaker who disobeyed the letter of the waqf deed, the beneficiaries of a waqf had no say otherwise over how the endowment’s revenue was spent. If a waqf-supported school failed to supply a good education, the parents of the students had no grounds for redress, provided the caretaker maintained the school in good repair, kept it staffed, and paid the teachers regularly. They had no legal basis for objecting merely because the curriculum had fallen behind the times or the pedagogical methods were unsatisfactory. This lack of control on the part of end users bred economic inefficiency. Insofar as the users of waqf services refrained
from communicating their wants, this lack of control also kept waqfs from becoming a political force for democratization.

The absence of organizational autonomy and representative administration offer key reasons why, as democracy arose in the West, no such tendency emerged in the Middle East. The democratic rights now picked up in global political indices got established in western Europe (and areas settled by west Europeans) through epic struggles driven by groups organized through universities, cities, religious orders, unions, and merchant associations. Such groups demanded rights. They articulated rationales for broadening requests. Stimulating thinking about the distribution of political power, they developed ideas for social reform. Their successes gave rise to rules, regulations, and laws conducive to extending individual rights and strengthening civil society. A virtuous circle thus came into being. As civil society developed, it put in place rules that facilitated the creation and operation of private organizations and gave them more security (Putnam 1993, chap. 5; Fukuyama 2011, chaps. 22-30).

In the Islamic world, no such virtuous circle emerged. By keeping civil society weak, lack of waqf autonomy and unrepresentative administration jointly created a vicious circle that perpetuated autocratic rule. Strong non-governmental organizations could not be founded, making it difficult, if not impossible, to challenge absolutist rulers through collective action. Hence, political checks and balances were relatively unlikely to arise. It merits emphasis that the waqf carried enormous economic significance. Precisely because of its economic weight, its failure to become a self-governing entity played a key role in keeping the political system autocratic. In the absence of the corporation, the Middle East was left without politically influential intermediate social structures.

Nothing here suggests that in the Middle East people were content with their political system. The account implies that subjects could not act on their grievances effectively and that political challengers were unlikely to offer coherent political ideologies. In fact, the pre-modern Middle East was not always politically stable; certain places and periods saw armed rebellions that lasted generations. However, the challengers aimed to establish autocratic regimes that would differ from existing ones only in the ruling dynasty. The new political regimes would not be more democratic in any meaningful sense of the term (Barkey 1994, chap. 5). A basic reason for the observed political stagnation lies in the weakness of civil society.
Waqfs and corruption

The figures on comparative political development in Table 1 pointed to relatively high corruption in the Middle East. This is a longstanding pattern to which Islam’s choice of the waqf as an organizational form to supply social services, and its spurning of the corporation, contributed.

We already know that waqfs were meant to be rigid organizations that used their resources according to directives specified in the founder’s deed. Changes in relative prices, tastes, lifestyles, incomes, population, and technologies would sooner or later generate needs for reallocating a waqf’s resources. If the waqf’s caretaker refused to make adaptations on the ground that he was obligated to execute the founder’s wishes to the letter, the intended beneficiaries would be served suboptimally. As discussed elsewhere (Kuran, 2001, 2011), the inefficient exploitation of waqf resources was an endemic problem that contributed to holding the Middle East back economically. Wherever economic inefficiencies are present, opportunities exist for social gain. Indeed, the needs of beneficiaries created incentives to circumvent the instructions in the deed; and enterprising caretakers found ways to get around at least some restrictions. Reallocation of waqf resources, they kept their organizations functional—or at least made them less dysfunctional than if they adhered strictly to the founder’s directives.

In principle, all such adaptations could be blocked by the courts, which were empowered to monitor waqf practices on behalf of the founder and ostensibly in the interest of the Muslim community. They could insist on enforcing the letter of each waqf deed no matter what opportunities got foreclosed. By the same token, the courts could look the other way as adaptations were made, or allow changes openly on the ground of some emergency. Unsurprisingly, judges were quick to grasp that their oversight duties provided opportunities to extract rents. They needed only to make their cooperation contingent on receiving, through a side-payment, a share of the benefits expected to result from the adaptation. In fact, resource reallocations frequently involved bribes. Waqf caretakers paid judges for endorsing convenient interpretations of deed wordings, or simply for staying silent in the face of irregularities. Corruption, which consists of extralegal measures taken to derive a personal advantage, thus became integral to the management of waqfs through time.

Over centuries, the bribes paid to keep waqfs more or less functional contributed to a culture of corruption. Breaking the law became a frequent
practice if only because waqfs were growing in number. It also became socially acceptable because it was common knowledge that rigid enforcement of the law would harm practically every sector. To be sure, widely accepted illegality exists in every society. In Scandinavian countries, which top most political indices, the police usually do not penalize motorists who drive slightly above the posted speed limit. But in the pre-modern Middle East, circumvention of the law took place in a far wider range of contexts. The resources involved were also much greater, because waqfs controlled such a massive share of real estate.

Where laws are commonly evaded, it is relatively hard to make people obey new laws. Since everyone breaks the law, the act carries no significant stigma, and enforcement is costly. Consequently, laws enforced at low cost elsewhere don’t get enforced. A byproduct of the culture of corruption generated by the waqf system was thus a rise in the cost of making and enforcing laws. Traffic regulations, rules against littering, tax laws, building codes, and environmental restrictions are openly flaunted in large parts of the Middle East even today. A basic reason is that for centuries the circumvention of materially very important laws enjoyed tolerance.

In the historical literature on the waqf system evasions of waqf rules are often treated as a perfect substitutes for formal and legitimate flexibility. In fact, and for reasons just given, the long term effects are different. In eliminating short term handicaps, evasions reduce pressures against law breakers. That makes it difficult to change behaviors through new rules and regulations, which is integral to modernization. If the Middle East scores low in regard to rule of law, a prime reason is that, for many centuries, breaking the law has been very common.

**Political legacy of the waqf system**

In the mid-nineteenth century, responsibility for providing basic urban services in the Middle East started passing to municipalities formed under new laws. And by the early twentieth century, it became possible to form private corporations supplying services long delivered by waqfs. The charities, professional associations, literary clubs, cultural organizations, and political associations formed during this period of social transformation laid the foundations for the civil societies found in the Middle East today. To one extent or another, the new private organizations were self-governing. None was bound by the preferences of its founders, except perhaps at a high level of generality. Meanwhile, in the course of the twentieth century laws governing waqfs underwent fundamental revisions
in many countries. Modern waqfs are charitable corporations. As such, they enjoy flexibilities that their pre-modern namesake lacked.

Yet more than a century after the lifting of legal obstacles to forming self-governing organizations, the countries of the region continue to harbor weak civil societies. A proximate reason is that states have been committed to controlling or undermining private organizations. The region’s autocratic regimes have spent decades emasculating the news media, suppressing intellectual inquiry, banning political parties, and co-opting regional, ethnic and religious organizations in order to silence dissenting voices. One of the reasons for their successes is that they have faced weak non-governmental organizations to begin with. Forming politically effective private organizations is an arduous process, and around a century is a short time compared to the millennium and a half that West Europeans have had to found, join, and interact with them.

As already discussed, self-governing organizations can provide the political checks and balances necessary for a self-sustaining democratic system. They also serve educational functions that enhance the effectiveness of individuals as participants in communal collective action. Insofar as they are run democratically, self-governing organizations promote a culture of bargaining and compromise. Through leadership positions over which members compete, they endow citizens with skills to form coalitions and govern. Individuals who lead private organizations acquire skills to synthesize, articulate, and communicate ideas to heterogeneous groups. They learn to turn diverse and diffuse objectives, programs, and grievances into focused social ideologies capable of competing with state-favored ideologies.

If one salient feature of the Arab uprisings that stunned the world in 2011 is that they involved masses of protestors who did not belong to a pre-existing organization, another is that they lacked leaders of stature. Yet another is that they have not generated new ideologies, let alone coherent new ideologies. These patterns are historically rooted symptoms of weak civil societies.

Weak civil societies do not imply strong states. States of the Middle East remain weak themselves in several senses. One manifestation has already been mentioned: limited enforcement of laws. Massive tax evasion offers an important example. Another manifestation is that states are reluctant to take decisions likely to draw opposition from large constituencies. For all the harshness of his regime, Egypt’s former dictator Hosni Mubarak felt compelled to maintain heavy consumer and producer subsidies that distorted economic incentives and
harmed economic development. Still another source of state weakness lies in the prevalence of nepotism. As in their interactions with private organizations, in those with public agencies citizens tend to rely on personal relationships. In effect, they treat their relationships with government agencies as social interactions with officials (Al-Ramahi 2008; Cunningham and Sarayrah 1993). Corruption is prevalent beyond nepotism; an interaction with a state agency may turn into a personal business deal even in the absence of a pre-existing personal connection simply because all sides consider bribing essential to getting work done. Under the circumstances, states find it difficult to monitor their employees; and monitoring difficulties lower their capacity to implement policies.

To be sure, various forms of corruption, including nepotism, are universal phenomena; no country receives a perfect score from Transparency International. But there are differences in degree, and those are what we are trying to explain. If corruption is especially common in the Middle East, an important reason is that only in modern times have Middle Eastern legal systems made room for organizations. The transformation came with recognition of the corporate form of organization and, along with it, the concept of a fictitious legal person. For more than a millennium during which European corporations could sue and be sued in their own right, in the Middle East only natural individuals had standing in court. Not even the waqf was considered a person for legal purposes. Under Islamic law, individuals could sue state officials but not the state (see court cases in Kuran 2010). Since the concept of legal personhood entered the legal systems of the Middle East, it has been possible for individuals to sue a foundation, business, municipality, or state ministry. However, it will take time for individuals to get accustomed to interacting with organizations as organizations. In the meantime, the ability of states to govern will remain compromised.

**Traditional atomism of private sector**

A final historical reason why the Middle East remains largely undemocratic involves the commercial sector. Traditionally, profit-making enterprises were tiny and short-lived. In seventeenth-century Istanbul, at the time the commercial center of the eastern Mediterranean, four out of five partnerships had just two members, typically a passive provider of capital and a second person who did the physical work. Less than five percent of all commercial partnerships had five or more members. And even the largest were established for finite periods, usually for less than a year. At this time, in Europe overseas trading companies were
being formed as perpetual organizations through capital provided by hundreds of investors. The scales of business continued to diverge until the twentieth century.

Several Islamic institutions accounted for the patterns and their persistence. Any member of an Islamic commercial partnership could pull out at any time, at will. The partnership’s premature dissolution by one partner imposed costs on the others. For this reason alone, merchants and investors kept their partnerships small, structurally incomplete, and short-lived. Also consequential was the Islamic inheritance system, which is egalitarian by pre-modern standards. A sudden death forced remaining partners to deal with the decedent’s possibly numerous heirs. Middle Easterners kept their commercial partnerships small and short-lived also to minimize the probability of dealing with heirs.

The resulting institutional stagnation of the private commercial sector delayed organizational development in the region. Because small and short-lived enterprises do not face the sorts of coordination and communication problems that fuel institutional creativity, new organizational forms did not emerge indigenously. This stagnation became a huge economic handicap for the Middle East during the Industrial Revolution, when the efficient exploitation of modern technologies required large and perpetual companies. The necessary legal infrastructure was installed through transplants from Europe, which effectively sidelined Islamic law at least on commercial and financial matters (Kuran 2011, chaps. 4-5, 12).

It is the political consequences of the organizational trajectory that matter here. Tiny and ephemeral Middle Eastern businesses could not bargain collectively with the state, as their much larger counterparts in Western Europe did to great effect during the centuries preceding the Industrial Revolution. Their lack of permanence discouraged the formation of business associations, which could have facilitated the bargaining process on behalf of merchants and investors. Along with the atomism of the private commercial sector, rapid turnover of its membership contributed to the persistence of weak property rights. Expropriations of private property, which remained endemic in the eighteenth century, were made possible partly by the weaknesses of private wealth holders as a group.

It is important to realize that organizations formed by private companies belong to civil society. So the atomism of the private commercial sector was among the factors holding civil society back. It thus limited not only the development of rules of special interest to private companies but the strengthening of rule of law generally. The history of human liberties and rights is replete with expansions that
stimulated one another. Demonstration effects provide one of the mechanisms at play; immunities gained by one group open the minds of others to new possibilities. A complementary mechanism works through coalition formation; groups help each other gain rights in the interest of self-serving spillover effects.

**Islam and the persistence of authoritarian rule**

This paper has explored whether Islam accounts for the commonness of authoritarian rule in the Middle East. It has presented an affirmative answer, though in a special sense. The effects have worked through institutions rather than cosmological beliefs or outlooks. The tax system mandated in the Quran, as interpreted and reinterpreted by the first few generations of Muslims, opened the door to arbitrary taxation. The waqf, which is Islam’s alternative to the corporation, kept civil society weak due to its rigidity as an organization and its exclusion from politics. And the commercial sector’s persistently atomistic structure kept the commercial sector from contributing to the development of civil society, to say nothing of serving as its engine.

This conclusion raises the question of whether modern Islamism represents an attempt to revive institutions responsible for keeping the Middle East politically underdeveloped. Although some Islamists (most explicitly those characterized as Salafis) oppose various social and religious freedoms that in mature democracies people take for granted, very few seriously contemplate going back to a world with only highly rigid non-governmental organizations, expropriations at the will of officials, and only tiny and structurally simple commercial companies expected to dissolve quickly. They are quite comfortable with the institutional fruits of the Western-inspired commercial and financial reforms of the nineteenth and twentieth centuries, even if they treat it as an article of faith that the reforms were harmful. Their own economic successes have benefited from “Islamic” companies organized in modern fashion, including Islamic banks, Islamic mutual funds, and Islamic holding companies, which are corporations, notwithstanding the lip service their promoters pay to medieval contractual forms. Likewise, their political successes have benefited from non-profit organizations that enjoy rights and flexibilities denied to pre-modern waqfs.

Insofar as Islamists are delaying democratization, this is not, then, a result of their economic practices or agenda. It does not follow, of course, that Islamism is irrelevant to democratization. Where they achieve power through the ballot box, as they have in Turkey and, recently, in Tunisia and Egypt, the resulting
transfer of power represents democracy in action. If the day comes when popularly elected Islamists leave office peacefully through a defeat at the ballot box, the democratization process will advance further. But it remains questionable whether Islamists will accept a loss of power. Turkish Islamists are known to have characterized democracy as a train that they will ride until they reach their destination, at which point they will hop off.

In any case, Islamists who achieve power do not always respect democratic norms, as these are understood by theorists of democracy. They are not necessarily willing to grant expressive or religious freedoms to their opponents. The rush of the post-revolutionary Arab governments to tighten blasphemy laws signals an attempt to restrict public speech through the threat of heavy penalties, even death, for criticizing Islamist initiatives, or refusing to live what Islamists consider a properly Islamic life, to say nothing of rejecting Islam itself. As Olivier Roy (2012) reminds us, democratic elections can bring to power groups committed to illiberal agendas.

The very process of fair and honest elections can serve to erode illiberal movements. But it may take generations for illiberal streaks to disappear. The institutional legacies identified in this paper cannot be overcome in a few years, even a few decades. It is worth reiterating that they affect all parties in the Middle East, not just the secular dictators now remembered mostly for their brutality and disrespect for political opponents. The effects of the past weigh on the political choices of Islamists too.

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